

CITY OF OBERLIN, OHIO
FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and Members of Council
City of Oberlin, Ohio

We have reviewed the independent auditor's report of the City of Oberlin, Lorain County, prepared by Watson, Rice & Co., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Oberlin is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

August 9, 2001

CITY OF OBERLIN, OH

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INDEPENDENT AUDITORS' REPORT

Members of Council
CITY OF OBERLIN, OHIO

We have audited the accompanying general purpose financial statements of the City of Oberlin, Ohio (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City at December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2001 on our consideration of the City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Members of Council
CITY OF OBERLIN, OHIO
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The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments and Non-Profit Organizations and is not a required part of the general purpose financial statements.

The segment information-enterprise funds is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion is fairly presented in relation to the general purpose financial statements taken as a whole.

June 28, 2001

Watson, Rice & Co.

CITY OF OBERLIN, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL MEMORANDUM ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE NONEXPENDABLE TRUST & AGENCY			
ASSETS										
Cash and Cash Equivalents	\$1,539,847	\$836,476	\$334,514	\$1,419,378	\$5,351,442	\$50,164	\$1,747,595	\$0	\$0	\$11,279,416
Restricted Cash							146,122			146,122
Investments	1,421,047	50,909			4,131,256		2,584			5,605,796
Net Receivables	360,013	283,469	32,500	6,381	1,328,478		124,837			2,135,678
Due From Other Funds	33,181	5,400	30,239		156,728		8,439			233,987
Accrued Interest Receivable	91,856			1,244			2,346			95,446
Prepaid Expenses	12,159				12,003					24,162
Inventory at Cost					440,327	52,938				493,265
Property, Plant & Equipment					32,522,607	173,045		14,735,355		47,431,007
Less: Accumulated Depreciation					(13,401,573)	(160,753)				(13,562,326)
Amount Available in Debt Service Fund									347,447	347,447
Amount to be provided for Retirement of General Long-Term Obligations									2,988,528	2,988,528
TOTAL ASSETS	<u>\$3,458,103</u>	<u>\$1,176,254</u>	<u>\$397,253</u>	<u>\$1,427,003</u>	<u>\$30,541,268</u>	<u>\$115,394</u>	<u>\$2,031,923</u>	<u>\$14,735,355</u>	<u>\$3,335,975</u>	<u>\$57,218,528</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements

CITY OF OBERLIN, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2000

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTAL MEMORANDUM ONLY	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE NONEXPENDABLE TRUST & AGENCY	GENERAL FIXED ASSETS		GENERAL LONG-TERM OBLIGATIONS
LIABILITIES										
Accounts Payable	\$53,807	\$13,827		\$25,403	\$1,480,583	\$10,323	\$36,921	\$0	\$0	\$1,620,864
Accrued Wages and Benefits	76,261	9,360			67,657	3,314	46,024			202,616
Compensated Absences	141,045	15,365			154,627	2,830			131,069	444,936
Due To Other Funds	5,975	18,121	17,306		41,522		151,063			233,987
Amounts Held as Fiduciary							146,122			146,122
O.P.W.C. Loans Payable					31,687					31,687
O.W.D.A. Loans Payable					3,112,934					3,112,934
Deferred Revenues	313,692	127,944	32,500		1,709,108		123,846			2,307,090
Revenue Bonds Payable					2,015,000					2,015,000
General Obligation Bonds Payable					16,000				1,100,000	1,116,000
Municipal Complex Improvement Note Payable									830,000	830,000
Sidewalk Improvement Bond Anticipation Note (BAN)									100,000	100,000
Real Estate Acquisition Bond Payable									474,906	474,906
Recreational Facility Improvement Bond									700,000	700,000
Deposits Payable							120,112			120,112
TOTAL LIABILITIES	\$590,780	\$184,617	\$49,806	\$25,403	\$8,629,118	\$16,467	\$624,088	\$0	\$3,335,975	\$13,456,254
FUND EQUITY										
Investment in General Fixed Assets								14,735,355		14,735,355
Retained Earnings - Unreserved					21,912,150	98,927	8,388			22,019,465
FUND BALANCE										
Reserve for Debt Service			347,447							347,447
Reserve for Encumbrances	139,529	37,354		959,891			273,876			1,410,650
Reserve of Endowments Unreserved	2,727,794	954,283		441,709			24,700			24,700
							1,100,871			5,224,657
TOTAL FUND EQUITY/BALANCE	2,867,323	991,637	347,447	1,401,600	21,912,150	98,927	1,407,835	14,735,355	0	43,762,274
TOTAL LIABILITIES & FUND EQUITY	\$3,458,103	\$1,176,254	\$397,253	\$1,427,003	\$30,541,268	\$115,394	\$2,031,923	\$14,735,355	\$3,335,975	\$57,218,528

The Accompanying Footnotes are an Integral Part of These Financial Statements.

CITY OF OBERLIN, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSE AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPES</u>	TOTAL MEMORANDUM ONLY
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST</u>	
REVENUE RECEIPTS:						
Property Taxes-including Special Assessments	\$333,693	\$129,757	\$33,273		\$125,625	\$622,348
Municipal Income Tax	2,263,053	390,182			1,081,443	3,734,678
Intergovernmental Receipts	1,008,774	617,169			50,000	1,675,943
Charges for Services	63,336	1,433		5,075		69,844
Interest Earnings	764,014	16,357		6,420	2,633	789,424
Net Increase of Fair Value of Investments	5,516				16	5,532
Administrative Fees	451,191					451,191
Fines, Fees, Licenses and Permits	687,997	7,831		96,456	15,777	808,061
All Other Revenue	52,825	65,169		11,255	14,830	144,079
TOTAL REVENUE RECEIPTS	5,630,399	1,227,898	33,273	119,206	1,290,324	8,301,100
EXPENDITURE DISBURSEMENTS:						
Security of Persons and Property	1,430,603	50,169			257,301	1,738,073
Public Health and Welfare	85,646				14,628	100,274
Leisure Time Activity	291,357	365,000		16	351	656,724
Community Environment	346,774	381,126			83,355	811,255
Transportation		279,505				279,505
General Government	2,164,519	97,100	772	7,065	47,478	2,316,934
Other		184		1,286		1,470
Capital Outlays	20,258	797,292		293,001	597,391	1,707,942
Basic Utility Service		53,608				53,608
Debt Service:						
Bond Principal Retirement			149,005			149,005
Note Principal Retirement						
Interest and Fiscal Charges			130,787			130,787
TOTAL EXPENDITURE DISBURSEMENTS	4,339,157	2,023,984	280,564	301,368	1,000,504	7,945,577
 Total Revenue Receipts Over (Under) Expenditure Disbursements	 1,291,242	 (796,086)	 (247,291)	 (182,162)	 289,820	 355,523
OTHER FINANCING SOURCES (Uses):						
Advances In		409,225				409,225
Advances Out	(297,388)				(111,837)	(409,225)
Operating Transfers - In	45,704	293,522	238,078		84,028	661,332
Operating Transfers - Out	(315,455)	(185,189)			(94,955)	(595,599)
Proceeds from Sale of Bonds/Notes		700,000		930,000		1,630,000
TOTAL FINANCING SOURCES (USES)	(567,139)	1,217,558	238,078	930,000	(122,764)	1,695,733
 EXCESS Of Receipts & Other Sources Over (Under) Disbursements & Other Uses	 724,103	 421,472	 (9,213)	 747,838	 167,056	 2,051,256
Fund Balance - January 1, 2000	2,143,220	707,210	356,660	653,762	1,070,646	4,931,498
Prior Year Audit Adjustment		(137,045)			137,045	0
Fund Balance - December 31, 2000	\$2,867,323	\$991,637	\$347,447	\$1,401,600	\$1,374,747	\$6,982,754

The Accompanying Footnotes are an Integral Part of the Financial Statements.

