



**CITY OF TIPP CITY
MIAMI COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

CITY OF TIPP CITY
MIAMI COUNTY

TABLE OF CONTENTS

Report of Independent Accountants 1

Report of Independent Accountants on Compliance and on Internal Control
Required by *Governmental Auditing Standards* 3

Schedule of Findings 5

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

City of Tipp City
Miami County
260 South Garber Drive
Tipp City, Ohio 45371

To the Honorable Mayor and City Council:

We have audited the accompanying general-purpose financial statements of the City of Tipp City, Miami County, (the City) as of and for the years ended December 31, 1999 and 1998, 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 Tipp City, Miami County, as of December 31, 1999 and 1998, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City, taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. 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 all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 30, 2000



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

City of Tipp City
Miami County
260 South Garber Drive
Tipp City, Ohio 45371

To the Honorable Mayor and City Council:

We have audited the financial statements of the City of Tipp City, Miami County, (the City) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 30, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-20355-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated June 30, 2000.

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 other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the City in a separate letter dated June 30, 2000.

This report is intended for the information and use of the 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 in a cursive style.

JIM PETRO
Auditor of State

June 30, 2000

**CITY OF TIPP CITY
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-20355-001
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Ohio Revised Code Noncompliance

Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification shall be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The City did not comply with the certification requirements and did not fulfill the requirements of the exception for 64% of the expenditure transactions examined for 1998, and 17% of the expenditure transactions for 1999.

The City has established policies and procedures governing the issuance of purchase orders and the prior certification of expenditure commitments. The City should require all departments and administrators to follow the established policies and procedures for compliance with the certification requirements.

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THE CITY OF TIPP CITY, OHIO

MIAMI COUNTY

GENERAL PURPOSE
FINANCIAL STATEMENTS

DECEMBER 31, 1998

Prepared by:
Department of Finance
Richard U. Drennen, Director

TABLE OF CONTENTS

CITY OF TIPP CITY, OHIO MIAMI COUNTY

I.	GENERAL PURPOSE FINANCIAL STATEMENTS	
A.	Combined Balance Sheet All Fund Types and Account Groups	2
B.	Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds	4
C.	Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget-Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Funds	5
D.	Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types	8
E.	Combined Statement of Cash Flows All Proprietary Fund Types	9
F.	Notes to the General Purpose Financial Statements	11
II.	COMBINING FINANCIAL STATEMENTS AND SCHEDULES	
A.	Enterprise Funds	
1.	Combining Balance Sheet	38
2.	Combining Statement of Revenues, Expenses and Changes in Retained Earnings	39
3.	Combining Statement of Cash Flows	40
4.	Schedule of Proprietary Fixed Assets	42
III.	SUPPLEMENTAL INFORMATION	
A.	Statement of Changes in Assets and Liabilities - Agency Fund	43
B.	Schedule of General Fixed Assets by Source	44
C.	Schedule of General Fixed Assets by Category	45
D.	Schedule of Changes in General Fixed Assets by Function and Activity	46

**THE CITY OF TIPP CITY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998**

	Governmental			Proprietary			Fiduciary			Account		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Totals	(Memorandum Only)	
Assets and Other Debits:												
Assets:												
Cash and Cash Equivalents	\$1,094,152	\$295,939	\$23	\$620,266	\$1,728,206	\$88,912	\$19,622	\$0	\$0	\$3,847,120		
Investments	1,695,917	0	0	0	2,819,283	0	0	0	0	4,515,200		
Receivables (net of allowance for doubtful accounts):												
Taxes	592,885	0	0	77,533	0	0	0	0	0	670,418		
Accounts	47,530	252	0	0	753,682	0	0	0	0	801,464		
Interest	80,390	0	0	0	0	0	0	0	0	80,390		
Special Assessments	0	0	0	222,377	699,736	0	0	0	0	922,113		
Due from Other Funds	0	0	0	0	4,377	0	0	0	0	4,377		
Intergovernmental Receivables	34,687	26,026	0	0	0	0	0	0	0	60,713		
Inventory of Supplies at Cost	23,512	32,144	0	0	542,566	0	0	0	0	598,222		
Prepaid Items	8,035	48	0	0	1,125	397	0	0	0	9,605		
Restricted Assets:												
Cash and Cash Equivalents	0	0	0	0	90,704	0	59,714	0	0	150,418		
Cash with Fiscal Agent	0	0	258	0	0	0	0	0	0	258		
Investment in Joint Venture	0	0	0	0	3,575,119	0	0	0	0	3,575,119		
Fixed Assets (net of accumulated depreciation)	0	0	0	0	15,440,919	0	0	7,900,433	0	23,341,352		
Construction in Progress	0	0	0	0	42,433	0	0	3,500	0	45,933		
Other Debits:												
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	23	23		
Amount to be Provided for												
General Long-Term Obligations	0	0	0	0	0	0	0	0	1,893,075	1,893,075		
Total Assets and Other Debits	\$3,577,108	\$354,409	\$281	\$920,176	\$25,698,150	\$89,309	\$79,336	\$7,903,933	\$1,893,075	\$40,515,800		

(Continued)

	Governmental			Proprietary			Fiduciary			Account		
	Fund Types			Fund Types			Fund Types			Groups		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	Long-Term Obligations	Totals (Memorandum Only)		
Liabilities and Other Credits:												
Liabilities:												
Accounts Payable	\$31,503	\$6,033	\$0	\$19,146	\$411,260	\$0	\$1,278	\$0	\$0	\$469,220		
Accrued Wages and Benefits	187,682	16,818	0	0	62,773	0	0	0	0	267,273		
Due to Other Funds	1,122	13	0	0	3,242	0	0	0	0	4,377		
Intergovernmental Payables	12,599	0	0	0	0	0	0	0	0	12,599		
Due to Others	0	0	0	0	0	0	59,714	0	0	59,714		
Matured Bonds and Interest Payable	0	0	258	0	0	0	0	0	0	258		
Accrued Interest Payable	0	0	0	11,428	11,544	0	0	0	0	22,972		
Customer Deposits Payable	0	0	0	0	90,704	0	0	0	0	90,704		
Deferred Revenue	338,539	0	0	233,023	0	0	0	0	0	571,562		
General Obligation Notes Payable	0	0	0	425,000	60,000	0	0	0	0	485,000		
Compensated Absences Payable	31,219	0	0	0	126,784	0	0	0	0	686,101		
General Obligation Bonds Payable	0	0	0	0	2,145,000	0	0	0	0	1,365,000		
State Loan Payable	0	0	0	0	580,236	0	0	0	0	580,236		
Total Liabilities	602,664	22,864	258	688,597	3,491,543	0	60,992	0	1,893,098	6,760,016		
Equity and Other Credits:												
Investment in General Fixed Assets	0	0	0	0	0	0	0	7,903,933	0	7,903,933		
Contributed Capital:												
Wastewater Authority	0	0	0	0	3,265,717	0	0	0	0	3,265,717		
Other	0	0	0	0	5,988,968	0	0	0	0	5,988,968		
Retained Earnings:												
Unreserved	0	0	0	0	12,951,922	89,309	0	0	0	13,041,231		
Fund Balances:												
Reserved for Encumbrances	171,349	28,797	0	348,760	0	0	405	0	0	549,311		
Reserved for Supplies Inventory	23,512	32,144	0	0	0	0	0	0	0	55,656		
Reserved for Prepaid Items	8,035	48	0	0	0	0	0	0	0	8,083		
Reserved for Debt Service	0	0	23	0	0	0	0	0	0	23		
Unreserved:												
Undesignated	2,771,548	270,556	0	(117,181)	0	0	17,939	0	0	2,942,862		
Total Equity and Other Credits	2,974,444	331,545	23	231,579	22,206,607	89,309	18,344	7,903,933	0	33,755,784		
Total Liabilities, Equity and Other Credits	\$3,577,108	\$354,409	\$281	\$920,176	\$25,698,150	\$89,309	\$79,336	\$7,903,933	\$1,893,098	\$40,515,800		

