

**CITY OF NORTH RIDGEVILLE
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999

CITY OF NORTH RIDGEVILLE, OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Members of City Council
City of North Ridgeville
Lorain County
7307 Avon Belden Road
North Ridgeville, Ohio 44039

We have audited the accompanying general-purpose financial statements of the City of North Ridgeville, Lorain County, (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose 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 of North Ridgeville, Lorain County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types 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 20, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized "X" mark.

Jim Petro
Auditor of State

June 20, 2000

CITY OF NORTH RIDGEVILLE, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Equity in pooled cash and equivalents	\$ 1,420,887	\$ 2,917,399	\$ 898,326	\$ 256,469
Cash and investments with fiscal agents	-	-	2,518	-
Receivables, net of allowance				
Taxes	580,500	2,097,300	359,400	-
Special assessments	-	-	913,000	-
Accrued interest	1,280	1,280	640	-
Accounts and other	-	-	-	-
Due from other governments	165,744	71,800	-	-
Due from other funds	48,019	-	-	-
Inventories and supplies	-	-	-	-
Prepaid and deferred expenses	45,200	3,800	-	-
Restricted cash	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Intangible assets	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt	-	-	-	-
Amount to be provided for capital lease	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Total assets and other debits	\$ 2,261,630	\$ 5,091,579	\$ 2,173,884	\$ 256,469

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)
\$ 14,354,148	\$ 859,388	\$ 614,527	\$ -	\$ -	\$ 21,321,144
210,112	-	-	-	-	212,630
-	-	-	-	-	3,037,200
-	-	-	-	-	913,000
12,800	-	-	-	-	16,000
714,907	-	-	-	-	714,907
134,400	-	-	-	-	371,944
145,666	-	-	-	-	193,685
81,600	-	-	-	-	81,600
6,700	-	-	-	-	55,700
-	125,900	-	-	-	125,900
32,623,316	-	-	8,293,313	-	40,916,629
(10,615,667)	-	-	-	-	(10,615,667)
1,357,639	-	-	-	-	1,357,639
-	-	-	-	901,484	901,484
-	-	-	-	4,776,148	4,776,148
-	-	-	-	299,522	299,522
-	-	-	-	1,644,787	1,644,787
\$ 39,025,621	\$ 985,288	\$ 614,527	\$ 8,293,313	\$ 7,621,941	\$ 66,324,252

CITY OF NORTH RIDGEVILLE, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, fund equity and other credits				
Liabilities				
Accounts and contracts payable	\$ 92,422	\$ 130,226	\$ -	\$ 61,712
Accrued expenses				
Salaries, wages, and benefits	168,693	68,043	-	-
Interest	-	-	-	17,700
Other	-	-	-	-
Due to other governments	133,822	14,303	-	-
Due to other funds	-	48,019	-	-
Due to others	-	-	-	-
Deferred revenue	580,500	1,948,605	1,272,400	-
Notes payable	-	-	-	600,000
Loans payable, OPWC	-	-	-	-
Bonds payable				
General obligations	-	-	-	-
Special assessments	-	-	-	-
Mortgage revenue	-	-	-	-
Capital lease	-	-	-	-
Accrued leave benefits	-	-	-	-
Total liabilities	975,437	2,209,196	1,272,400	679,412
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Reserved for self insurance	-	-	-	-
Unreserved	-	-	-	-
Fund balance				
Reserved for encumbrances	116,845	106,980	-	-
Reserved for prepaids	45,200	3,800	-	-
Reserved for debt service	-	-	901,484	-
Unreserved	1,124,148	2,771,603	-	(422,943)
Total fund equity and other credits	1,286,193	2,882,383	901,484	(422,943)
Total liabilities, fund equity and other credits	\$ 2,261,630	\$ 5,091,579	\$ 2,173,884	\$ 256,469

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	(Memorandum Only)
\$ 397,909	\$ -	\$ 6,287	\$ -	\$ -	\$ 688,556
56,396	-	2,030	-	-	295,162
107,200	-	-	-	-	124,900
161,685	170,000	-	-	-	331,685
32,103	-	915	-	225,587	406,730
-	-	145,666	-	-	193,685
145,666	-	459,629	-	-	605,295
-	-	-	-	-	3,801,505
7,670,000	-	-	-	-	8,270,000
-	-	-	-	303,632	303,632
3,840,000	-	-	-	4,770,000	8,610,000
-	-	-	-	604,000	604,000
235,000	-	-	-	-	235,000
-	-	-	-	299,522	299,522
280,200	-	-	-	1,419,200	1,699,400
12,926,159	170,000	614,527	-	7,621,941	26,469,072
-	-	-	8,293,313	-	8,293,313
13,336,002	-	-	-	-	13,336,002
-	815,288	-	-	-	815,288
12,763,460	-	-	-	-	12,763,460
-	-	-	-	-	223,825
-	-	-	-	-	49,000
-	-	-	-	-	901,484
-	-	-	-	-	3,472,808
26,099,462	815,288	-	8,293,313	-	39,855,180
\$ 39,025,621	\$ 985,288	\$ 614,527	\$ 8,293,313	\$ 7,621,941	\$ 66,324,252