CITY OF OBERLIN, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TRUST	TOTAL MEMORANDUM ONLY
	ENTERPRISE	INTERNAL SERVICE	NON EXPENDABLE TRUST	
OPERATING REVENUES:				
Charges for Services	\$10,149,911	\$354,610		\$10,504,521
Other Operating	9,094		881	9,975
Back Up-Dedicated Capacity Revenue	261,214			261,214
Income Tax Revenues	447,173			447,173
Personal Property and Real Estate Taxes	158,173			158,173
OWDA Reimbursements	844,215			844,215
TOTAL OPERATING REVENUES	11,869,780	354,610	881	12,225,271
OPERATING EXPENSES:				
Operations	1,129,939	268,694	353	1,398,986
Maintenance	1,209,515			1,209,515
Purchased Power	4,267,692			4,267,692
Distribution	613,703			613,703
Administration	778,049			778,049
Depreciation & Amortization	1,407,549	5,235		1,412,784
Bad Debt Expense	22,347			22,347
TOTAL OPERATING EXPENSES	9,428,794	273,929	353	9,703,076
OPERATING INCOME (LOSS)	2,440,986	80,681	528	2,522,195
NONOPERATING REVENUES (EXPENSES)				
Interest Income	153,395			153,395
Interest Expenses & Fiscal Charges	(283,009)			(283,009)
Net Increase in Fair Value of Investments	6,194			6,194
Other Non-Operating Revenue	7,696		18	7,714
Oher Non-Operation Expenses			(132)	(132)
TOTAL NONOPERATING REVENUES (EXPENSES)	(115,724)	0	(114)	(115,838)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	2,325,262	80,681	414	2,406,357
Operating Transfer - In	2,757,135			2,757,135
Operating Transfer - Out	(2,822,868)			(2,822,868)
NET INCOME (LOSS)	2,259,529	80,681	414	2,340,624
Retained Earnings - January 1, 2000	19,685,139	18,246	32,674	19,736,059
Prior Period Adjustments	(32,518)			(32,518)
RETAINED EARNINGS AT DECEMBER 31, 2000	\$21,912,150	\$98,927	\$33,088	\$22,044,165

The Accompanying Footnotes are an Integral Part of the Financial Statements.

**CITY OF OBERLIN - LORAIN COUNTY
 COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES - BUDGET & ACTUAL
 NON-GAAP BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL RECEIPTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL RECEIPTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
TOTAL RECEIPTS INCLUDING TRANSFERS IN and ADVANCES IN/PROCEEDS FROM SALE OF BONDS/NOTES	\$4,869,385	\$5,575,962	\$706,577	\$2,600,943	\$2,653,942	\$52,999
EXPENDITURES:		<u>BUDGETARY ACTUAL EXPENSES</u>			<u>BUDGETARY ACTUAL EXPENSES</u>	
Security of Persons & Property	\$1,463,037	\$1,400,497	62,540	\$79,631	\$54,274	\$25,357
Public Health & Welfare	375,502	85,071	290,431			
Leisure Time Activities	0	288,700	(288,700)	0	365,000	(\$365,000)
Community Environment	348,035	337,081	10,954	670,229	273,563	396,666
Transportation				219,057	284,506	(65,449)
General Government	2,216,371	2,117,431	98,940	75,841	96,829	(20,988)
Capital Outlays	76,990	29,907	47,083	1,173,111	797,292	375,819
Debt Service				0	184	(184)
Other						
Basic Utility Service				89,392	53,580	35,812
Advances Out	0	297,388	(297,388)			
Operating Transfers Out	<u>581,208</u>	<u>315,455</u>	<u>265,753</u>	<u>152,256</u>	<u>185,189</u>	<u>(32,933)</u>
TOTAL EXPENDITURES	<u>5,061,143</u>	<u>4,871,530</u>	<u>189,613</u>	<u>2,459,517</u>	<u>2,110,417</u>	<u>349,100</u>
Excess of Receipts Over(Under) Expenditures	<u>(\$191,758)</u>	<u>\$704,432</u>	<u>\$896,190</u>	<u>\$141,426</u>	<u>\$543,525</u>	<u>\$402,099</u>

The Accompanying Footnotes are an Integral Part of These Financial Statements.

**CITY OF OBERLIN - LORAIN COUNTY
 COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES - BUDGET & ACTUAL
 NON-GAAP BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

	<u>CAPITAL PROJECTS FUND</u>			<u>EXPENDABLE TRUST FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL RECEIPTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL RECEIPTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
TOTAL RECEIPTS INCLUDING TRANSFERS IN and ADVANCES IN/PROCEEDS FROM SALE OF BONDS/NOTES	\$1,230,158	\$1,399,016	\$168,858	\$3,685,490	\$1,338,428	(\$2,347,062)
BUDGETARY EXPENDITURES:		<u>BUDGETARY ACTUAL EXPENSES</u>			<u>BUDGETARY ACTUAL EXPENSES</u>	
Security of Persons & Property				193,152	260,395	(67,243)
Public Health & Welfare				0	14,628	(14,628)
Leisure Time Activities				0	351	(351)
Community Environment				0	82,258	(82,258)
Transportation						
General Government	1,302	4,471	(3,169)	67,192	46,231	20,961
Capital Outlays	1,620,141	1,202,507	417,634	1,001,670	177,211	824,459
Debt Service						
Other Expense	0	1,286	(1,286)			
Basic Utility Services						
Advances Out					111,837	(111,837)
Operating Transfers Out				2,496,035	94,955	2,401,080
TOTAL EXPENDITURES	1,621,443	1,208,264	413,179	3,758,049	787,866	2,970,183
Excess of Receipts Over (Under) Expenditures	<u>(\$391,285)</u>	<u>\$190,752</u>	<u>\$582,037</u>	<u>(\$72,559)</u>	<u>\$550,562</u>	<u>\$623,121</u>

The Accompanying Footnotes are an Integral Part of These Financial Statements.

**CITY OF OBERLIN, OHIO
 COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES - BUDGET & ACTUAL
 NON-GAAP BUDGETARY BASIS-ALL GOVERNMENT FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

	DEBT SERVICE FUND		
	BUDGET	ACTUAL RECEIPTS	VARIANCE FAVORABLE (UNFAVORABLE)
TOTAL RECEIPTS INCLUDING TRANSFERS	\$257,646	\$271,351	\$13,705
EXPENDITURES:		BUDGETARY ACTUAL EXPENSES	
Security of Persons & Property			
Public Health & Welfare			
Leisure Time Activities			
Community Environment			
Transportation			
General Government	\$0	\$772	(\$772)
Capital Outlays			
Debt Service	\$307,848	\$283,824	\$24,024
Other			
Basic Utility Service			
Operating Transfers Out			
TOTAL EXPENDITURES	307,848	284,596	23,252
Excess of Receipts Over(Under) Expenditures	(\$50,202)	(\$13,245)	\$36,957

The Accompanying Footnotes are an Integral Part of These Financial Statements.

CITY OF OBERLIN, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	TOTAL MEMORANDUM ONLY
	ENTERPRISE	INTERNAL SERVICE	NON EXPENDABLE TRUST	
Operating Activities				
Charges for Services	\$10,018,035	\$354,610		\$10,372,645
Real Estate, Personal Property & Income Taxes	676,612			\$676,612
Operating Expenses	(7,842,711)	(272,550)	(\$353)	(8,115,614)
Other Operating Receipts	878,250		881	879,131
Other Operating Receipts (Payments)			3,819	3,819
Total Cash Provided From Operations	3,730,186	82,060	4,347	3,816,593
Non-Capital Financing Activities:				
Operating Transfers In	2,757,135			2,757,135
Operating Transfers Out	(2,822,865)			(2,822,865)
Total Cash Provided(Used) From Non-Capital Financing Activities	(65,730)	0	0	(65,730)
Investing Activities:				
Sale of Investments	398,274			398,274
Interest Income Earned on Investments	204,965			204,965
Total Cash (Used) by Investing Activities	603,239	0	0	603,239
Capital and Related Financing Activities:				
Purchase of Fixed Assets	(3,693,846)			(3,693,846)
Retirement of Bond & Loan Principal	(740,389)			(740,389)
Interest Expense on Bonds & Loans Payable	(276,181)			(276,181)
Total Cash Provided From Financing Activities	(4,710,416)	0	0	(4,710,416)
Net Increase (Decrease) in Cash & Cash Equivalents	(442,724)	86,135	4,347	(352,242)
Cash & Cash Equivalents - Beginning of Year	5,794,166	(31,896)	148,853	5,911,123
Cash Balance - December 31, 2000	\$5,351,442	\$54,239	\$153,200	\$5,558,881
Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities:				
Operating Income(Loss)	\$2,440,986	\$80,681	\$414	2,522,081
Adjustments to Reconcile Change in Retained Earnings to Net Cash Provided from Operations:				
Bad Debt Expense	22,347			22,347
Depreciation Expense	1,407,549	5,235		1,412,784
(Increase) Decrease in Due From Other Funds	20,699	1,052		21,751
(Increase) Decrease in Prepaid Expenses	21,116			21,116
(Increase) Decrease in Accounts Receivable	(102,258)			(102,258)
Increase (Decrease) in Accounts Payable	1,004,242	(950)		1,003,292
Increase (Decrease) in Accrued Wages	(20,175)	681		(19,494)
Increase (Decrease) in Compensated Absences	(6,633)	(5,333)		(11,966)
Increase (Decrease) in Due to Other Funds	(48,982)			(48,982)
Increase (Decrease) in Deferred Revenue - Current Portion	(270,282)			(270,282)
(Increase) Decrease in Inventory	(2,924)	694		(2,230)
Increase (Decrease) in Deposits Held in Trust			3,933	3,933
Increase (Decrease) in Investments	412,861			412,861
Increase (Decrease) in Accrued Interest Receivable	30,335			30,335
Less OWDA Cash Receipts included in operating activities but not resulting in operating income	(843,980)			(843,980)
Less OWDA Revenues not resulting in operating income	(73,501)			(73,501)
Less Back-up Dedicated Revenues not received in cash	(261,214)			(261,214)
Total Adjustments	1,289,200	1,379	3,933	1,294,512
Net Cash Provided by Operating Adjustments	\$3,730,186	\$82,060	\$4,347	\$3,816,593