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expensible Trust Funds	
<u>Revenues:</u>						
Taxes	\$1,878,229	\$0	\$0	\$428,254	\$0	\$2,306,483
Intergovernmental Revenues	595,543	322,082	0	68,165	0	985,790
Charges for Services	262,982	46,309	0	0	0	309,291
Licenses and Permits	70,769	0	0	0	0	70,769
Investment Earnings	488,240	2,140	0	0	0	490,380
Special Assessments	3,100	0	0	69,892	0	72,992
Fines and Forfeitures	13,518	5,283	0	0	0	18,801
All Other Revenues	120,529	1,689	0	17,053	10,379	149,650
Total Revenues	<u>3,432,910</u>	<u>377,503</u>	<u>0</u>	<u>583,364</u>	<u>10,379</u>	<u>4,404,156</u>
<u>Expenditures:</u>						
Current:						
Security of Persons and Property	1,494,252	0	0	0	4,545	1,498,797
Leisure Time Activities	211,565	57,364	0	0	0	268,929
Community Environment	121,268	0	0	0	0	121,268
Basic Utility Services	170,865	0	0	0	0	170,865
Transportation	47,894	282,928	0	0	0	330,822
General Government	835,009	0	0	2,719	0	837,728
Capital Outlay	271,331	21,418	0	619,922	2,754	915,425
Debt Service:						
Principal Retirements	0	0	185,000	0	0	185,000
Interest and Fiscal Charges	0	0	80,016	18,109	0	98,125
Total Expenditures	<u>3,152,184</u>	<u>361,710</u>	<u>265,016</u>	<u>640,750</u>	<u>7,299</u>	<u>4,426,959</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	280,726	15,793	(265,016)	(57,386)	3,080	(22,803)
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	4,440	0	0	8,485	0	12,925
Operating Transfers In	425,100	55,000	265,016	564,999	0	1,310,115
Operating Transfers Out	(492,100)	0	0	(286,203)	0	(778,303)
Other Financing Sources	43,958	4,928	0	0	0	48,886
Other Financing Uses	(400)	0	0	(1,557)	0	(1,957)
Total Other Financing Sources (Uses)	<u>(19,002)</u>	<u>59,928</u>	<u>265,016</u>	<u>285,724</u>	<u>0</u>	<u>591,666</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	261,724	75,721	0	228,338	3,080	568,863
Fund Balance Beginning of Year	2,711,448	255,058	23	3,241	15,264	2,985,034
Increase in Inventory Reserve	1,272	766	0	0	0	2,038
Fund Balance End of Year	<u>\$2,974,444</u>	<u>\$331,545</u>	<u>\$23</u>	<u>\$231,579</u>	<u>\$18,344</u>	<u>\$3,555,935</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$1,879,060	\$1,932,121	\$53,061	\$0	\$0	\$0
Intergovernmental Revenues	661,494	677,168	15,674	306,509	318,171	11,662
Charges for Services	257,514	270,047	12,533	46,675	46,309	(366)
Licenses and Permits	64,850	70,769	5,919	0	0	0
Investment Earnings	440,000	470,165	30,165	1,500	2,140	640
Special Assessments	3,200	3,550	350	0	0	0
Fines and Forfeitures	12,960	13,431	471	4,100	5,236	1,136
All Other Revenues	125,412	123,084	(2,328)	1,400	1,494	94
Total Revenues	3,444,490	3,560,335	115,845	360,184	373,350	13,166
Expenditures:						
Current:						
Security of Persons and Property	1,580,217	1,524,092	56,125	3,000	0	3,000
Leisure Time Activities	243,899	210,434	33,465	60,350	54,031	6,319
Community Environment	133,197	127,457	5,740	30,500	0	30,500
Basic Utility Services	137,293	136,210	1,083	0	0	0
Transportation	54,679	47,408	7,271	334,397	305,922	28,475
General Government	963,213	902,114	61,099	0	0	0
Capital Outlay	310,232	301,768	8,464	28,800	26,231	2,569
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,422,730	3,249,483	173,247	457,047	386,184	70,863
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,760	310,852	289,092	(96,863)	(12,834)	84,029
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	4,000	4,440	440	0	0	0
Proceeds of General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	425,100	425,100	0	55,000	55,000	0
Operating Transfers Out	(492,100)	(492,100)	0	0	0	0
Other Financing Sources	42,500	43,958	1,458	1,800	4,928	3,128
Other Financing Uses	(80,606)	(78,234)	2,372	(50)	0	50
Total Other Financing Sources (Uses)	(101,106)	(96,836)	4,270	56,750	59,928	3,178
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(79,346)	214,016	293,362	(40,113)	47,094	87,207
Fund Balance at Beginning of Year	2,219,332	2,219,332	0	204,131	204,131	0
Prior Year Encumbrances	124,024	124,024	0	10,466	10,466	0
Fund Balance at End of Year	\$2,264,010	\$2,557,372	\$293,362	\$174,484	\$261,691	\$87,207