CITY OF NORTH RIDGEVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Local taxes	\$ 585,254	\$ 7,320,269	\$ 322,217	\$ -
Intergovernmental revenue	1,095,265	1,069,239	38,616	308,482
Special assessments	1,221	-	104,158	-
Charges for services	-	1,224,433	-	-
Fines, licenses, and permits	526,089	74,312	-	-
Interest	41,066	198,358	49,089	42,523
Miscellaneous	427,936	215,868	-	6,502
Total revenues	2,676,831	10,102,479	514,080	357,507
Expenditures				
Current				
Security of persons and property	4,009,556	1,416,970	-	-
Public health and welfare	48,465	58,259	-	-
Leisure time activities	252,849	129,802	-	-
Community development	-	26,344	-	-
Transportation	-	1,390,157	-	-
General government	2,519,706	1,503,085	10,487	-
Capital outlay	-	-	-	2,026,801
Debt service				
Note principal	-	-	-	7,180
Bond principal	-	-	844,000	-
Capital lease principal	-	-	-	65,478
Interest and fiscal charges	-	-	396,711	37,556
Total expenditures	6,830,576	4,524,617	1,251,198	2,137,015
Excess (deficiency) of revenues over expenditures	(4,153,745)	5,577,862	(737,118)	(1,779,508)
Other financing sources (uses)				
Operating transfers-in	4,080,000	92,800	875,931	720,000
Other sources	-	-	-	303,632
Operating transfers-out	(92,800)	(5,246,970)	-	(428,961)
Total other financing sources (uses)	3,987,200	(5,154,170)	875,931	594,671
Excess (deficiency) of revenues over expenditures and other sources (uses)	(166,545)	423,692	138,813	(1,184,837)
Fund balances, beginning of year	1,452,738	2,458,691	762,671	761,894
Fund balances, end of year	\$ 1,286,193	\$ 2,882,383	\$ 901,484	\$ (422,943)

The accompanying notes are an integral part of these financial statements.

Totals
(Memorandum Only)

\$ 8,227,740
2,511,602
105,379
1,224,433
600,401
331,036
650,306

13,650,897

5,426,526
106,724
382,651
26,344
1,390,157
4,033,278
2,026,801

7,180
844,000
65,478
434,267

14,743,406

(1,092,509)

5,768,731
303,632
(5,768,731)

303,632

(788,877)

5,435,994

\$ 4,647,117

CITY OF NORTH RIDGEVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local taxes	\$ 583,221	\$ 585,254	\$ 2,033
Intergovernmental revenue	1,038,265	1,041,082	2,817
Special assessments	1,225	1,221	(4)
Charges for services	-	-	-
Fines, licenses, and permits	412,690	425,389	12,699
Interest	40,000	40,846	846
Miscellaneous	307,626	307,936	310
Total revenues	2,383,027	2,401,728	18,701
Expenditures			
Current			
Security of persons and property	4,350,952	4,109,869	241,083
Public health and welfare	50,000	48,465	1,535
Leisure time activities	275,764	257,000	18,764
Transportation	-	-	-
General government	3,235,753	2,693,911	541,842
Capital outlay	-	-	-
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	7,912,469	7,109,245	803,224
Excess (deficiency) of revenues over expenditures	(5,529,442)	(4,707,517)	821,925
Other financing sources (uses)			
Operating transfers-in	4,310,000	4,310,000	-
Note proceeds	-	-	-
Other sources	-	-	-
Operating transfers-out	(188,900)	(92,800)	96,100
Total other financing sources (uses)	4,121,100	4,217,200	96,100
Excess (deficiency) of revenues over expenditures and other sources (uses)	(1,408,342)	(490,317)	918,025
Prior year encumbrances	173,188	173,188	-
Fund balances, beginning of year	1,523,935	1,523,935	-
Fund balances, end of year	\$ 288,781	\$ 1,206,806	\$ 918,025

The accompanying notes are an integral part of these financial statements.

Special Revenue

Debt Service

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,988,868	\$ 7,320,269	\$ 331,401	\$ 321,461	\$ 322,217	\$ 756
1,179,888	1,137,175	(42,713)	37,300	38,616	1,316
-	-	-	104,105	104,158	53
1,188,090	1,224,433	36,343	-	-	-
69,350	74,312	4,962	-	-	-
150,100	209,238	59,138	49,385	51,525	2,140
167,280	186,868	19,588	-	-	-
9,743,576	10,152,295	408,719	512,251	516,516	4,265
1,602,888	1,423,280	179,608	-	-	-
69,543	64,285	5,258	-	-	-
183,585	136,398	47,187	-	-	-
1,838,181	1,562,604	275,577	-	-	-
1,886,188	1,661,901	224,287	14,000	10,486	3,514
-	-	-	-	-	-
-	-	-	1,644,000	1,644,000	-
-	-	-	430,498	430,498	-
5,580,385	4,848,468	731,917	2,088,498	2,084,984	3,514
4,163,191	5,303,827	1,140,636	(1,576,247)	(1,568,468)	7,779
92,890	92,800	(90)	1,209,717	1,209,717	-
-	-	-	500,000	500,000	-
-	48,019	48,019	-	-	-
(5,266,970)	(5,266,970)	-	-	-	-
(5,174,080)	(5,126,151)	47,929	1,709,717	1,709,717	-
(1,010,889)	177,676	1,188,565	133,470	141,249	7,779
268,652	268,652	-	-	-	-
2,229,276	2,229,276	-	754,957	754,957	-
\$ 1,487,039	\$ 2,675,604	\$ 1,188,565	\$ 888,427	\$ 896,206	\$ 7,779