The Accompanying Footnotes are an Integral Part of the Financial Statements.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The City of Oberlin (City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City gained city status in 1951 and is a home rule municipal corporation under the laws of the State of Ohio. The City operates under a council-city manager form of government and provides the following services as authorized by the charter: public safety, public services, and recreation. Education services are provided by the Oberlin School District. The school district is a separate governmental entity and its financial statements are not included in these financial statements. The City of Oberlin Municipal Court financial results are included as a part of these financial statements.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB Statement No. 14), the financial reporting entity consists of the City (the primary government) as well as its component units. Component units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either; a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the foregoing criteria, these financial statements do not include any component units.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized when they become measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term obligations, which is recognized when due. Accordingly, the assets and related liabilities are recognized when the assets become measurable and available. Agency assets and liabilities are recognized on the modified accrual basis and do not involve a measurement focus.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements - (Continued)
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

Revenues susceptible to accrual under the modified accrual basis of accounting consist primarily of the following: (1) municipal income taxes; (2) delinquent property taxes; (3) accrued interest. Property taxes are considered to be "measurable" when billed by the third party collecting agency. These revenues are considered to be available whenever they have been received by the collecting agency and are recognized as revenue at that time.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The City's resources are allocated to and accounted for in individual funds based upon the purposes of which they are to be spent and the means by which spending activities are controlled. The individual funds are grouped into seven generic fund types and two broad groups of account categories, each of which is discussed below:

Governmental Funds

General Fund

The general fund is the general operating fund of the City. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The general fund balance is available for any purpose, provided it is expended or transferred in accordance with the City Charter and legislation of the City of Oberlin and/or the general laws of the State of Ohio.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of the specific revenue sources (other than special assessment, expendable trusts or major capital projects) that are restricted by law or administrative action to expenditures for specified purposes. The City's special revenue funds consist of the following:

- Street Construction Maintenance and Repair
- State Highway Improvements
- Library Levy
- CDBG Business
- County Recycling

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds (Continued)

- State Recycling
- D.A.R.E. Grant
- CDBG - Community Housing Improvement Program
- Ohio Department of Natural Resources Grant
- C.O.P. Grant
- Fire Training Fund
- CDBG Housing Rehabilitation Revolving Loan Program
- Vacation/Sick Leave Fund
- After School Program Fund
- Donation Fund Recreation Complex
- Depot Park Donations
- Recreation Complex

Debt Service Funds

Debt service funds are utilized to account for the payment of voted and unvoted debt obligations of the City. Proceeds from tax issues designated for payment of City debt are deposited in these funds. The City's debt funds consist of the following:

- General Obligation Debt
- Councilmatic Debt
- Special Assessment Debt

Capital Projects Funds

The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Depreciation is not recorded for these fixed assets. The City's capital project funds consist of the following:

- Open Space
- Industrial Park Improvement
- Spring Street Park
- Computer Construction
- Oberlin Municipal Court Improvements
- Fire Truck Construction Fund
- Subdivision Review and Improvement
- Sidewalk Improvement Fund

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the residents on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose. The City's Enterprise Funds consist of the following:

- Water
- Sewer
- Sewer Replacement/Reserve
- Electric
- Sewer Debt Service
- Refuse - Solid Waste (Garbage)
- Water Replacement/Reserve
- Sewer Debt Service Reserve
- Electric Replacement/Reserve
- Cable Programming
- Sewer Construction Fund
- Equipment Replacement
- Wastewater Treatment Tax Fund
- Joint Facilities Fund

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds consist of the following:

- Central Garage
- Office Inventory
- General Plant Supplies

Fiduciary Funds

Fiduciary funds consist of expendable and non-expendable trust funds and agency funds. Expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting similar to governmental funds. Nonexpendable trust funds are accounted for using the accrual basis of accounting, the same basis of accounting as the proprietary funds of the City.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trust Funds

Trust funds are used to account for assets held by the City on a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's trust funds consist of both expendable trust funds and non-expendable trust funds and consist of the following:

- Police Pension - Expendable Trust
- Fire Pension - Expendable Trust
- Vee Long Nursery Trust - Expendable Trust
- Income Tax Fund - Expendable Trust
- Martin Luther King Park Trust - Expendable Trust
- Julia Severance Endowment - Nonexpendable Trust
- Charles M. Hall Endowment - Nonexpendable Trust
- Gager - Wilmot Endowment - Nonexpendable Trust
- Street Deposits - Nonexpendable Trust
- Permanent Police Levy - Expendable Trust
- Law Enforcement Trust - Expendable Trust
- Dare Trust - Expendable Trust
- Payroll Imprest - Expendable Trust
- Holiday Beautification - Expendable Trust
- Oberlin Youth Council - Expendable Trust
- Unemployment Compensation - Expendable Trust
- Utility Deposits - Nonexpendable Trust
- Claim Fund - Expendable Trust
- Cable TV Deposits - Nonexpendable Trust
- Cable TV Complete/Performance - Nonexpendable Trust
- Indigent Alcohol Treatment - Expendable Trust
- Utility Caring - Nonexpendable Trust
- War Memorial - Nonexpendable Trust

Agency Funds

Agency funds are used to account for assets held by the City in an agency capacity for individuals, private organizations, other governmental units and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. The City's Agency Funds consist of the following:

- Oberlin Municipal Court
- Water Escrow - Central Installation
- Akil Construction Fund
- Erie Blacktop Escrow

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Groups

General Fixed Assets Account Group

Accounts for all fixed assets of the City, except those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

Accounts for all unmatured long-term obligations of the City, except those accounted for in the Proprietary Funds.

D. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Proprietary Fund types consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

E. Investments

The City uses an internal investment pool for most of its investments. Each fund's principal investment amount is shown as an investment in that fund. All internal investment pool investments except the City's \$1,000,000 - Federal Home Loan Mortgage Corporation (FHLMC)-CL are reported in the financial statements at amortized cost because the investments had a remaining maturity value of one year or less at the time of purchase by the City and therefore qualified as market investments. The FHLMC-CL investment had a remaining maturity value of two years at the date of the City's purchase. The City recognized a \$11,726 gain on the fair market value of this investment between 2000 and 1999. This basis is allocated among funds based on each fund's principal prorated share of this investment.

The City of Oberlin also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories

Inventories are stated at the lower of cost or market in the Proprietary Funds on the weighted average cost basis. The cost of inventory items are expensed in the Proprietary Funds when used.

G. Fixed Assets

Fixed assets include land, buildings, improvements, construction in progress and equipment owned by the City. When purchased, such assets are recorded as expenditures in the Governmental Funds and are accounted for in the General Fixed Assets Account Group.

Infrastructure fixed assets such as streets, sidewalks, curbs and gutters are capitalized by the City and are reported as part of the General Fixed Assets Account Group.

Fixed assets including water and sewer infrastructure improvements in the Proprietary Funds are capitalized in the individual funds in which they are utilized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation on fixed assets used in proprietary funds is computed and recorded using the straight-line method over the estimated useful lives of the fixed assets.

Estimated useful lives of the various classes of proprietary funds fixed assets are as follows:

Vehicles	7 years
Buildings	20-45 years
Infrastructure & System Improvements	20 years
Furniture & Equipment	5-7 years
Electric Generator/Engine	10 years
Computer Equipment	3 years

H. Intergovernmental Revenues

Federal reimbursable - type grants recognize intergovernmental receivables and revenues when reimbursement is requested from the grantor agency.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets, and service debt. The accompanying combined financial statements generally reflect such transactions as operating transfers. To the extent that certain transactions between funds had not been paid or received as of December 31, 2000, interfund amounts due from or due to have been recorded. The City also makes temporary loans between funds that must be repaid. These loans are recorded as advances-in and advances-out between funds.