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$410,000	\$422,168	\$12,168
Intergovernmental Revenues	0	0	0	210,500	68,165	(142,335)
Charges for Services	0	0	0	0	0	0
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Special Assessments	0	0	0	68,000	69,892	1,892
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	17,500	17,053	(447)
Total Revenues	0	0	0	706,000	577,278	(128,722)
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	0	0	0	3,500	2,719	781
Capital Outlay	0	0	0	1,204,833	995,351	209,482
Debt Service:						
Principal Retirement	975,000	975,000	0	0	0	0
Interest and Fiscal Charges	255,904	236,501	19,403	0	0	0
Total Expenditures	1,230,904	1,211,501	19,403	1,208,333	998,070	210,263
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,230,904)	(1,211,501)	19,403	(502,333)	(420,792)	81,541
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	8,000	8,485	485
Proceeds of General Obligation Notes	485,000	485,000	0	0	0	0
Operating Transfers In	745,904	726,501	(19,403)	515,000	515,000	0
Operating Transfers Out	0	0	0	(316,921)	(306,154)	10,767
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	(1,635)	(1,557)	78
Total Other Financing Sources (Uses)	1,230,904	1,211,501	(19,403)	204,444	215,774	11,330
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(297,889)	(205,018)	92,871
Fund Balance at Beginning of Year	23	23	0	184,800	184,800	0
Prior Year Encumbrances	0	0	0	272,578	272,578	0
Fund Balance at End of Year	\$23	\$23	\$0	\$159,489	\$252,360	\$92,871

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$2,289,060	\$2,354,289	\$65,229
Intergovernmental Revenues	0	0	0	1,178,503	1,063,504	(114,999)
Charges for Services	0	0	0	304,189	316,356	12,167
Licenses and Permits	0	0	0	64,850	70,769	5,919
Investment Earnings	0	0	0	441,500	472,305	30,805
Special Assessments	0	0	0	71,200	73,442	2,242
Fines and Forfeitures	0	0	0	17,060	18,667	1,607
All Other Revenues	9,700	10,379	679	154,012	152,010	(2,002)
Total Revenues	9,700	10,379	679	4,520,374	4,521,342	968
Expenditures:						
Current:						
Security of Persons and Property	7,436	5,005	2,431	1,590,653	1,529,097	61,556
Leisure Time Activities	0	0	0	304,249	264,465	39,784
Community Environment	0	0	0	163,697	127,457	36,240
Basic Utility Services	0	0	0	137,293	136,210	1,083
Transportation	0	0	0	389,076	353,330	35,746
General Government	0	0	0	966,713	904,833	61,880
Capital Outlay	3,075	2,754	321	1,546,940	1,326,104	220,836
Debt Service:						
Principal Retirement	0	0	0	975,000	975,000	0
Interest and Fiscal Charges	0	0	0	255,904	236,501	19,403
Total Expenditures	10,511	7,759	2,752	6,329,525	5,852,997	476,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	(811)	2,620	3,431	(1,809,151)	(1,331,655)	477,496
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	12,000	12,925	925
Proceeds of General Obligation Notes	0	0	0	485,000	485,000	0
Operating Transfers In	0	0	0	1,741,004	1,721,601	(19,403)
Operating Transfers Out	0	0	0	(809,021)	(798,254)	10,767
Other Financing Sources	0	0	0	44,300	48,886	4,586
Other Financing Uses	0	0	0	(82,291)	(79,791)	2,500
Total Other Financing Sources (Uses)	0	0	0	1,390,992	1,390,367	(625)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(811)	2,620	3,431	(418,159)	58,712	476,871
Fund Balance at Beginning of Year	16,086	16,086	0	2,624,372	2,624,372	0
Prior Year Encumbrances	511	511	0	407,579	407,579	0
Fund Balance at End of Year	\$15,786	\$19,217	\$3,431	\$2,613,792	\$3,090,663	\$476,871

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Charges for Service	\$7,946,908	\$53,091	\$7,999,999
Total Operating Revenues	<u>7,946,908</u>	<u>53,091</u>	<u>7,999,999</u>
<u>Operating Expenses:</u>			
Personal Services	821,637	0	821,637
Materials and Supplies	107,145	0	107,145
Contractual Services	5,062,951	52,753	5,115,704
Utilities	56,320	0	56,320
Depreciation	663,159	0	663,159
Other Operating Expenses	3,937	0	3,937
Total Operating Expenses	<u>6,715,149</u>	<u>52,753</u>	<u>6,767,902</u>
Operating Income	1,231,759	338	1,232,097
<u>Nonoperating Revenues (Expenses):</u>			
Loss on Disposal of Fixed Assets	(199)	0	(199)
Interest and Fiscal Charges	(134,727)	0	(134,727)
Income from Joint Venture	108,851	0	108,851
Interest Income	24,192	0	24,192
Other Nonoperating Revenues	125,215	0	125,215
Other Nonoperating (Expenses)	(1,307)	0	(1,307)
Total Nonoperating Revenues (Expenses)	<u>122,025</u>	<u>0</u>	<u>122,025</u>
Income Before Operating Transfers	1,353,784	338	1,354,122
<u>Operating Transfers:</u>			
Operating Transfers Out	(531,812)	0	(531,812)
Total Operating Transfers	<u>(531,812)</u>	<u>0</u>	<u>(531,812)</u>
Net Income	821,972	338	822,310
Retained Earnings at Beginning of Year	12,129,950	88,971	12,218,921
Retained Earnings at End of Year	<u>\$12,951,922</u>	<u>\$89,309</u>	<u>\$13,041,231</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$7,925,555	\$53,091	\$7,978,646
Cash Payments for Goods and Services	(5,128,966)	(52,753)	(5,181,719)
Cash Payments to Employees	(800,816)	0	(800,816)
Other Operating Revenues	328	0	328
Net Cash Provided by Operating Activities	<u>1,996,101</u>	<u>338</u>	<u>1,996,439</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers Out to Other Funds	(531,812)	0	(531,812)
Net Cash Used for Noncapital Financing Activities	<u>(531,812)</u>	<u>0</u>	<u>(531,812)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from Sale of Notes	60,000	0	60,000
Acquisition and Construction of Assets	(801,594)	0	(801,594)
Principal Paid on General Obligation Bonds	(235,000)	0	(235,000)
Principal Paid on Bond Anticipation Notes	(80,000)	0	(80,000)
Interest Paid on All Debt	(136,535)	0	(136,535)
Net Cash Used for Capital and Related Financing Activities	<u>(1,193,129)</u>	<u>0</u>	<u>(1,193,129)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	10,174	0	10,174
Sale of Investments	20,835	0	20,835
Purchase of Investments	(522)	0	(522)
Net Cash Provided by Investing Activities	<u>30,487</u>	<u>0</u>	<u>30,487</u>
Net Increase in Cash and Cash Equivalents	301,647	338	301,985
Cash and Cash Equivalents at Beginning of Year	1,517,263	88,574	1,605,837
Cash and Cash Equivalents at End of Year	<u>\$1,818,910</u>	<u>\$88,912</u>	<u>\$1,907,822</u>

(Continued)