CITY OF NORTH RIDGEVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BASIS) - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local taxes	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	-
Special assessments	-	-	-
Charges for services	-	-	-
Fines, licenses, and permits	-	-	-
Interest	42,160	42,523	363
Miscellaneous	618,614	618,616	2
Total revenues	660,774	661,139	365
Expenditures			
Current			
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Leisure time activities	-	-	-
Transportation	-	-	-
General government	-	-	-
Capital outlay	2,335,025	2,145,121	189,904
Debt service			
Bond principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,335,025	2,145,121	189,904
Excess (deficiency) of revenues over expenditures	(1,674,251)	(1,483,982)	190,269
Other financing sources (uses)			
Operating transfers-in	720,000	720,000	-
Note proceeds	600,000	600,000	-
Other sources	-	-	-
Operating transfers-out	(428,961)	(428,961)	-
Total other financing sources (uses)	891,039	891,039	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(783,212)	(592,943)	190,269
Prior year encumbrances	79,491	79,491	-
Fund balances, beginning of year	708,210	708,210	-
Fund balances, end of year	\$ 4,489	\$ 194,758	\$ 190,269

The accompanying notes are an integral part of these financial statements.

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 7,893,550	\$ 8,227,740	\$ 334,190
2,255,453	2,216,873	(38,580)
105,330	105,379	49
1,188,090	1,224,433	36,343
482,040	499,701	17,661
281,645	344,132	62,487
1,093,520	1,113,420	19,900
<u>13,299,628</u>	<u>13,731,678</u>	<u>432,050</u>
5,953,840	5,533,149	420,691
119,543	112,750	6,793
459,349	393,398	65,951
1,838,181	1,562,604	275,577
5,135,941	4,366,298	769,643
2,335,025	2,145,121	189,904
1,644,000	1,644,000	-
430,498	430,498	-
<u>17,916,377</u>	<u>16,187,818</u>	<u>1,728,559</u>
(4,616,749)	(2,456,140)	2,160,609
6,332,607	6,332,517	(90)
1,100,000	1,100,000	-
-	48,019	48,019
(5,884,831)	(5,788,731)	96,100
<u>1,547,776</u>	<u>1,691,805</u>	<u>144,029</u>
(3,068,973)	(764,335)	2,304,638
521,333	521,333	-
5,216,376	5,216,376	-
<u>\$ 2,668,736</u>	<u>\$ 4,973,374</u>	<u>\$ 2,304,638</u>

CITY OF NORTH RIDGEVILLE, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating revenues			
Charges for services	\$ 6,571,464	\$ 835,497	\$ 7,406,961
Miscellaneous	163,407	217	163,624
Total operating revenues	6,734,871	835,714	7,570,585
Operating expenses			
Personal services	1,763,223	-	1,763,223
Contractual services	1,556,926	-	1,556,926
Supplies and materials	1,257,771	-	1,257,771
Other operating	377,754	807,064	1,184,818
Depreciation	755,189	-	755,189
Amortization	52,707	-	52,707
Total operating expenses	5,763,570	807,064	6,570,634
Operating income	971,301	28,650	999,951
Nonoperating revenues (expenses)			
Interest income	465,841	43,496	509,337
Loss on asset disposal	(1,421)	-	(1,421)
Interest and fiscal charges	(335,519)	-	(335,519)
Total nonoperating revenues (expenses)	128,901	43,496	172,397
Net income	1,100,202	72,146	1,172,348
Retained earnings, beginning of year	11,663,258	743,142	12,406,400
Retained earnings, end of year	\$ 12,763,460	\$ 815,288	\$ 13,578,748

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH RIDGEVILLE, OHIO
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Enterprise	Internal Service Fund	Total (Memorandum Only)
Cash flows from operating activities:			
Operating income	\$ 971,301	\$ 28,650	\$ 999,951
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	807,896	-	807,896
Changes in net assets (increase) decrease and liabilities increase (decrease):			
Receivables, accrued interest	(12,800)	-	(12,800)
Receivables, accounts and other	14,993	-	14,993
Due from other governments	282,700	-	282,700
Due from other funds	(18,775)	-	(18,775)
Inventories and supplies	7,300	-	7,300
Restricted cash	-	(9,700)	(9,700)
Accounts and contracts payable	209,653	-	209,653
Accrued expenses	280,432	44,000	324,432
Due to other governments	(13,998)	-	(13,998)
Due to others	18,775	-	18,775
Total adjustments	1,576,176	34,300	1,610,476
Net cash provided by operating activities	2,547,477	62,950	2,610,427
Cash flows provided by (used in) capital and related financing activities:			
Acquisition of fixed assets	(681,942)	-	(681,942)
Proceeds from note payable	7,670,000	-	7,670,000
Principal payment of notes	(800,000)	-	(800,000)
Principal payment of bonds	(300,000)	-	(300,000)
Interest payments on debt	(335,519)	-	(335,519)
Net cash provided by capital and related financing activities	5,552,539	-	5,552,539
Cash flows from investing activities:			
Interest on investments	465,841	43,496	509,337
Cash with fiscal agent	3,938	-	3,938
Net cash provided by investing activities	469,779	43,496	513,275
Net increase in cash and cash equivalents	8,569,795	106,446	8,676,241
Equity in pooled cash and equivalents, beginning of year	5,784,353	752,942	6,537,295
Equity in pooled cash and equivalents, end of year	\$ 14,354,148	\$ 859,388	\$ 15,213,536
Non-cash transactions:			
Disposal of fixed assets, net book value	\$ 1,421	\$ -	\$ 1,421
Acquisition of fixed assets through contributed capital	\$ 47,581	\$ -	\$ 47,581

The accompanying notes are an integral part of these financial statements.