J. Accounting and Financial Reporting for Proprietary Funds

Under the guidelines of Governmental Accounting Standards Board Statement 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to proprietary activities. The adoption of this approach to accounting for proprietary activities by the City required no change from prior years.

K. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles nor as such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 LEGAL COMPLIANCE - BUDGETS

Budget and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the presentation of budgetary documents within an established timetable. The major documents prepared in the process are the tax budget, the certificate of estimated resources and the appropriation measures. These budgetary documents are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1, to December 31st of the following year.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 2 LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Estimated Resources

The County Budget Commission certifies its action to the City by September 1st. As part of this certification, the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1st, this certificate is amended to include any encumbered balance from the preceding year. The City must then revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1st of each year for the period January 1st to March 31st. An annual appropriation measure must be passed by April 1st of each year for the period January 1st, to December 31st. The appropriation measure may be amended during the year, as new information becomes available, provided that total appropriations do not exceed estimated resources as certified.

Encumbrances

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Under the modified accrual basis of accounting, encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Budget Basis of Accounting

Appropriations for all operating funds are adopted at the fund level on the cash basis with encumbrances being charged against the related appropriation. Administrative control is maintained through the establishment of more detailed line item budgets.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 2 LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Budgetary Reporting

The budgetary process, in accordance with Ohio Law, is accounted for on the basis of cash receipts and disbursements. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid (budget basis) rather than when the liability is incurred (GAAP basis).

Note proceeds and repayments are reflected as revenue received and expenditures paid (budget basis) rather than having no effect on results of operations (GAAP basis).

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the government funds is as follows:

The Adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP for the government funds follows:

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Expendable Trust Funds
Budget Basis Surplus (Deficit)	\$704,432	\$543,525	(\$13,245)	\$190,752	\$550,562
Revenue Accrual Adjustments	100,141	(23,297)	0	(349,810)	35,924
Expenditure Accrual Adjustments	<u>(80,470)</u>	<u>(98,756)</u>	<u>4,032</u>	<u>906,896</u>	<u>(419,430)</u>
GAAP Basis, As Reported	<u>\$724,103</u>	<u>\$421,472</u>	<u>(\$9,213)</u>	<u>\$747,838</u>	<u>\$167,056</u>

Note 3 PROPERTY TAX

The City's real property tax is levied each January 1st on the assessed value of the property on October 1st of the previous year. Assessed values are established by the County Auditor at 35% of current market value, and reappraisal of all property is required every six years with triennial update. The last reappraisal was completed for tax year 1994. The assessed values per category applicable to 2000 and 1999 collections are as follows:

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 3 PROPERTY TAX (CONTINUED)

	<u>Collection Year 2000</u> <u>Tax Valuation Year 1999</u>
<u>Real Property</u>	
Residential/Agriculture	\$51,899,700
Commercial/Industrial	<u>25,278,550</u>
Sub-Total Real Property	<u>\$77,178,250</u>
 <u>Tangible Personal Property</u>	
General	\$18,587,180
Public Utilities	<u>2,403,370</u>
Sub-Total Tangible Real Property	<u>20,990,550</u>
Total Valuation Real Property and Tangible Personal Property	<u>\$98,168,880</u>

The City's personal property tax is determined by the County Auditor based on annual tax returns filed by taxpayers with the County Auditor. The property is assessed for tax purposes at varying statutory percentages of cost.

Real property taxes become a lien on all non-exempt real property located in the county of January 1. Real property taxes are paid annually or semi-annually. If paid annually, payment is due December 31, if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payments dates to be established.

The full rate applied to real property for the fiscal year ended June 30, 2000, was \$11.10 per \$1,000 per assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was 7.077630 per \$1,000 of assessed valuation for real property classified residential/agriculture and 7.193843 per \$1,000 assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2000 was 11.10 per \$1,000 of assessed valuation.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 3 PROPERTY TAX (CONTINUED)

The Lorain County Treasurer collects the property taxes on behalf of all taxing districts within the county including the City of Oberlin. Taxes are payable to the county in two equal installments in January and July and, if not paid, become delinquent after December 31 of the year they are due. The Lorain County Auditor periodically remits to the City its portion of the taxes collected.

A receivable totaling \$753,920 and corresponding deferred revenue have been recorded in the various funds of the City, including \$37,816 for the portion of the taxes levied prior to December 31, 2000 which are delinquent, and \$716,104 which was levied on January 1, 2001 on the assessed value of property on October 1, 2000. This amount is measurable, but not available in the current period.

Note 4 CITY INCOME TAX

The City Income tax is applied to the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. The tax rate was 1.9% of earnings for 2000. Employees within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individuals are required to estimate these taxes quarterly and file a declaration annually.

Note 5 INTERFUND TRANSACTIONS

During the course of normal operations, the City had numerous transactions between funds, most of which are in the form of transfers of resources to provide services or to service debt. The accompanying financial statements generally reflect such transactions as operating transfers. To the extent that certain transactions between funds had not been paid or received as of December 31, 2000, interfund amounts receivable or payable have been recorded. Individual fund interfund receivable and payable balances at December 31, 2000 are as follows:

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 5 INTERFUND TRANSACTIONS (CONTINUED)

<u>Fund</u>	<u>Due from Other Funds or Interfund Receivables</u>	<u>Due to other Funds Interfund Payables</u>
General Fund	\$33,181	\$ 5,975
Special Revenue Funds:		
- Library Funds		12,933
-Community Housing Improvement Program	5,188	
-Community Development Block Grant-Rehabilitation Revolving Loan Program		5,188
-Other Special Revenue Funds	212	
Debt Service Funds:		
-General Obligation Debt Fund	12,933	17,306
-Special Assessment Debt Fund	17,306	
Expendable Trust Funds:		
-Vee Long Nursery		15
-Claim Fund		150,753
-Agency Fund		295
-Income Tax Fund	8,439	
Enterprise Funds:		
-Service Replacement Reserve Fund		221
-Electric Fund	150,753	21,586
-Equipment Replacement Reserve		10,729
-Joint Facilities Fund	5,975	8,439
-Water Replacement Reserve Fund		547
Total Current Interfund Receivables/Payables	<u>\$ 233,987</u>	<u>\$ 233,987</u>

Note 6 CHANGES IN GENERAL FIXED ASSET GROUP OF ACCOUNTS

<u>Balance 01-01-00</u>	<u>2000 Additions</u>	<u>2000 Disposals</u>	<u>Balance 12-31-00</u>
<u>\$13,126,736</u>	<u>\$1,707,944</u>	<u>\$ (99,325)</u>	<u>\$14,735,355</u>

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 7 FIXED ASSETS & RELATED DEPRECIATION – PROPRIETARY FUNDS
In 1988 an independent appraisal of fixed assets was performed in order to determine estimated historical costs for the conversion to accrual basis reporting. From that date to the date of this report, historical costs of depreciable assets has been utilized. The following is a summary of major classes of depreciable assets, depreciation methods and estimated useful lives for proprietary fund types:

<u>Asset Class</u>	<u>Balance</u> <u>12-31-00</u>	<u>Depreciation</u> <u>Method</u>	<u>Useful Life</u>
<u>Enterprise Funds</u>			
Land	\$ 819,140	N/A	N/A
Buildings	3,579,155	Straight Line	20 to 45 yrs.
Furniture & Equipment	2,132,583	Straight Line	5 to 7 yrs.
Electric Generator/Engine	1,557,298	Straight Line	10 yrs.
Vehicles	1,364,188	Straight Line	7 yrs.
System Improvements	18,476,343	Straight Line	20 yrs.
Computer Equipment	83,351	Straight Line	3 yrs.
Construction in Progress	<u>4,510,549</u>	Not Depreciated Until Completed	
Total	\$32,522,607		
Less Accumulated Depreciation	<u>(13,401,573)</u>		
Net Fixed Assets-Enterprise Fund	<u>\$ 19,121,034</u>		
<u>Internal Service Funds</u>			
Buildings	\$ 51,100	Straight Line	25 yrs.
Furniture & Equipment	<u>121,945</u>	Straight Line	7 yrs.
Sub-Total	<u>\$ 173,045</u>		
Less Accumulated Depreciation	<u>\$ (160,753)</u>		
Net Fixed Assets – Internal Service Funds	<u>\$ 12,292</u>		

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 8 PENSION PLAN OBLIGATIONS

The City of Oberlin contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost sharing multiple employee defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislative and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City of Oberlin's contributions to PFDPF for the years ending December 31, 2000, 1999 and 1998 were \$182,336, \$184,882, and \$169,533, respectively, equal to the required contributions for each year.