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$1,231,759	\$338	\$1,232,097
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	663,159	0	663,159
Increase in Nonoperating Activity	138,343	0	138,343
Decrease in Nonoperating Activity	(8,412)	0	(8,412)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(18,890)	0	(18,890)
Decrease in Special Assessments Receivable	328	0	328
Increase in Inventory	(70,438)	0	(70,438)
Decrease in Prepaid Items	4,442	0	4,442
Increase in Due from Other Funds	(2,463)	0	(2,463)
Increase in Accounts Payable	83,269	0	83,269
Increase in Accrued Wages and Benefits	19,584	0	19,584
Increase in Due to Other Funds	1,843	0	1,843
Decrease in Intergovernmental Payable	(48,010)	0	(48,010)
Increase in Compensated Absences	1,587	0	1,587
Total Adjustments	<u>764,342</u>	<u>0</u>	<u>764,342</u>
Net Cash Provided by Operating Activities	<u>\$1,996,101</u>	<u>\$338</u>	<u>\$1,996,439</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 1998, the Electric Fund had outstanding liabilities of \$9,551 for the purchase of certain capital assets. The Water Fund, Sewer Fund and Electric Fund received capital assets contributed by developers/customers and the joint venture in the amounts of \$217,419, \$57,584 and \$12,636 respectively.

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF TIPP CITY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tipp City, Ohio (the "City") is a home-rule municipal corporation created under the laws of the State of Ohio. The City was incorporated as a village in 1850 and became a city in 1960. The City operates under its own Charter. The current Charter, which provides for a Council-Manager form of government, was adopted in 1968 and has been amended three times (in 1977, 1984 and 1992).

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 1998 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying general purpose financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, emergency medical services, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system and an electric distribution system, each of which is reported as an enterprise fund.

1. Joint Ventures with Equity Interest

Tri-Cities North Regional Wastewater Authority - The City is a participant with the cities of Huber Heights and Vandalia in a joint venture to provide reliable, reasonably priced and environmentally sound wastewater utility collection and treatment service for their respective communities. See Note 20 for further information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the City's significant accounting policies:

The accounting system is organized and operated on the basis of funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

Governmental Funds - The funds through which most governmental functions are typically financed are the governmental funds. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except that accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's governmental fund types:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal and interest other than those accounted for in the proprietary funds.

Capital Projects Funds - These 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 the proprietary funds).

Proprietary Funds - These funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) are segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - The City maintains expendable trust funds and an agency fund. Expendable trust funds are accounted for and reported similarly to governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the City except that accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Property taxes and special assessments measurable as of December 31, 1998 but not received within the available period are recorded as deferred revenue. Delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the City Manager submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

5. Lapsing of Appropriations

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 subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	\$261,724	\$75,721	\$0	\$228,338	\$3,080
Increase (Decrease):					
Accrued Revenues at December 31, 1998 received during 1999	(448,313)	(26,278)	0	(66,887)	0
Accrued Revenues at December 31, 1997 received during 1998	498,710	22,125	0	60,801	0
Accrued Expenditures at December 31, 1998 paid during 1999	264,125	22,864	0	30,574	1,278
Accrued Expenditures at December 31, 1997 paid during 1998	(158,324)	(13,042)	0	(39,938)	(1,333)
1997 Prepays for 1998	5,246	0	0	0	0
1998 Prepays for 1999	(8,035)	(48)	0	0	0
Retirement of Notes Payable	0	0	0	(475,000)	0
Issuance of Notes Payable	0	0	0	425,000	0
Outstanding Encumbrances	(201,117)	(34,248)	0	(367,906)	(405)
Budget Basis	\$214,016	\$47,094	\$0	(\$205,018)	\$2,620

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the general purpose financial statements because it is a highly liquid instrument which is readily convertible to cash.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash represents the balance on hand as if each fund maintains its own cash and investments account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be cash equivalents. See Note 5, "Pooled Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution the Ohio Revised Code, and the City's Investment Policies. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 5, Pooled Cash, Cash Equivalents and Investments.

The City has invested funds in the STAR Ohio during 1998. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1998.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

1. Property, Plant and Equipment - General Governmental Purposes (Continued)

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks and drainage systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets. The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds is stated at cost (or estimated historical cost). Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (Years)
Buildings	50
Improvements Other Than Buildings	10 - 45
Machinery, Equipment, Furniture and Fixtures	3 - 35

Depreciation on proprietary fixed assets is charged to retained earnings.

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bond	General Bond Retirement Fund
	Water Fund
	Sewer Fund
	Electric Fund
Compensated Absences	General Fund
	Street Construction, Maintenance and Repair Fund
	Municipal Road Fund
	Water Fund
	Sewer Fund
	Electric Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the electric, water and sewer enterprise funds when earned. The related liability is reported within the fund.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

1. Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
2. Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers during 1998.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies, prepaid items, debt service, self insurance claims and encumbered amounts that have not been accrued at year end.

N. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements, shared revenues, and donations is recorded as an operating expense and closed along with other operating expenses directly to retained earnings.

O. Total Columns on Combined Financial Statements - Overview

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 1998 of \$230,910 in the East Broadway Improvement Fund and of \$205,378 in the Fire Truck Equipment Fund (Capital Projects Fund) arose from the recording of general obligation notes payable within the fund. A deficit does not exist under the budgetary basis of accounting. Operating transfers are provided when cash is required, not when accruals occur.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE

A. Implementation of GASB Statement No. 31

During fiscal year 1998, the City implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The implementation has required a restatement of fund balance at December 31, 1997 in the following funds in the amounts noted:

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE (Continued)

A. Implementation of GASB Statement No. 31 (Continued)

Fund Type	Balance as Reported 12/31/97	Adjustment Increase/ (Decrease)	Balance as Restated 12/31/97
General	\$2,690,698	\$20,750	\$2,711,448
Enterprise	12,091,836	38,114	12,129,950

In addition to the above noted changes to retained earnings/fund balances the prior period adjustments had the following effect on prior year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses and net income:

General Fund:

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$662,780
Adjust investment balance to fair value	20,750
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$683,530</u>

Enterprise Funds

Net Income	\$749,787
Adjust investment balance to fair value	38,114
Net Income	<u>\$787,901</u>

B. Implementation of GASB Statement No. 32

The Internal Revenue Code previously required that Section 457 deferred compensation plan assets remain the property of the employer government until available to the employee or beneficiary. Under these regulations, plan assets were recorded in the City's deferred compensation agency fund.