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The City of North Ridgeville, Ohio, was founded in 1810 and became a City in 1960. The North Ridgeville Charter was originally adopted by the voters in October, 1961, in order to secure the benefits of municipal home rule. Under the Ohio Constitution, the City may exercise all powers of local self-government to the extent not in conflict with applicable general laws. The City, under its charter, operates with an elected Council/Mayor form of government. The responsibilities for the major financial functions of the City are divided among the Council, Mayor, Auditor, and Treasurer. The Auditor, who is appointed by Council, is the City's fiscal and chief accounting officer. The Treasurer, Law Director, and other appointed officials are appointed by the Mayor with Council approval. The City's fiscal year corresponds with the calendar year.

In evaluating how to define the City of North Ridgeville, Ohio for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, management does not feel the City has any potential component units which should be addressed in defining the City's reporting entity.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The City of North Ridgeville maintains its accounting records on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For reporting purposes, the individual funds of the City included in these general purpose financial statements are classified into the following types of funds:

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (continued)

Governmental fund types

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General fund - used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds - used to account for the proceeds of specific revenue sources, other than expendable trusts, or for major capital projects, that are legally restricted to expenditure for specified purposes.

Debt service funds - used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

Capital projects funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

Proprietary fund types

These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are as follows:

Enterprise funds - 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, including depreciation, of providing goods or services to the general public 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, or other purposes.

Internal service funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary fund types

These funds account for assets held by the City as a trustee or agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds consist of agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING (continued)

Account groups

Account groups are used to distinguish fixed assets not related to a specific fund and long-term liabilities not related to a specific fund. For reporting purposes, account groups included in these general purpose financial statements consisted of:

General fixed assets account group - used to account for fixed assets other than those accounted for in proprietary or trust funds.

General long-term debt account group - used to account for unmatured general long-term obligations other than those accounted for in proprietary, including special assessment debt for which the City is obligated in some manner.

C. BASIS OF ACCOUNTING

The modified accrual basis of accounting is used for governmental, expendable trust and agency funds. Revenues are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be thirty days. Revenues accrued at year-end include interest on investments, local income tax withheld by employers, and certain state levied locally shared taxes. Property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred income until available. Reimbursements due for federally funded projects are recognized when the corresponding expenditures are made. Other revenues including fines and forfeits, licenses and permits, certain charges for services, income taxes other than employer withholding, and miscellaneous revenues, are recognized when received since they are generally not measurable until collected.

Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Unmatured interest on debt is recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is used for proprietary funds. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized when incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

CITY OF NORTH RIDGEVILLE, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS AND REPORTING

Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year for the period January 1 to December 31 of the following year. The legal level of budgetary control is at the fund function level.

Estimated resources

The county budget commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected receipts of each fund. Before January 31, this certificate is amended to include any unencumbered balances from the preceding year. The "Amended Official Certificate of Estimated Resources" then serves as the basis for the annual appropriation measure. This certificate may be amended during the year as resources change from estimated amounts.

Appropriations

A temporary appropriation measure to control the cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the entire period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources, as stated on the certificate of estimated resources including amendments.

The allocation of appropriations among functions within a fund may be modified during the year by an ordinance of City Council. Certain supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

Encumbrances

Use of the encumbrance system of accounting is required 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.

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.

For financial reporting purposes, encumbrances outstanding at year-end are reported as a reservation of fund balance at year-end and do not constitute expenditures or liabilities because they will be honored in the subsequent year.

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS AND REPORTING

The budgetary process, in accordance with Ohio law, is accounted for on the basis of cash receipts and disbursements plus encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP basis) - 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 or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).

Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental fund types are as follow:

Excess (deficit) of revenue and other sources
 over (under) expenditures and other uses -
 reconciliation of budget basis to GAAP basis

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
Budget basis	\$ (490,317)	\$ 177,676	\$ 141,249	\$ (592,943)
Adjustments, increase (decrease)				
Revenue accruals	45,103	(97,835)	(836,222)	(600,000)
Expenditure accruals	278,669	343,851	833,786	8,106
GAAP basis, as reported (deficit)	<u>\$ (166,545)</u>	<u>\$ 423,692</u>	<u>\$ 138,813</u>	<u>\$ (1,184,837)</u>

E. CASH AND CASH EQUIVALENTS

The City pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code.

For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. INVESTMENTS

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

G. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

H. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market. The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds.

I. FIXED ASSETS

General fixed assets, which are those used in governmental fund type operations, are recorded as expenditures in the governmental type funds and capitalized in the general fixed asset account group. General fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received. Infrastructure general fixed assets, including roads, bridges, curbs, gutters, streets, sidewalks, and storm sewers and drains, are not capitalized. Depreciation expense is not recorded in the governmental funds.

Fixed assets which are used in proprietary type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost. Donated assets are valued at estimated fair market value when received. Depreciation is computed using the straight-line method based on estimated life of assets.

Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, including water and sanitary sewer lines, 30 to 50 years; equipment, including vehicles, 5 to 20 years.

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. LONG-TERM LIABILITIES

Unmatured general long-term liabilities which are related to governmental fund type operations are reflected in the general long-term debt group. Special assessment bonded debt with governmental commitment has been reflected in the general long-term debt account group.

K. UNPAID COMPENSATED ABSENCES

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

L. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations. Reserved retained earnings of the proprietary funds represent the net assets that have been legally identified for specific purposes.

M. TOTAL COLUMNS

Total columns on the financial statements are captioned "Memorandum only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 2 COMPLIANCE AND ACCOUNTABILITY

Not apparent in the general purpose financial statements is a deficit fund balance of \$ 616,901 in the Bainbridge Road Improvement fund. This deficit fund balance results primarily from the issuance of a note payable, which liability is reflected on the balance sheet while project costs and related fixed assets are reflected in the general fixed assets account group.

NOTE 3 POOLED CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following:

- 1.) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 3 POOLED CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4.) Bonds and other obligations of the State of Ohio;
- 5.) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6.) The State Treasurer's investment pool (STAR Ohio);

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation of debt of the City, and must be purchased with the expectation that it will be held until maturity.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The City maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and equivalents."

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 3 POOLED CASH AND EQUIVALENTS, DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS AND CASH ON HAND

At year-end, the carrying amount of the City's deposits was \$ 5,375,746 and the bank balance was \$ 5,665,537. Of the bank balance, \$ 100,000 is collateralized by federal depository insurance and \$ 5,565,537 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

Cash on hand at December 31, 1999 amounted to \$ 1,225.

C. INVESTMENTS

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent 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 but not in the City's name. Investment in STAR Ohio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form. Funds on deposit, deferred compensation is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category			Fair value
	1	2	3	
Government securities	\$ -	\$ 4,050,220	\$ -	\$ 4,050,220
State Treasurer's investment pool				<u>12,106,583</u>
				<u>\$ 16,156,803</u>

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 4 TAXES RECEIVABLES

Taxes receivable, net of allowance for estimated uncollectibles, consisted of:

Property taxes	
Current	\$ 2,731,200
Delinquent	141,000
Municipal income taxes, employer withholding	<u>165,000</u>
	<u>\$ 3,037,200</u>

NOTE 5 DUE TO / DUE FROM OTHER FUNDS

Due to / due from other funds consisted of:

Water deposits held in an agency fund	\$ 145,666
General fund advances to Federal grants special revenue fund	<u>48,019</u>
	<u>\$ 193,685</u>

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

The changes in general fixed assets during the year consisted of:

	<u>Balance,</u> <u>January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance,</u> <u>December 31</u>
Land	\$ 353,240	\$ -	\$ -	\$ 353,240
Buildings and improvements	3,480,713	54,024	-	3,534,737
Equipment and vehicles	<u>4,159,751</u>	<u>510,706</u>	<u>265,121</u>	<u>4,405,336</u>
Fixed assets	<u>\$ 7,993,704</u>	<u>\$ 564,730</u>	<u>\$ 265,121</u>	<u>\$ 8,293,313</u>

Proprietary fund fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>Balance,</u> <u>December 31</u>
Land	\$ 353,220
Buildings and improvements	328,993
Improvements, utility systems	29,661,344
Machinery and equipment	1,685,004
Construction in process	<u>594,755</u>
	32,623,316
Accumulated depreciation	<u>(10,615,667)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 22,007,649</u>

CITY OF NORTH RIDGEVILLE, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 7 INTANGIBLE ASSETS

The City entered into an agreement in 1993 with the Rural Lorain County Water Authority (RLCWA) and the cities of Avon Lake and Avon, Ohio for the construction of a transmission water main and pump station. Under terms of the agreement, the water main and appurtenances will be owned by Avon Lake. The continued operation, maintenance and repair of the line and pump station shall be performed by RLCWA. The City's participation entitles it to purchase a specified amount of water. The cost of intangible assets is amortized ratably on a straight line basis over thirty years. Intangible assets at December 31, 1999 consisted of:

<u>Enterprise</u>	<u>Amortization Period</u>	<u>Balance</u>
Waterway rights, at cost	30 years	\$ 1,581,209
Accumulated amortization		(223,570)
Intangible assets, net of accumulated amortization		<u>\$ 1,357,639</u>

NOTE 8 DEFERRED REVENUE

Deferred revenue at year-end, related to:

Property taxes receivable	\$ 2,872,200
Special assessments receivable	913,000
Grant revenue received, unearned	<u>16,305</u>
	<u>\$ 3,801,505</u>

NOTE 9 NOTES PAYABLE

Note payable outstanding at year-end consisted of:

<u>Description</u>	<u>Rate of Interest</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Balance, December 31</u>
Road improvements	3.60 %	3/04/99	3/21/00	\$ 600,000
Waterlines	3.60 %	2/03/99	2/01/00	500,000
Water tower construction	4.00 %	6/24/99	6/22/00	2,800,000
Waste water treatment plant expansion	4.15 %	10/21/99	10/19/00	<u>4,370,000</u>
				<u>\$ 8,270,000</u>