The City of Oberlin contributes to the Public Employees Retirement System of Ohio (PERS) which is a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-PERS (7377).

The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions such as the City of Oberlin. The 2000 employer contribution rate City of Oberlin's contribution for the years ending December 31, 2000, 1999, 1998 were \$369,470, \$452,436 and \$425,730 respectively, equal to the required contributions for each year.

Required employer contributions are equal to 100% of the dollar amount billed to each employer and is obtained from the employer's records.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 9 COMPENSATED ABSENCES

In accordance with Governmental Accounting Standards' Board (GASB) Statement 16, the City has accrued a liability for compensated absences (vacation and sick leave) at December 31, 2000, along with any salary-related payments associated with the payment of compensated absences. For governmental and similar trust funds, the City recognized the current portion of this liability at December 31, 2000, that is expected to be liquidated with expendable available financial resources. The remainder of the compensated absences liability for governmental and similar trust funds is reported in the general long term debt account group. Proprietary funds report the entire liability for compensated absences calculated at December 31, 2000.

Each bargaining unit and the management staff earn vacation at different rates based upon length of service. No more than the amount of vacation accrued in the previous twelve-month period can be carried forward into the next calendar year without consent from the City Manager. Any excess is eliminated from the employee's leave balance. In case of death, termination, or retirement an employee (or his estate), is paid for the unused vacation balance.

All full-time employees earn sick leave at the rate of 4.6 hours for each pay period worked. Employees who work a 35 hour work week can accumulate a maximum of 210 hours of accrued sick time. Employees working a 37.5 hour work week accumulate a maximum sick pay accrual of 225 hours and employees working a 40 hour work week can accumulate a maximum accumulated sick leave balance of 240 hours. As of December 31, 2000, the total estimated liability for all unpaid compensated absences was \$444,936 for all funds and account groups.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 10 DEBT OBLIGATIONS

Debt outstanding at December 31, 2000 consists of the following:

General Obligation -Library Bonds – General Long-Term Debt Group of Accounts	
Principal Outstanding	\$ 950,000
Interest Rate	6.875%
General Obligation - Downtown Improvement Bonds General Long Term Debt Group of Accounts	
Principal Outstanding	\$ 70,119
Interest Rate	8.750%
General Obligation – Real Estate Acquisition Bonds Recreation and Facility-General Long Term Debt Group of Accounts	
Principal Outstanding	\$ 474,906
Interest Rate	5.5%
General Obligation Bonds - Enterprise Fund Noncouncilmatic:	
Principal Outstanding	\$ 16,000
Interest Rate	3.625%
Mortgage Revenue Bonds - Enterprise Fund	
Principal Outstanding	\$2,015,000
Interest Rate	4.20% to 7.10%
Special Assessment Bonds - General Long-Term Debt Group of Accounts	
Principal Outstanding	\$ 79,881
Interest Rate	8.750%
General Obligation Notes – In Anticipation of Bonds For Courts and Municipal Complex Improvements - General Long Term Debt Group of Accounts	
Principal Outstanding	\$830,000
Interest Rate	5.15%
Recreational Facilities Improvement Bonds- Construction of Ball Fields - General Long Term Debt Group of Accounts	
Principal Outstanding	\$700,000
Interest Rate	6.448%
Special Assessments- Sidewalk Improvements Notes General Long Term Debt Group Of Accounts	
Principal Outstanding	\$100,000
Interest Rate	5.15%

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 10 DEBT OBLIGATIONS (CONTINUED)

Outstanding general obligation bonds consist of downtown improvements, computer construction, library improvements, city hall improvements and other construction needs. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

Real estate acquisitions bonds are direct obligations of the City and are agreements between individuals and/or business which sold real estate to the City of Oberlin for the construction of a joint facilities building and a future recreation center.

Outstanding special assessment bonds consist of downtown improvements, which are payable from the proceeds of tax assessments against individual property owners.

Mortgage revenue bonds are for sewer extension, improvements and sanitary sewers. Property and revenue of the City has been pledged to repay these debts.

The general obligation notes for the courts and municipal complex improvements will be retired in 2001 and general obligation bonds will be issued. The general obligation notes for sidewalk improvements will be fully retired in 2001. No bonds will be issued in retirement of this debt. The annual requirements to amortize all bonded debt outstanding as of December 31, 2000, including interest payments of \$1,389,355 are as follows:

Year Ending <u>December 31</u>	General Obligation <u>Bonds</u>	Mortgage Revenue <u>Bonds</u>	Special Assessment <u>Bonds</u>	Real estate <u>Acquisition Bonds</u>	Notes in Anticipation <u>of Bonds</u>
2001	\$ 273,989	\$ 314,060	\$ 22,966	\$ 59,575	\$ 977,895
2002	261,225	309,385	21,568	57,710	
2003	259,153	314,265	20,170	55,844	
2004	256,740	313,220	18,772	53,978	
2005	258,951	311,460	17,374	52,112	
2006	241,512	313,965		50,247	
2007	243,949	310,195		48,381	
2008	245,700	310,635		46,515	
2009	246,761			44,650	
2010-2014	<u>97,137</u>			<u>195,263</u>	
Total	<u>\$2,385,117</u>	<u>\$2,497,185</u>	<u>\$100,850</u>	<u>\$664,275</u>	<u>\$977,895</u>

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 10 DEBT OBLIGATIONS (CONTINUED)

The following is a schedule of changes in general the long-term debt group of accounts:

<u>General Obligation Bonds</u>	<u>Balance</u> <u>01-01-00</u>	<u>2000</u> <u>Liquidation</u>	<u>2000</u> <u>New Issues</u>	<u>Balance</u> <u>12-31-00</u>
Recreation Facility			\$700,000	\$ 700,000
Library	1,020,000	(70,000)	0	950,000
Downtown Improvement	<u>84,143</u>	<u>(14,024)</u>	<u>0</u>	<u>70,119</u>
Sub-Total	<u>\$1,104,143</u>	<u>\$(84,024)</u>	<u>\$700,000</u>	<u>\$1,720,119</u>
<u>Special Assessment</u>				
Downtown Improvement	<u>\$ 95,857</u>	<u>\$(15,976)</u>	<u>\$ 0</u>	<u>\$ 79,881</u>
Subtotal General Obligation Debt	1,200,000	(100,000)	700,000	1,800,000
Computer Equipment Bond	<u>15,083</u>	<u>(15,083)</u>	<u>0</u>	<u>0</u>
<u>Real Estate Acquisition Bonds</u>				
Recreation	<u>508,828</u>	<u>(33,922)</u>	<u>0</u>	<u>474,906</u>
Total General Long-Term Debt Group of Accounts	<u>\$1,723,911</u>	<u>\$(149,005)</u>	<u>\$700,000</u>	<u>\$2,274,906</u>
Notes Issued in <u>Anticipation of Bonds</u>	<u>Balances</u> <u>1-1-00</u>	<u>2000</u> <u>Liquidation</u>	<u>2000</u> <u>New Issues</u>	<u>Balance</u> <u>12-31-00</u>
Count Complex Improvement Notes	\$ 0	\$ 0	\$830,000	\$830,000
Sidewalk Replacement Notes	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Subtotal Notes in Anticipation of Bonds	<u>0</u>	<u>0</u>	<u>\$930,000</u>	<u>\$930,000</u>
Total General Long Term Debt Group of Accounts	<u>\$1,723, 911</u>	<u>\$(149,005)</u>	<u>\$1,630,000</u>	<u>\$3,204,906</u>

The following is a schedule of changes in enterprise bond debt:

<u>General Obligation Bonds</u>	<u>Balance</u> <u>01/01/00</u>	<u>2000</u> <u>Liquidation</u>	<u>2000</u> <u>New Issues</u>	<u>Balance</u> <u>12/31/00</u>
WaterBonds	\$ 32,000	\$ (16,000)		\$ 16,000
<u>Mortgage Revenue Bonds</u>				
1993 Issue – Sewer	2,220,000	(205,000)		2,015,000
<u>Real Estate Acquisition</u>				
Joint Facility Debt	<u>235,340</u>	<u>(235,340)</u>	<u>0</u>	<u>0</u>
Total Enterprise Bond Debt	<u>\$2,487,340</u>	<u>\$(456,340)</u>	<u>\$ 0</u>	<u>\$2,031,000</u>

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 11 LONG TERM FINANCIAL OBLIGATIONS OTHER THAN BONDS AND NOTES

The City has entered into loan agreements with the Ohio Water Development Authority (OWDA) pursuant to which OWDA provided funds to the City for improving the municipal sewage collection and treatment facilities and water line replacement. The City's outstanding obligations for active OWDA debt at December 31, 2000 were \$2,197,218. This debt requires combined annual principal and interest payments, in the approximate amount of \$346,364 through 2005 and \$173,058 through 2016. The final OWDA principal and interest payments are due on 2016.