Recent changes to the Internal Revenue Code require Section 457 plan assets to be held in trust for the exclusive benefit of the employees. These plans must establish trust agreements prior to January 1, 1999. During 1998, the Ohio Public Employees Deferred Compensation Program and International City Manager's Association (ICMA) Deferred Compensation Plan (the "Plans") implemented Trust Agreements to hold all Plan assets for the employer, whenever contributed, for the exclusive benefit of participants and their beneficiaries. Accordingly, the City has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" which requires that such assets held in trust, not be reflected on the government's financial statements. Inasmuch as the City no longer has an accounting fiduciary responsibility for the deferred compensation assets, the

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE (Continued)

B. Implementation of GASB Statement No. 32 (Continued)

beginning balance of the agency funds has been restated to show the reduction of \$419,626 representing the balance of deferred compensation at December 31, 1997. The adjustment resulted in the following changes to the agency funds asset/liability balances at December 31, 1997:

Agency Funds:	
Asset/Liability Balance - December 31, 1997 (as reported)	\$476,759
Adjustment due to change in accounting principle	(419,626)
Asset/Liability Balance - December 31, 1997 (restated)	<u>\$57,133</u>

NOTE 4 - CORRECTION OF ACCOUNTING ERROR

The amount of the special assessments receivable in the capital projects funds have been restated as of January 1, 1998 to correct an accounting error. The amount of special assessments receivable and deferred revenue were increased by \$66,076 from the amounts reported at December 31, 1997. The new balances as of January 1, 1998 are \$221,750 and \$228,690 respectively. The adjustment was only made to the balance sheet and did not affect fund balance.

NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash, Cash Equivalents and Investments."

Ohio law requires the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- Bonds, notes, debentures, or any 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized.

Investments:

- Category 1 Insured or registered with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying amount of the City's deposits was \$307,796 and the bank balance was \$534,775. Federal depository insurance covered \$190,779 of the bank balance. All remaining deposits were classified as Category 3. In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral.

B. Investments

The City's investments at December 31, 1998 were as follows:

<u>Categorized Investments</u>	Fair Value
United States Treasury Bills (Category 1)	\$686,451
United States Treasury Notes (Category 1)	3,558,749
Total Categorized Investments	<u>4,245,200</u>
<u>Non-Categorized Investments</u>	
STAR Ohio	3,960,000
Total Non-Categorized	<u>3,960,000</u>
Total Investments	<u><u>\$8,205,200</u></u>

NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents *	Investments
Per Combined Balance Sheet	<u>\$3,997,796</u>	<u>\$4,515,200</u>
Certificates of Deposit (with maturities of more than 3 months)	270,000	(270,000)
Investments:		
STAR Ohio	(3,960,000)	3,960,000
Per GASB Statement No. 3	<u><u>\$307,796</u></u>	<u><u>\$8,205,200</u></u>

* - Includes Cash with Fiscal Agent

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 1998 were levied after October 1, 1997 on assessed values as of January 1, 1997, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1995. Real property taxes are payable annually or semiannually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year.

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semiannually. The first payment is due April 30; the remainder payable by September 20.

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Tipp City. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 1998 was \$1.40 per \$1,000 of assessed value. The assessed value upon which the 1998 levy was based was \$196,440,930. This amount constitutes \$149,082,730 in real property assessed value, \$11,639,050 in public utility assessed value and \$35,719,150 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .140 % (1.4 mills) of assessed value.

B. Income Tax

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers 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 individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Municipal Income Tax Revenue for 1998 was \$2,141,272. This represented a 1.04% increase over the 1997 tax revenue of \$2,119,318.

NOTE 7 - RECEIVABLES

Receivables at December 31, 1998 consisted of taxes, special assessments, interest, accounts receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectable in full.

NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 1998:

Fund	Transfer In	Transfer Out
General Fund	\$425,100	\$492,100
Special Revenue Funds:		
Swimming Pool Fund	20,000	0
Street Construction and Repair Fund	35,000	0
Total Special Revenue Funds	55,000	0
Debt Service Fund:		
General Bond Retirement Fund	265,016	0
Capital Projects Funds:		
Capital Improvement Reserve Fund	375,000	286,203
E. Broadway Improvement Fund	19,239	0
Fire Truck Equipment Fund	30,760	0
Elm Street Recreation Fund	140,000	0
Total Capital Projects Funds	564,999	286,203
Enterprise Funds:		
Water Fund	0	117,734
Sewer Fund	0	70,804
Electric Fund	0	343,274
Total Enterprise Funds	0	531,812
Totals	\$1,310,115	\$1,310,115

NOTE 9 - INTERFUND RECEIVABLES/PAYABLES

Following is a summary of interfund receivable and payables for all funds for 1998:

Fund	Due From	Due To
General Fund	\$0	\$1,122
Special Revenue Fund:		
Swimming Pool Fund	0	13
Enterprise Funds:		
Water Fund	177	2,573
Sewer Fund	483	669
Electric Fund	3,717	0
Total Enterprise Funds	4,377	3,242
Totals	\$4,377	\$4,377

NOTE 10 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Category	December 31, 1997	Additions	Deletions	December 31, 1998
Land	\$1,255,718	\$0	\$0	\$1,255,718
Buildings	2,919,517	86,666	0	3,006,183
Improvements Other than Buildings	591,690	21,956	0	613,646
Machinery and Equipment	2,744,888	368,744	(88,746)	3,024,886
Construction in Progress	43,247	3,500	(43,247)	3,500
Totals	\$7,555,060	\$480,866	(\$131,993)	\$7,903,933

Schedule of General Fixed Assets at December 31, 1998:

General Fixed Assets		Investment in General Fixed Assets	
Land	\$1,255,718	General Fund	\$2,228,082
Buildings	3,006,183	Special Revenue Funds	396,167
Improvements Other Than Buildings	613,646	Capital Projects Funds	4,717,706
Machinery and Equipment	3,024,886	General Revenue Sharing	56,936
Construction in Progress	3,500	Enterprise Funds	233,306
		Trust/Agency Funds	35,669
		Contributions	236,067
Total	\$7,903,933	Total	\$7,903,933

B. Proprietary Fixed Assets

Summary by Category at December 31, 1998:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$134,434	\$0	\$134,434
Buildings	1,245,550	(395,325)	850,225
Improvements Other Than Buildings	19,020,945	(5,311,171)	13,709,774
Machinery and Equipment	1,636,595	(890,109)	746,486
Construction in Progress	42,433	0	42,433
Property, Plant and Equipment	\$22,079,957	(\$6,596,605)	\$15,483,352

NOTE 11 – DEFINED BENEFIT PENSION PLANS

All of the City's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *"Accounting for Pensions by State and Local Government Employers."*

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. 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 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1998 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 1998, 1997 and 1996 were \$232,701, \$216,904 and \$204,783, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits 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 also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.2% of covered payroll which amounted to \$72,129.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. 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 other postemployment benefits during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)**

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.