NOTE 10 CHANGES IN GENERAL LONG-TERM DEBT

	<u>Outstanding, 12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding, 12/31/99</u>
Due to other governments	\$ 190,181	\$ 225,587	\$ 190,181	\$ 225,587
Loans payable, OPWC	-	310,812	7,180	303,632
General obligation bonds	5,575,000	-	805,000	4,770,000
Special assessment bonds	643,000	-	39,000	604,000
Capital lease	365,000	-	65,478	299,522
Accrued leave benefits	<u>1,284,200</u>	<u>135,000</u>	<u>-</u>	<u>1,419,200</u>
	<u>\$ 8,057,381</u>	<u>\$ 671,399</u>	<u>\$1,106,839</u>	<u>\$ 7,621,941</u>

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 11 ACCRUED LEAVE BENEFITS

Accrued leave benefits consisted of unpaid sick leave and vacation reflected as:

<u>Governmental type - general long-term obligations account group</u>	<u>\$ 1,419,200</u>
<u>Proprietary type</u>	
Water	68,200
Sanitary sewer	<u>212,000</u>
Total proprietary type	<u>280,200</u>
Total accrued leave benefits	<u>\$ 1,699,400</u>

NOTE 12 LOANS PAYABLE, OPWC

Loans payable, OPWC consist of twenty-year non-interest bearing loans requiring semi-annual payments of \$ 7,591 through 2019.

NOTE 13 BONDS PAYABLE

Bonds payable at year-end consisted of:

	Outstanding, 12/31/98	Additions	Reductions	Outstanding, 12/31/99
Governmental type - general long-term obligations account group				
<u>General obligation bonds</u>				
Sewage system acquisition (1986) 8.125% through 2008	\$ 2,820,000	\$ -	\$ 280,000	\$ 2,540,000
Various purpose (1993) Varying % through 2013	1,075,000	-	50,000	1,025,000
Various purpose (1995) Varying % through 2010	<u>1,680,000</u>	<u>-</u>	<u>475,000</u>	<u>1,205,000</u>
Total general obligation bonds	<u>5,575,000</u>	<u>-</u>	<u>805,000</u>	<u>4,770,000</u>

CITY OF NORTH RIDGEVILLE, OHIO

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 13 BONDS PAYABLE (continued)

	<u>Outstanding,</u> <u>12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding,</u> <u>12/31/99</u>
<u>Special assessment bonds</u>				
<u>with City commitment</u>				
Sewer improvements				
(1979) 6.125%				
through 1999	5,000	-	5,000	-
Street and sewer				
improvements				
(1980) 9.375%				
through 2000	18,000	-	9,000	9,000
Improvements				
(1995) Varying %				
through 2010	620,000	-	25,000	595,000
Total special assessment				
bonds with City	643,000	-	39,000	604,000
commitment				
Total governmental type	6,218,000	-	844,000	5,374,000
<u>Proprietary type</u>				
<u>Water</u>				
First mortgage waterworks				
system revenue bonds				
(1975) 8.250%				
through 2001	340,000	-	105,000	235,000
Waterline construction				
(1993) Varying %				
through 2013	1,490,000	-	70,000	1,420,000
<u>Sewer</u>				
Sewer improvements				
(1993) Varying %				
through 2013	2,545,000	-	125,000	2,420,000
Total proprietary type	4,375,000	-	300,000	4,075,000
Total bonds payable	\$ 10,593,000	\$ -	\$ 1,144,000	\$ 9,449,000

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 13 BONDS PAYABLE (continued)

Debt service requirements, including principal and interest, to retire bond payable obligations outstanding at December 31, 1999, consisted of:

<u>Year</u>	<u>General obligation bonds</u>	<u>Special assessment (GO) bonds</u>	<u>Mortgage revenue bonds</u>	<u>Total</u>
2000	\$ 1,542,698	\$ 56,255	\$ 139,390	\$ 1,738,343
2001	1,057,750	56,255	124,488	1,238,493
2002	1,036,012	55,105	-	1,091,117
2003	1,018,147	53,930	-	1,072,077
2004	993,892	62,730	-	1,056,622
2005				
2009	4,253,979	289,181	-	4,543,160
2010-				
2014	2,047,882	284,885	-	2,332,767
2015	-	52,850	-	52,850
	<u>\$ 11,950,360</u>	<u>\$ 911,191</u>	<u>\$ 263,878</u>	<u>\$ 13,125,429</u>

NOTE 14 PROPERTY TAXES

Property taxes include amounts levied on all real and public utility property and business tangible personal property which is located in the City. Lorain County is responsible for assessing, collecting, and remitting these property taxes to the City.

Real property taxes collected in 1999 were based on assessed value equal to thirty-five percent of appraised value. The Lorain County Auditor reappraises real property every six years with a triennial update, which last update was completed for 1994. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, in Lorain County, real property taxes are billed semi-annually, one year in arrears. The tax rate applied to real property collected in 1999 before certain homestead and rollback reductions, which reductions are reimbursed to the City by the State of Ohio, amounted to \$ 11.25 per \$ 1,000 of assessed valuation. The effective rate applied after adjustment for inflationary increases in property values was \$ 7.54 per \$ 1,000 of assessed valuation for residential and agricultural real property, and \$ 8.58 per \$ 1,000 of assessed valuation for other real property.

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 14 PROPERTY TAXES (continued)

Tangible personal property used in business is required to be reported by its owners 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 current year ended December 31, 1999 was \$ 11.25 per \$ 1,000 of valuation.