The OWDA debt related to the sewer system improvement is required to be made from sewage system revenues after the payment of operation and maintenance expenses of the system. The loan agreement grants no security or property interest to OWDA in any property of the City, and does not pledge the general credit of the City, or create a debt subject to the direct or indirect debt limitations, or require the application of the general resources of the City for repayment.

The OWDA debt related to the water line replacement is required to be made from water revenues after the payment of operation and maintenance expense of the system. The loan agreement grants no security or property interest to OWDA in any property of the City, and does not pledge the general credit of the City, or create a debt subject to the direct or indirect debt limitations, or require the application of the general resources of the City for repayment.

The City has also entered into loan agreements with the Ohio Public Works Commission (OPWC) pursuant to which OPWC provided funds to the City for water treatment and sewer collection improvements. The City's annual obligations under the two aforementioned loans are \$7,391 and \$8,806 respectively with the final payments due 2003 and 2002 respectively for these loans. The total outstanding principal balance on the OPWC debt at December 31, 2000 was \$31,687.

In May 2000, the City entered into an agreement with the Ohio Water Development Authority (OWDA) to upgrade its wastewater treatment operations within the City. The City was authorized to draw down \$2,247,159 from OWDA for this project. This project is estimated to be completed in 2002 at which time the City will be required to begin repaying this loan to OWDA per an agreed upon amortization schedule. During the calendar year, the City received and expended \$915,716 from OWDA. The amounts received in the calendar year 2000 are shown as sewer system improvements construction in progress with a corresponding debt payable to OWDA. The total OWDA reported debt of \$3,112,934 includes active OWDA debt of \$2,197,218 and current OWDA debt related to construction in progress of \$915,716.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 12 DEPOSITS

Ohio law requires that deposits be placed in eligible banks or building and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate face value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation.

At year-end the carrying amount of the City's deposits, was \$11,425,538 and the bank balance was \$11,956,942. Deposits of \$300,000 were collateralized by FDIC insurance, \$8,441,281 were collateralized by a pool pursuant to Section 135.181, Revised Code, on which the City has a proportionate interest and \$3,215,661 were not collateralized.

Investments - Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption of their respective fund balances. Interest earned is recognized when earned.

The City's investments included \$3,223,403 in the State Investment Pool (STAR-Ohio), investments of \$413,008 held by a trust department in the name of the City to be used for the retirement of outstanding sewer debt and \$1,969,385 of investments in federal securities.

Risk Categorization - The Governmental Accounting Standards Board (GASB) Statement No. 3 "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements", require municipalities to categorize their deposits and investments into one of three credit risk categories. Category 1 includes investments that are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agency in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name. In conformity with Statement No. 3, the City has classified its investments into risk categories shown below:

<u>Type of Investment</u>	Credit Risk <u>Category</u>	Carrying <u>Value</u>	Market <u>Value</u>
U. S. Treasury Bills	2	\$ 413,008	\$ 420,809
State Treasurer's Investment Pool – Star Ohio	3	3,223,403	3,223,403
Federal Home Loan Mortgage Corp – CL #1	2	1,000,841	998,856
Federal Home Loan Mortgage Corporation- Discount Note	2	483,190	495,001
Federal National Mortgage Association – Discount Note	2	<u>485,354</u>	<u>499,740</u>
TOTAL INVESTMENTS AT 12/31/00		<u>\$5,605,796</u>	<u>\$5,637,809</u>

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 12 DEPOSITS- (continued)

Additional Legal Requirements - Statues further require the classification of monies held by the City into three categories. Category 1 consists of "Active" Monies, those monies required to be kept in the "cash" or "near cash" status for immediate use by the City. Deposits of \$8,925,538 fall within this classification.

Category 2 consist of "inactive" monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Inactive deposits may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories. The City had \$2,500,000 of inactive Certificate of Deposits at December 31, 2000 with Provident Bank.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use, and will not be needed before the end of the current period of depositories. At December 31, 2000, interim monies of \$5,605,796 were invested by the City, including \$2,382,393 of U.S. Government Securities and \$3,223,403 in the State Treasurer's Investment Pool.

Note 13 OPERATING TRANSFERS

The City's Combined Statement of Revenues, Expenditures, and Changes in Fund Equity for all governmental fund types and expendable trust funds and the Statement of Revenues, Expenses, and Changes in Retained Earnings for all proprietary fund types display the total of operating transfers in an out for the fiscal year ended December 31, 2000. A reconciliation of these operating transfers is detailed as follows:

<u>Fund</u>	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
General Fund	<u>\$ 45,704</u>	<u>\$ 315,455</u>
Special Revenue Funds:		
Library		140,130
Street Maintenance & Repair	179,000	20,000
C.O.P Grant	30,325	
County Recycling	40,000	25,059
Dare Grant	5,000	
Recreation Complex		
Court Equipment Replaced	<u>39,197</u>	
Total Special Revenue Funds	<u>\$293,522</u>	<u>\$185,189</u>

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 13 OPERATING TRANSFERS- (continued)

<u>Fund</u>	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
Debt Service Funds:		
Councilmatic Debt		
General Obligation Debt	\$ 238,078	
Special Assessment Debt		
Total Debt Service Funds	<u>\$ 238,078</u>	
Expendable Trust:		
Income Tax Fund		\$ 94,955
Police Pension	\$ 62,730	
Fire Pension	<u>21,298</u>	
Total Expendable Trust Funds	<u>\$ 84,028</u>	<u>\$ 94,955</u>
Enterprise Funds:		
Equipment Replacement Fund	\$ 198,161	\$ 88,834
Refuse		126,000
Sanitary Sewer Funds	633,190	628,317
Water Funds	334,400	338,333
Electric Funds	<u>1,591,384</u>	<u>1,641,384</u>
Total Enterprise Funds	<u>\$ 2,757,135</u>	<u>\$ 2,822,868</u>
 TOTAL ALL FUNDS	 <u>\$3,418,467</u>	 <u>\$3,418,467</u>

Note 14 ADVANCES-IN & ADVANCES-OUT

The City made advances to several funds to cover negative cash balances that existed at calendar year end. The advances were repaid in 2001.

The outstanding advances-in and advances-out at December 31, 2000 were as follows:

<u>Fund</u>	<u>Advances-In</u>	<u>Advances-Out</u>
General Fund		<u>\$297,388</u>
Special Revenue Fund -		
Community Development Block Grant-Community Housing Improvement Program	\$297,388	
Recreation Complex	<u>\$111,837</u>	
Total Special Revenue Funds	\$409,255	
Expendable Trusts:		
Income Tax		<u>\$111,837</u>
Total All Funds	<u>\$409,255</u>	<u>\$409,255</u>

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 15 RISK ASSESSMENT

The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

The City participates in the Buckeye Ohio Risk Management Agency (BORMA); a public entity shared risk pool consisting of several cities in northern Ohio. The City pays monthly premiums for health care coverage for its employees and for property and general liability insurance. BORMA is responsible for the management and operations of the programs. Member cities agree to share in coverage of losses and pay all premiums necessary for the specified insurance coverages provided under the respective programs. Member cities are subject to supplemental assessments of up to 25 percent of the premiums paid for health insurance during that fiscal year and in an amount equal to the annual premiums for property and liability insurance in the event of deficiencies. Upon withdrawal from BORMA, a participant is responsible for the payment of all liabilities occurring as a result of withdrawal from the respective program.

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost.

Note 16 OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, Ohio Law provides that the City fund post retirement health care benefits through employer contributions to the Public Employees Retirement System (PERS) of Ohio and the Police and Firemen's Disability and Pension Fund (PFDPF) of Ohio.

PERS

The Public Employees Retirement System provides post retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered another Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The employer contribution rate was rolled back for the year 2000. The Ohio Revised Code provides the statutory authority for employer contributions. The 2000 employer contribution rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2000.