B. Police and Firemen's Disability and Pension Fund (the PFDPF System of Ohio)

All City full-time police officers participate in the Police and Firemen's Disability and Pension Fund of Ohio (the "PFDPF System of Ohio"), a cost-sharing multiple-employer defined benefit pension plan. The PFDPF System of Ohio provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Police and Firemen's Disability and Pension Fund of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PFDPF System of Ohio. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the PFDPF System of Ohio for the years ending December 31, 1998, 1997 and 1996 were \$130,455, \$119,828 and \$115,130 which was equal to the required contributions for each year.

The PFDPF System of Ohio provides postemployment 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 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 on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the PFDPF System of Ohio.

The portion of the 1998 covered payroll that was used to fund postemployment health care benefits was \$43,485 representing 6.50% of covered payroll for police. Health care funding and accounting were on a pay-as-you-go basis. 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. As of December 31, 1997, the number of participants eligible to receive health care benefits was 11,239 for police and 9,205 for firefighters. The PFDPF System of Ohio does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1997 were \$76,459,832.

NOTE 12 – COMPENSATED ABSENCES

All full-time City employees earn vacation at a rate of between 80 to 200 hours per year of active service based on the employee's years of service. Employees are allowed to carry over up to 120 hours or 160 hours to the following year dependent on their employment contract. Upon separation from the City, the employee (or his estate) receives 100% of all vacation and from 25% (up to a maximum of 30 days) to 75% (up to a maximum of 180 days) of the employee's sick leave balance based on years of service and dependent upon the employment contract.

As of December 31, 1998, the liability for unpaid compensated absences was \$528,098 for all funds of the City except the proprietary funds. For governmental funds, the entire amount was considered long-term since no payments were anticipated which would require the use of current available financial resources. The liability has been reported in the General Long-Term Obligations Account Group. The portion attributable to the proprietary funds has been recorded within the appropriate fund.

NOTE 13 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes payable by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

The City had the following general obligation bond anticipation notes outstanding at December 31, 1998:

		Balance December 31, 1997	Issued (Retired)	Balance December 31, 1998
Capital Projects Notes Payable:				
4.20% E. Broadway Ave. Improvement	04/28/1998	\$250,000	(\$250,000)	\$0
4.20% Fire Truck Improvement	04/28/1998	225,000	(225,000)	0
4.00% E. Broadway Ave. Improvement	04/27/1999	0	225,000	225,000
4.00% Fire Truck Improvement	04/27/1999	0	200,000	200,000
Total Capital Projects Notes Payable		475,000	(50,000)	425,000
Enterprise Notes Payable:				
4.20% Woodlawn Sewer Improvement	04/28/1998	80,000	(80,000)	0
4.00% Woodlawn Sewer Improvement	04/27/1999	0	60,000	60,000
Total Enterprise Notes Payable		80,000	(20,000)	60,000
Total Notes Payable		\$555,000	(\$70,000)	\$485,000

NOTE 14 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 1998 were as follows:

	Maturity Date	Balance December 31, 1997	Issued (Retired)	Balance December 31, 1998
Enterprise Funds:				
General Obligation Bonds:				
Sewer System Improvement	2000	\$45,000	(\$15,000)	\$30,000
Electric Improvement	2006	450,000	(50,000)	400,000
Water System Improvement	2008	330,000	(30,000)	300,000
Sewer System Bonds	2002	170,000	(30,000)	140,000
Water Improvement Bonds	2002	140,000	(30,000)	110,000
Water Improvement Bonds	2007	300,000	(30,000)	270,000
Electric Improvement Bonds	2015	945,000	(50,000)	895,000
Total General Obligation Bonds		2,380,000	(235,000)	2,145,000
North East Sewer Interceptor Loan	2014	580,236	0	580,236
Total Enterprise Long-Term Debt		\$2,960,236	(\$235,000)	\$2,725,236
General Long-Term Debt:				
General Obligation Bonds:				
Government Center Bond - I	2008	320,000	(30,000)	290,000
Government Center Bond- II	2001	100,000	(25,000)	75,000
South Hyatt Street Improvement	2000	120,000	(40,000)	80,000
North Hyatt Street Improvement	2000	120,000	(40,000)	80,000
Service Center Improvement	2015	890,000	(50,000)	840,000
Total General Obligation Bonds		1,550,000	(185,000)	1,365,000
Other Long-Term Obligations:				
Compensated Absences		453,861	74,237	528,098
Total Other Long-Term Obligations		453,861	74,237	528,098
Total General Long-Term Debt and Other Long-Term Obligations		\$2,003,861	(\$110,763)	\$1,893,098

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 1998, follows:

Years	General Obligation Bonds		Loan	
	Principal	Interest	Principal	Interest
1999	\$420,000	\$189,859	\$0	\$0
2000	420,000	166,476	0	0
2001	330,000	143,044	0	0
2002	305,000	124,706	0	0
2003	240,000	107,606	0	0
2004-2008	1,060,000	334,688	0	0
2009-2013	500,000	123,630	0	0
2014-2035	235,000	17,113	580,236	0
Totals	\$3,510,000	\$1,207,122	\$580,236	\$0

NOTE 15 - 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. On September 1, 1996 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 1998, the pool has sixteen members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, general liability, boiler and machinery, police professional and public official liability coverage up to the limits stated below. It is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a sixteen member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a full-time Claims Manager, Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board.

The sixteen participating cities and their respective pool contribution factors for the loss year ended December 31, 1998 are:

Entity	Percentage
Beavercreek	8.47 %
Blue Ash	6.43
Indian Hill	2.81
Kettering	17.58
Madeira	1.59
Mason	3.80
Miamisburg	10.86
Montgomery	3.70
Sidney	10.50
Springdale	6.75
Tipp City	2.54
Troy	7.37
Vandalia	5.40
West Carrollton	5.57
Wilmington	4.15
Wyoming	2.48
Total	100.00 %

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multijurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

NOTE 15 - RISK MANAGEMENT (Continued)

The following is a summary of insurance coverages at year end:

Property	\$458,000,000	blanket limit
Crime	1,000,000	per occurrence
Liability	11,000,000	per occurrence
Boiler and Machinery	458,000,000	blanket limit
Public Officials Liability /		
Police Professional Liability	11,000,000	per occurrence
Ambulance Liability	11,000,000	per occurrence
Employee Theft Coverage	1,000,000	per occurrence
Flood (Property)	100,000,000	annual aggregate
Earthquake (Property)	100,000,000	annual aggregate

The deductible per occurrence for most types of claims is \$2,500, except Boiler and Machinery which is \$5,000. The Pool's self insured retention (SIR) for property claims is \$2,501 - \$250,000 per occurrence. The pool's SIR for liability claims is \$500,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$500,001 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 1998, because an actuarial opinion issued as of December 31, 1998 reported actual reserves in excess of \$3,671,956, an amount in excess of the recommended net reserve of \$1,124,822.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 1450 East Davidson Road, Suite 1B, Kettering, Ohio 45429.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City pays unemployment claims to the State of Ohio as incurred.