Property valuation consisted of:	
Real property - 1998	
Residential/agricultural	\$ 276,200,070
Commercial/industrial	44,408,000
Minerals	3,540
Public utilities	43,090
Tangible personal property - 1999	
General	23,960,770
Public utilities	<u>17,245,160</u>
Total valuation	<u>\$ 361,860,630</u>

NOTE 15 MUNICIPAL INCOME TAXES

The City levies an income tax of 1% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City with a certain credit for income taxes paid to other municipalities. This tax is collected and administered by the City. At December 31, 1999 the Income Tax fund balance amounted to \$ 1,329,252.

NOTE 16 PENSION PLANS

Public Employees Retirement System of Ohio (PERS)

All employees other than policemen and firemen participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee defined benefit 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 Public Employees Retirement System 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).

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 16 PENSION PLANS (continued)

Public Employees Retirement System of Ohio (PERS) (continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.55% of annual covered payroll. The 1999 employer contribution rate was 13.55% of covered payroll. The City's contribution to PERS for the years ended December 31, 1999, 1998, and 1997, were \$ 516,200, \$ 461,500, and \$ 433,100, respectively, equal to the required contributions for each year. The full amount has been contributed for 1998 and 1997. For 1999, 88% has been contributed, with the remainder being reported as a fund liability and within the general long-term debt account group.

Ohio Police and Fire Pension Fund (OP&F)

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer 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 Legislature and are codified in Chapter 742 of the Ohio Revised Code. 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% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 1999, 1998, and 1997 were \$ 709,800, \$ 672,800, and \$ 645,000, respectively, equal to the required contributions for each year. The full amount has been contributed for 1998 and 1997. For 1999, 70% has been contributed, with the remainder being reported as a fund liability and within the general long-term debt account group.

NOTE 17 OTHER POSTEMPLOYMENT BENEFITS

Public Employees Retirement System of Ohio (PERS)

Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment 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.

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (continued)

Public Employees Retirement System of Ohio (PERS) (continued)

The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$ 523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$ 9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

Ohio Police and Fire Pension Fund (OP&F)

The Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child 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 Postemployment 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.

CITY OF NORTH RIDGEVILLE, OHIO
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 17 OTHER POSTEMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund (OP&F) (continued)

Health care funding and accounting is on a pay-as-you-go basis. Currently, 6.5% of covered payroll, the Board-defined allocation is used to pay retiree health care expenses. 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 number of participants eligible to receive health care benefits as of December 31, 1998 the date of the last actuarial valuation available, was 11,424 for police and 9,186 for firemen. The City's 1999 contribution to pay postemployment benefits for police and firemen was \$ 121,700 and \$ 108,300, respectively. OP&F's total health care expense for the year ended December 31, 1998 the date of the last actuarial valuation available, was \$ 78,596,790, which was net of member contributions of \$ 5,331,515.

NOTE 18 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. There have not been any significant reductions in insurance coverage from coverage in the prior year, and the amounts of settlements have not exceeded coverage for any of the prior three years.

The City has a law enforcement liability policy with the National Casualty Company. The limits of this coverage are \$ 1,000,000 each person, \$ 1,000,000 each wrongful act, and \$ 1,000,000 annual aggregate. The deductible is \$ 10,000 each wrongful act. The City has a public officials liability policy with the National Casualty Company. The limits of this coverage are \$ 1,000,000 each loss and \$ 1,000,000 annual aggregate. The deductible is \$ 20,000 each loss. The City has a general liability, property and automobile policy with the Buckeye Union Insurance Company. The umbrella policy is insured with Coregis Insurance Company. The limits of this coverage are \$ 2,000,000 each occurrence, \$ 2,000,000 general aggregate limit, and \$ 2,000,000 products/completed operations aggregate. The self insured retention is \$ 10,000.

In order to minimize the annual cost of medical insurance, the City has established a medical self-insurance fund for City employees and their covered dependents. This program is administered with the use of an outside third-party administrator. At December 31, 1999, self-insurance was in effect for losses up to \$ 50,000 per participant. Excess losses are insured by a private insurance company. At year-end, self-insurance was in effect with an annual aggregate liability limit of approximately \$ 825,800 and an aggregate terminal liability of approximately \$ 110,800. At December 31, 1999 the self-insurance fund balance amounted to \$ 815,288.

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 18 RISK MANAGEMENT (continued)

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Changes in the balance of claims liability during the years ended December 31, 1999 and 1998 are as follows. Incurred claims and claims payments are not segregated between events related to the current year and events related to prior years due to the impracticability of obtaining such information by separate period.

	1999	1998
Unpaid claims, beginning of year	\$ 126,000	\$ 135,200
Incurred claims	816,764	752,399
Claims payment	(772,764)	(761,599)
Unpaid claims, end of year	\$ 170,000	\$ 126,000

NOTE 19 FEDERAL GRANTS AND ENTITLEMENTS

For the year ended December 31, 1999, the City recognized federal grants and entitlements revenue of \$ 183,365. These programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 1999.

NOTE 20 CONTINGENCIES

The City of North Ridgeville, Ohio is defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position.

The Environmental Protection Agency notified the City of North Ridgeville in 1992 that the City's failure to protect its sanitary sewage system from infiltrations and inflows was a violation of its National Pollution Discharge Elimination Systems Permit for which it intends to pursue action against the City and seek a consent agreement setting forth a schedule of compliance which the City will be compelled to meet and assessing a fine for the City's past violations of its permit parameters and setting a fine schedule for future violations. It was estimated the fine could be as high as \$ 349,000. As of December 31, 1999, no fine has been assessed and no consent agreement has been entered into. However, the City has proceeded with its sanitation sewer rehabilitation program to correct the infiltration and inflows deficiencies.