The Ohio Revised Code provides the statutory authority requiring public employees to fund post-retirement health care through their contributions to PERS.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 16 OTHER POST EMPLOYMENT BENEFITS(CONTINUED)

The Summary of Assumptions are as follows:

Actuarial Review. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000.

Funding Method. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. All investments are carried at market value . For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investments assets.

Investment Return. The investment assumption rate for 1999 was 7.75%.

Active Employee Total Payroll. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increases assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Healthcare. Health care costs were assumed to increase 4.75% annually.

The OPEBs are advanced funded on an actuarially determined basis.

The number of active participants was 401,339.

The employee contribution rate are the actuarially determined contribution requirements for PERS. The City's contributions that were used to fund post employment benefits for the year 2000 were \$146,569 out of total City PERS payments of \$369,470. At December 31, 1999, \$10,805.5 million which represents the actuarial value of the Retirement's System's net assets were available for other post employment benefits.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million respectively.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 16 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

The Retirement Board has elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology.

OHIO POLICE & FIRE PENSION FUD (OP&F)

OP&F operates under the authority of the Ohio Revised Code and provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the fund's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0% and 7.25 % of covered payroll in 1999 and 2000 respectively. The allocation is 7.50% in 2001. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The Board defined allocation was 6.5% and 7.0% of covered payroll in 1999 and 2000, respectively. The allocation is 7.25% in 2000.

The number of participants eligible to receive health care benefits as of December 31, 1999 are 12,467 for Police and 9,807 for Firefighters. The portion of the employers' contributions that was used to pay post retirement benefits was \$46,373 for police and \$17,418 for firefighters for the year ending December 31, 2000. The fund's total health care expense for the year ending December 31, 1999 was \$95,004,633.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 17 DEFERRED REVENUE AND BACK-UP DEDICATED CAPACITY REVENUE

The City of Oberlin entered into an agreement with American Municipal Power –Ohio Inc- (AMP- Ohio) in 1993 to assist AMP- Ohio in construction a Hydro Electric Plant called the Bellview Hydroelectric Project. In return for AMP-Ohio defeasing the City’s electric fund mortgage revenue bonds and the receipt of \$800,000 cash from AMP-Ohio, the City was required to provide back-up dedicated power to AMP-Ohio for a period of 13 years from June 1996 through May 2009.

The defeasance of the City’s debt plus the \$800,000 cash payment form AMP-Ohio resulted in the original deferred revenue balance of \$3,045,707. Deferred revenue reductions were \$261,214 and \$279,327 respectively for the year’s ending December 31, 2000 and December 31, 1999. Future back up dedicated capacity contributions from the City to AMP-Ohio are authorized to by an agreement between the parties.

Note 18 PRIOR PERIOD AUDIT ADJUSTMENTS

A. Interfund Balances Between Special Revenue and Expendable Trust Funds of \$139,045

The prior year audit report reflected cash proceeds from State Issue II of \$137,045 as revenues in 1999. These revenues were reclassified in the report as Special Revenue funds rather than as Expendable Trust funds as reflected in the City’s general ledger. The reclassification of these revenues in 1999 created a due to and due from between these funds.

A further examination of this transaction in 2000 indicated the that the Issue II proceeds received in 1999 were not revenues but a reimbursement of previously incurred City expenses. Therefore, the interfund asset and liability shown on the 1999 audit report was incorrect. The reversing of the 1999 audit adjustments for this transaction results in a prior period audit adjustment that increases the beginning fixed balance of the Expendable Fund Group by \$137,045 and decreases the beginning fund balance of the Special Revenue Fund Group by the same amount.

B. Overstatement of Water Fund Fixed Assets - \$32, 518

The City recorded a \$33,352 accounts payable item as a systems improvement (fixed asset) in last year’s audit. In 2000 a determination was made that this item was a repair expense item and not a fixed asset. The cost of 33,352 and related accumulated depreciation of \$834 were removed from the City’s balance sheet resulting in a net reduction of Water’s Fund’s beginning retained earnings balance of \$32,518.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 2000

Note 19 SUBSEQUENT EVENTS

A.New AMP-Ohio Debt

The City of Oberlin entered into a preliminary loan with AMP-Ohio on December 29, 2000. The loan agreement between the parties resulted in a \$4,000,000 bond anticipation note between the City and AMP-Ohio. The proceeds were to be used to enable to City to build new electric generators. The notes were to mature in one year and to be replaced by Electric System Improvement Bonds which would be retired over a (20) twenty year period. The agreement was not fully executed until January 2001 when the City received the \$4,000,000 proceeds from AMP-Ohio.

B.Conviction of Former Municipal Court Employee of Theft in Office

On February 5, 2001 a former employee plead guilty to the following charges: (A) Theft in Office 2 charges and (B) Tampering with records. The defendant was sentenced to 3 years of community controlled service and 90 days Community Control at the Lorain County Correctional Facility with a work release and ordered to make restitution of \$1,750 at a rate of \$60.00 per month commencing March 1, 2001.

CITY OF OBERLIN, OHIO
SEGMENT INFORMATION - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31,2000

	<u>ELECTRIC</u>	<u>SEWER</u>	<u>WATER</u>	<u>SOLID WASTE</u>	<u>CABLE PROGRAMMING</u>	<u>EQUIPMENT REPLACEMENT</u>	<u>TOTAL ENTERPRISE FUNDS</u>
OPERATING STATEMENT:							
Operating Revenues	\$7,495,411	\$2,754,266	\$1,187,839	\$432,264	\$0	\$0	\$11,869,780
OPERATING EXPENSES:							
Operations	170,989	406,790	389,000	163,160			1,129,939
Maintenance	964,126	787	47,551	154,711		42,340	1,209,515
Purchased Power	4,267,692						4,267,692
Distributions	187,823	164,022	261,858				613,703
Administration	567,491	101,141	95,677	13,740			778,049
Depreciation & Amortization	568,349	499,107	302,986	34,727	2,380		1,407,549
Bad Debt Expense	14,995	3,886	3,048	418			22,347
Total Operating Expenses	6,741,465	1,175,733	1,100,120	366,756	2,380	42,340	9,428,794
OPERATING INCOME (LOSS)	753,946	1,578,533	87,719	65,508	(2,380)	(42,340)	2,440,986
Non-Operating Revenues (Expenses)	109,458	(199,309)	(51,336)		25,463		(115,724)
Net Transfers	(50,000)	4,873	(3,933)	(126,000)		109,327	(65,733)
NET INCOME (LOSS)	\$813,404	\$1,384,097	\$32,450	(\$60,492)	\$23,083	\$66,987	\$2,259,529
OTHER INFORMATION:							
Net Working Capital	3,917,471	2,374,466	1,179,004	70,678	24,535	1,288,233	8,854,387
Fixed Assets: Net of Allowable	7,854,190	7,352,631	3,680,695	220,422	13,096	0	19,121,034
Total Assets	12,743,508	10,847,392	5,155,867	482,443	37,631	1,274,427	30,541,268
Bonds, OWPC and OWDA Loans Payable	0	4,485,177	690,444				5,175,621
Total Equity	10,479,704	5,524,633	4,315,384	291,100	37,631	1,263,698	21,912,150

WATSON RICE&CO

Certified Public Accountants
A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of City Council
City of Oberlin, Ohio

We have audited the financial statements of the City of Oberlin, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated June 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated June 28, 2001.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions on pages 47 and 48 and are identified as items 00-1 and 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition 00-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated June 28, 2001.

This report is intended solely for the information of the City Council, management of the City, others within the organization and federal awarding agencies and pass through entities and is not intended to be and should not used by anyone other than these specified parties.

June 28, 2001

Watson, Rice & Co.

WATSON RICE&CO

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of City Council
City of Oberlin, Ohio

Compliance

We have audited the compliance of the City of Oberlin (City) with the types of compliance requirements described in the U.S. Office of Management and Budget OMB-A-133 Compliance Supplement that is applicable to its major federal programs for the year ended December 31, 2000. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133 – "Audits of States Local Governments, and Non-profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we consider necessary in the circumstances. We believe the audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal cause of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the City Council, management of the City, others within the organization, the Auditor of State, and the Department of Justice and is not intended to be and should not be used by anyone other than these specified parties .

June 28, 2001

Watson, Rice & Co.