In August 1994, the City joined the Ohio Benefits Co-operative, Inc., a health co-op comprised of ten municipalities. The co-op was formed to explore the benefits of insurance pooling and collective purchasing strategies for its members. The co-op currently has a contract with Anthem Blue Cross and Blue Shield to handle their health insurance needs. The City pays a premium to Anthem, which handles all claims and benefit processing and assumes all risks.

NOTE 16 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are water treatment and distribution, wastewater collection and treatment and electric services. The key financial information for the year ended December 31, 1998 for these enterprise activities is indicated below:

	Water	Sewer	Electric	Total
Operating Revenues	\$726,675	\$921,108	\$6,299,125	\$7,946,908
Depreciation	236,206	153,663	273,290	663,159
Operating Income	139,266	226,772	865,721	1,231,759
Operating Transfers Out	117,734	70,804	343,274	531,812
Net Income	13,970	314,382	493,620	821,972
Current Capital Contributions	217,419	57,584	12,636	287,639
Property, Plant and Equipment:				
Additions	257,902	236,766	472,404	967,072
Deletions	0	0	129,487	129,487
Assets	7,726,654	9,620,228	8,351,268	25,698,150
Net Working Capital	2,133,625	1,530,513	2,336,018	6,000,156
Notes, Bonds, and Loans Payable	680,000	810,236	1,295,000	2,785,236
Total Equity	6,987,203	8,732,823	6,486,581	22,206,607

NOTE 18 - CONTRIBUTED CAPITAL

During the year, contributed capital in the enterprise funds increased from shared revenues as follows:

	Water Fund	Sewer Fund	Electric Fund	Total
Balance at Beginning of Year	\$2,109,890	\$6,569,152	\$288,004	\$8,967,046
Additions:				
Wastewater Authority	0	57,584	0	57,584
Developers/Customers	217,419	0	12,636	230,055
Balance at End of Year	\$2,327,309	\$6,626,736	\$300,640	\$9,254,685

NOTE 19 - CONTRACTUAL COMMITMENTS

The City had the following contractual commitments at December 31, 1998:

Description	Remaining Contractual Commitment	Expected Date of Completion
Purchase of Digger Derrick Truck	\$120,181	June 1999

NOTE 20- JOINT VENTURE

Prior to June of 1996 the Miami Conservancy District provided the cities of Tipp City, Vandalia and Huber Heights with wastewater treatment services. The Miami Conservancy District expressed the intent to no longer provide these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority.

Tri-Cities North Regional Wastewater Authority (Tri-Cities) is a joint venture among the cities of Tipp City, Vandalia, and Huber Heights. Tri-Cities is governed by a management board consisting of the city managers of the three participating cities. The Board has complete authority over all the aspects of the Plant's operation. Tri-Cities supplies all participating residents of the member cities with sewer services. Each city owns the sewage lines located in its city and bills its residents for usage. Continued existence of Tri-Cities is dependent on the City's continued participation, and the City does have an equity interest. The percentage of equity interest for each city is based on annual usage and is adjusted each year accordingly. The City's percentage of usage was higher in 1998, therefore, the equity interest in the joint venture increased. The City's equity interest is \$3,575,119 which represents 18.89% of the total equity in Tri-Cities. This reflects an increase of .67% over the City's equity interest of 18.22% in 1997. Tri-Cities is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefits to or burden on the City. Complete financial statements can be obtained from Tri-Cities North Regional Wastewater Authority, 3777 Old Needmore Road, Dayton, Ohio 45424.

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THE CITY OF TIPP CITY, OHIO
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
DECEMBER 31, 1998

	Water	Sewer	Electric	Totals
<u>Assets:</u>				
Cash and Cash Equivalents	\$783,869	\$337,511	\$606,826	\$1,728,206
Investments	1,214,985	523,137	1,081,161	2,819,283
Receivables (net of allowances for doubtful accounts):				
Accounts	62,958	85,312	605,412	753,682
Special Assessments	0	699,736	0	699,736
Due from Other Funds	177	483	3,717	4,377
Inventory of Supplies at Cost	95,493	3,848	443,225	542,566
Prepaid Items	350	399	376	1,125
Restricted Assets:				
Cash and Cash Equivalents	0	0	90,704	90,704
Investment in Joint Venture	0	3,575,119	0	3,575,119
Property, Plant and Equipment	8,249,951	6,023,027	7,764,546	22,037,524
Less Accumulated Depreciation	(2,681,129)	(1,628,344)	(2,287,132)	(6,596,605)
Net Fixed Assets	5,568,822	4,394,683	5,477,414	15,440,919
Construction in Progress	0	0	42,433	42,433
Total Assets	<u>\$7,726,654</u>	<u>\$9,620,228</u>	<u>\$8,351,268</u>	<u>\$25,698,150</u>
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$4,109	\$50,221	\$356,930	\$411,260
Accrued Wages and Benefits	14,246	6,565	41,962	62,773
Due to Other Funds	2,573	0	0	2,573
Intergovernmental Payables	0	669	0	669
Accrued Interest Payable	3,279	2,458	5,807	11,544
Customer Deposits Payable	0	0	90,704	90,704
General Obligation Notes Payable	0	60,000	0	60,000
Compensated Absences Payable	35,244	17,256	74,284	126,784
General Obligation Bonds Payable	680,000	170,000	1,295,000	2,145,000
State Loans Payable	0	580,236	0	580,236
Total Liabilities	<u>739,451</u>	<u>887,405</u>	<u>1,864,687</u>	<u>3,491,543</u>
Fund Equity:				
Contributed Capital:				
Wastewater Authority	0	3,265,717	0	3,265,717
Other	2,327,309	3,361,019	300,640	5,988,968
Retained earnings:				
Unreserved	4,659,894	2,106,087	6,185,941	12,951,922
Total Fund Equity	<u>6,987,203</u>	<u>8,732,823</u>	<u>6,486,581</u>	<u>22,206,607</u>
Total Liabilities and Fund Equity	<u>\$7,726,654</u>	<u>\$9,620,228</u>	<u>\$8,351,268</u>	<u>\$25,698,150</u>