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

NOTE 21 SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintains enterprise funds to reflect the activities of water and water pollution control (sewer). Segment information related to these follows:

	<u>Water</u>	<u>Water pollution control</u>	<u>Total Enterprise funds</u>
Operating statement			
Operating revenues	<u>\$ 2,240,916</u>	<u>\$ 4,493,955</u>	<u>\$ 6,734,871</u>
Operating expenses			
Personal services	508,430	1,254,793	1,763,223
Contractual services	69,667	1,487,259	1,556,926
Supplies and materials	1,026,834	230,937	1,257,771
Other operating	107,796	269,958	377,754
Depreciation	185,238	569,951	755,189
Amortization	52,707	-	52,707
	<u>1,950,672</u>	<u>3,812,898</u>	<u>5,763,570</u>
Operating income	290,244	681,057	971,301
Nonoperating revenues, net of expenses	<u>44,897</u>	<u>84,004</u>	<u>128,901</u>
Net income	<u>\$ 335,141</u>	<u>\$ 765,061</u>	<u>\$ 1,100,202</u>
Other information			
Net working capital	<u>\$ 2,404,244</u>	<u>\$ 4,685,130</u>	<u>\$ 7,089,374</u>
Fixed assets, additions	<u>\$ 282,454</u>	<u>\$ 447,069</u>	<u>\$ 729,523</u>
Fixed assets, disposals	<u>\$ 28,215</u>	<u>\$ 75,335</u>	<u>\$ 103,550</u>
Total assets	<u>\$ 12,944,546</u>	<u>\$ 26,081,075</u>	<u>\$ 39,025,621</u>
Bonds payable	<u>\$ 1,420,000</u>	<u>\$ 2,420,000</u>	<u>\$ 3,840,000</u>
Contributed capital	<u>\$ 2,753,435</u>	<u>\$ 10,582,567</u>	<u>\$ 13,336,002</u>
Total equity	<u>\$ 7,500,392</u>	<u>\$ 18,599,070</u>	<u>\$ 26,099,462</u>

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 22 CONTRACTUAL COMMITMENTS

As of December 31, 1999 the City has contractual commitments as follows:

Project	Project Authorization
Water tower project	\$ 2,800,000
Waste water treatment plant expansion	4,700,000
Street reconstruction	180,000
	\$ 7,680,000

Bond anticipation notes of \$ 2,800,000 and \$ 4,370,000 were issued in 1999 to finance the water tower project and waste water treatment plant expansion project, respectively (see Note 9). Street reconstruction will be financed by a twenty year non-interest bearing loan with the Ohio Public Works Commission.

NOTE 23 CAPITAL LEASE

The City is obligated under a certain lease accounted for as a capital lease. The leased asset and related obligation is accounted for in the General Fixed Assets Account Group and the General Long-term Debt Account Group, respectively. The asset under capital lease totalled \$ 430,100 at December 31, 1999. The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of December 31, 1999.

Year	Amounts
2000	\$ 85,334
2001	85,334
2002	85,334
2003	85,334
Total minimum lease payments	341,336
Less amount representing interest	(41,814)
Net present value of minimum lease payments	\$ 299,522

CITY OF NORTH RIDGEVILLE, OHIO
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 DECEMBER 31, 1999

NOTE 24 OPERATING LEASES

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of lease agreements are not reflected in the City's account groups. Lease payments made in 1999 totalled \$ 23,087. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1999:

<u>Year</u>	<u>Amounts</u>
2000	\$ 11,285
2001	<u>5,909</u>
	<u>\$ 17,194</u>

NOTE 25 CONTRIBUTED CAPITAL

The changes in the City's contributed capital accounts for its enterprise funds were as follows:

	<u>Water</u>	<u>Water pollution control</u>	<u>Total Enterprise funds</u>
Beginning balance, 12/31/98	\$ 2,705,854	\$ 10,582,567	\$ 13,288,421
Fixed assets acquired with Federal grants	<u>47,581</u>	<u>-</u>	<u>47,581</u>
Ending balance, 12/31/99	<u>\$ 2,753,435</u>	<u>\$ 10,582,567</u>	<u>\$ 13,336,002</u>

NOTE 26 SUBSEQUENT EVENTS

Subsequent to December 31, 1999, the City issued bond anticipation notes (BANS) in the amounts of \$ 300,000 for waterline replacement, an additional \$ 200,000 for its water tower project (see Note 22) and \$ 500,000 for street improvements. The water BANS will be paid from water system revenue and the street BANS will be paid from a five year street levy renewal which is expected to generate approximately \$ 470,000 annually beginning in 2001.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Members of City Council
City of North Ridgeville
Lorain County
7307 Avon Belden Road
North Ridgeville, Ohio 44039

We have audited the financial statements of the City of North Ridgeville, Lorain County, Ohio (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 20, 2000. 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*.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 20, 2000.

This report is intended for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized, handwritten "X" mark.

Jim Petro
Auditor of State

June 20, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF NORTH RIDGEVILLE

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.

By: Susan Babbitt

Date: JUL 13 2000