CITY OF OBERLIN, OHIO
SCHEDULE OF FEDERAL AWARDS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000

FEDERAL GRANTOR/PASS - THROUGH GRANTOR/PROGRAM TITLE	CATALOG OF FEDERAL DOMESTIC NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM OR AWARD AMOUNT	FEDERAL CASH RECEIPTS	FEDERAL CASH EXPENDITURES
<u>U.S. Department of Housing & Urban Development</u>					
<u>Passed through the State of Ohio - Department of Development</u>					
Community Development Block Grant - Small Cities Program- Current Year Grant	14.228	A-C-98-160-1	\$455,000	\$282,105	\$261,125
Community Development Block (CDBG) Grant - Small Cities Program-Revolving Loan Program-Prior Year Closed Out Grants & Recycled Loans	14.228	Grant #-A-C-96-160-1			1,581
<u>Passed through the State of Ohio - Office of Department of Development and then Lorain County (Formula Allocation)</u>	14.228	Grant#-B-F-98-043-01	28,500		28,500
Total Community Development Block Grant Program			483,500	282,105	291,206
<u>Passed through the State of Ohio - Department of Development</u>					
HOME Investment Partnership Program- Current Year Grant	14.239	Grant#-A-C-98-160-2 HUD#M-93-SG-39-0922 FTI#346002073	145,000	62,360	65,484
HOME Investment Partner Program-Revolving Loan Program-Prior Year Closed Out Grants- Recycled Loans	14.239	Grant# A-C-96-160-2 HUD#M-96-SG-39-0922 Grant#-A-C-94-160-2 Grant#-A-C-92-160-2		33,265	25,398
Subtotal HOME Investment Partnership Program			145,000	95,625	90,882
Total U.S. Department of Housing and Urban Development			628,500	377,730	382,088
<u>U.S. Department of Justice-</u>					
<u>Direct Grant</u>	16.607	N/A	3,000	3,000	3,000
Bulletproof Vest Partnership Grant					
<u>Total Federal Financial Assistance</u>			\$631,500	\$380,730	\$385,088

City of Oberlin
Notes to Schedule of Federal Awards
For the Year Ended December 31, 2000

- Note A Significant Accounting Policies
The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City of Oberlin (the City) federal awards programs.
- Note B U.S. Department of Housing and Urban Development Loan Programs
The City has previously established a revolving loan program to provide low interest loan to business owners to rehabilitate their businesses. The Federal Department of Housing and Urban Development (HUD) granted money for these loans as part of the City's pass through program through the Ohio Department of Development. The initial loans were recorded as disbursement on previous Schedules. The repaid principal, including interest, is used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on this Schedule. These loans are collateralized by mortgages on the property.
- Note C U.S. Department of Justice
The City's bullet proof vest partnership grant was the City's only directly funded federal program and as such is determined to be the City's oversight agency.
- Note D NA-Note Applicable

City of Oberlin
Summary of Findings and Questioned Costs
For the Year Ended December 31, 2000

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of Financial Statement Opinion - Unqualified.

Internal Control Over Financial Reporting

- Material weaknesses identified? - Yes. See listing of Reportable Conditions at pages 47 and 48 of this report.

- Reportable conditions identified that are not considered to be material weaknesses? - Yes.

- Noncompliance material to financial statements noted? - No.

Federal Awards

- Material weaknesses identified? - No.

- Reportable conditions identified that are not considered to be material weaknesses? - None Reported

- Type of auditor's report issued on compliance for major programs? Unqualified.

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? - No.

Identification of Major Programs

- A. Community Development Block Grant Program. Largest Type B Program. Federal Dollars Expended on this program was \$291,206. The City had no Type A Programs with \$300,000 or more of expenses in any federal program during audit period.
- Dollar Threshold used for Type A and Type B Programs - \$300,000.

 - Auditee Risk Assessment – High Risk Auditee because of material weaknesses noted in the previous two calendar year audits.

City of Oberlin
Summary of Findings and Questioned Costs
For the Year Ended December 31, 2000

Section II- Financial Statement Findings
Reportable Conditions

00-01

(A)(B) Physical Fixed Asset Balances Not Reconciled with Audited Fixed Asset Amounts

Condition

The City of Oberlin performed a complete fixed asset observation of all vehicles equipment and furniture fixtures during 1999 and compiled a listing of all of these fixed assets. The fixed asset observation excluded buildings, land and infrastructure. No reconciliation was performed in 2000 of the observed physical inventory of fixed assets with either the reported fixed assets in General Fixed Asset Group of Accounts or the fixed assets in the Proprietary Fund Groups (Enterprise and Internal Service Funds).

Cause

The reconciliation is not performed for the General Fixed Assets Group of Accounts because the City has historically only maintained a summary total of its fixed assets for the General Fixed Asset Group of Accounts. Each year additions and deletions are added to the cumulative total from the previous year. The total does not distinguish fixed assets by type (i.e. – land, furniture and equipment, etc) and this reconciliation can not be performed. More detailed accounting records exist for proprietary funds, but these records are not in sufficient detail (type of equipment, description of item, etc.) to enable a comparison and reconciliation with physical inventory items.

Effect

The City has not reconciled its physically observed fixed assets with its audited reported fixed assets for either the General Fixed Asset Group of Accounts or its Proprietary Funds.

Criteria

Generally accepted accounting principle (GAAP) require that physically observed fixed assets(the detail subsidiary) schedules be reconciled with the City's reported fixed assets.

Recommendation

The City needs to reconcile its physically observed fixed assets to its audited fixed assets for the General Fixed Asset Account Group and fixed assets for the Enterprise and Internal Service Funds. Differences should be investigated and posted to the general ledger so that the detailed schedules agree to the City's audited financial statements. Additionally, the City needs to compile its General Fixed Group of Accounts of fixed assets by category (land, buildings, equipment, furniture and fixtures, etc.).

City of Oberlin
Summary of Findings and Questioned Costs
For the Year Ended December 31, 2000

Management Response

The City will address this issue as it implements the new financial reporting model as prescribed the Governmental Accounting Standards Board.

00-02 Capital Project Fund Activity Commingled with a Special Project Fund

Condition

The City established a ballfield construction fund in 2000 for the construction of baseball fields and other recreation improvements. Other on-going annual operating recreation expenses were included in this fund and this activity was not segregated from the construction related activity.

Cause

The City did not create two separate funds to distinguish the construction the baseball fields (Capital Projects Fund) and a separate recreation fund for on-going future operating needs (Special Revenue Fund).

Effect

All costs associated with the construction of the baseball fields were misclassified and reported in City's unaudited financial statements as general government expenses instead of as capital improvements and the possibility existed that these capital improvements would not have been included in the City's additions to its General Fixed Asset Group of Accounts.

Criteria

Both generally accepted accounting principles (GAAP) and the Ohio Revised Code require that separate funds be created whenever different purposes exist for City activity (construction and operations).

Recommendation

The City should review the purposes of all its new construction and operational activities and create the necessary funds and not commingle accounting activity in one fund when separate funds are required.

Management Response

In the future the City will establish a separate fund for capital projects and expenses will be classified accordingly.

- A. Material Weakness
- B. Report Comment from Prior Year Audit

City of Oberlin
Summary of Findings and Questioned Costs
For the Year Ended December 31, 2000

Section III- Federal Award Findings and Questioned Costs

There were no federal award findings or questional costs for the City of Oberlin for the year endings December 31, 2000.

City of Oberlin
States of Prior Year Reportable Conditions

- 99-1 Bank Reconciliations Not Completed Timely – Corrected in 2000
- 99-2 Inadequate Planning and Execution of Appropriated Transfers – Corrected in 2000.
- 99-3 Excessive Distribution from Equipment Replacement Reserve Fund to Five Truck Construction Fund – Did not apply in 2000. Considered corrected by Auditor.
- 99-4 Inadequate Support for Expenses Charged to Enterprise Funds – Corrected in 2000 by City.
- 99-5 City's General Ledger and Unaudited Financial Statements Do Not Differentiate Capital Items and Expense Items - Some improvements made by City relating to this condition in 2000. This issue was reissued as a management letter comment in 2000 because of City's partial corrective action.
- 99-6 Internal Control Weaknesses – Oberlin Municipal Court – Corrected in 2000
- 99-7 Physical Fixed Asset Amounts – Reissued as Reportable Condition number 00-01 in 2001.

The following is the City of Oberlin's Corrective Action Plan for the reportable conditions noted in the calendar year 2000 audit.

00-01 Physical Fixed Asset Balances Not Reconciled with Audited Fixed Asset Amounts

City Corrective Action Plan

The city will address this issue as it implements the new financial reporting model as prescribed the Governmental Accounting Standards (GASB).

00-02 Capital Project Fund Activity Commingled with a Special Project Fund

City Corrective Action Plan

In the future the City will establish a separate fund for capital projects and expenses will be classified accordingly.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF OBERLIN

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2001**