THE CITY OF TIPP CITY, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	Water	Sewer	Electric	Totals
<u>Operating Revenues:</u>				
Charges for Service	\$726,675	\$921,108	\$6,299,125	\$7,946,908
Total Operating Revenues	726,675	921,108	6,299,125	7,946,908
<u>Operating Expenses:</u>				
Personal Services	183,426	83,486	554,725	821,637
Materials and Supplies	68,551	14,452	24,142	107,145
Contractual Services	58,148	433,477	4,571,326	5,062,951
Utilities	39,629	9,126	7,565	56,320
Depreciation	236,206	153,663	273,290	663,159
Other Operating Expenses	1,449	132	2,356	3,937
Total Operating Expenses	587,409	694,336	5,433,404	6,715,149
Operating Income	139,266	226,772	865,721	1,231,759
<u>Nonoperating Revenues (Expenses):</u>				
Loss on Sale of Fixed Assets	0	0	(199)	(199)
Interest and Fiscal Charges	(43,979)	(15,658)	(75,090)	(134,727)
Income from Joint Venture	0	108,851	0	108,851
Interest Income	16,151	2,552	5,489	24,192
Other Nonoperating Revenue	20,272	62,677	42,266	125,215
Other Nonoperating Expense	(6)	(8)	(1,293)	(1,307)
Total Nonoperating Revenues (Expenses)	(7,562)	158,414	(28,827)	122,025
Income Before Operating Transfers	131,704	385,186	836,894	1,353,784
<u>Operating Transfers:</u>				
Operating Transfers Out	(117,734)	(70,804)	(343,274)	(531,812)
Total Operating Transfers	(117,734)	(70,804)	(343,274)	(531,812)
Net Income	13,970	314,382	493,620	821,972
Retained Earnings at Beginning of Year	4,645,924	1,791,705	5,692,321	12,129,950
Retained Earnings at End of Year	\$4,659,894	\$2,106,087	\$6,185,941	\$12,951,922

THE CITY OF TIPP CITY, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

	Water	Sewer	Electric	Total
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$730,660	\$918,739	\$6,276,156	\$7,925,555
Cash Payments for Goods and Services	(140,286)	(392,033)	(4,596,647)	(5,128,966)
Cash Payments to Employees	(193,971)	(87,865)	(518,980)	(800,816)
Other Operating Revenues	0	328	0	328
Net Cash Provided by Operating Activities	396,403	439,169	1,160,529	1,996,101
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers Out to Other Funds	(117,734)	(70,804)	(343,274)	(531,812)
Net Cash Used for Noncapital Financing Activities	(117,734)	(70,804)	(343,274)	(531,812)
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Sale of Notes	0	60,000	0	60,000
Acquisition and Construction of Assets	(40,483)	(240,160)	(520,951)	(801,594)
Principal Paid on General Obligation Bonds	(90,000)	(45,000)	(100,000)	(235,000)
Principal Paid on Bond Anticipation Notes	0	(80,000)	0	(80,000)
Interest Paid on All Debt	(44,398)	(16,558)	(75,579)	(136,535)
Net Cash Used for Capital and Related Financing Activities	(174,881)	(321,718)	(696,530)	(1,193,129)
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	10,174	0	0	10,174
Sale of Investments	13,468	7,367	0	20,835
Purchase of Investments	0	0	(522)	(522)
Net Cash Provided (Used) by Investing Activities	23,642	7,367	(522)	30,487
Net Increase in Cash and Cash Equivalents	127,430	54,014	120,203	301,647
Cash and Cash Equivalents at Beginning of Year	656,439	283,497	577,327	1,517,263
Cash and Cash Equivalents at End of Year	\$783,869	\$337,511	\$697,530	\$1,818,910

(Continued)

THE CITY OF TIPP CITY, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1998

<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Operating Income	\$139,266	\$226,772	\$865,721	\$1,231,759
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	236,206	153,663	273,290	663,159
Increase in Nonoperating Activity	20,946	62,677	54,720	138,343
Decrease in Nonoperating Activity	(6)	(8)	(8,398)	(8,412)
Adjustments to Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	4,079	(2,133)	(20,836)	(18,890)
Decrease in Special Assessments Receivable	0	328	0	328
(Increase) Decrease in Inventory	1,461	(244)	(71,655)	(70,438)
(Increase) Decrease in Prepaid Items	3,905	572	(35)	4,442
Increase in Due from Other Funds	(94)	(236)	(2,133)	(2,463)
Increase (Decrease) in Accounts Payable	(182)	49,341	34,110	83,269
Increase in Accrued Wages and Benefits	3,014	1,807	14,763	19,584
Increase in Due to Other Funds	1,367	476	0	1,843
Decrease in Intergovernmental Payable	0	(48,010)	0	(48,010)
Increase (Decrease) in Compensated Absences	(13,559)	(5,836)	20,982	1,587
Total Adjustments	<u>257,137</u>	<u>212,397</u>	<u>294,808</u>	<u>764,342</u>
Net Cash Provided by Operating Activities	<u>\$396,403</u>	<u>\$439,169</u>	<u>\$1,160,529</u>	<u>\$1,996,101</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 1998, the Electric Fund had outstanding liabilities of \$9,551 for the purchase of certain capital assets. The Water Fund, Sewer Fund and Electric Fund received capital assets contributed by developers/customers and the joint venture in the amounts of \$217,419, \$57,584 and \$12,636 respectively.

*THE CITY OF TIPP CITY, OHIO
SCHEDULE OF PROPRIETARY FIXED ASSETS
BY CATEGORY
DECEMBER 31, 1998*

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Enterprise Funds:</u>						
Water	\$103,188	\$965,443	\$6,592,381	\$588,939	\$0	\$8,249,951
Accumulated Depreciation	0	(251,312)	(2,126,277)	(303,540)	0	(2,681,129)
Net	<u>103,188</u>	<u>714,131</u>	<u>4,466,104</u>	<u>285,399</u>	<u>0</u>	<u>5,568,822</u>
Sewer	4,116	137,020	5,755,270	126,621	0	6,023,027
Accumulated Depreciation	0	(28,062)	(1,541,086)	(59,196)	0	(1,628,344)
Net	<u>4,116</u>	<u>108,958</u>	<u>4,214,184</u>	<u>67,425</u>	<u>0</u>	<u>4,394,683</u>
Electric	27,130	143,087	6,673,294	921,035	42,433	7,806,979
Accumulated Depreciation	0	(115,951)	(1,643,808)	(527,373)	0	(2,287,132)
Net	<u>27,130</u>	<u>27,136</u>	<u>5,029,486</u>	<u>393,662</u>	<u>42,433</u>	<u>5,519,847</u>
<u>Totals:</u>						
Assets	134,434	1,245,550	19,020,945	1,636,595	42,433	22,079,957
Accumulated Depreciation	0	(395,325)	(5,311,171)	(890,109)	0	(6,596,605)
Net	<u>\$134,434</u>	<u>\$850,225</u>	<u>\$13,709,774</u>	<u>\$746,486</u>	<u>\$42,433</u>	<u>\$15,483,352</u>

*THE CITY OF TIPP CITY, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1998*

	Balance December 31, 1997	Additions	Deductions	Balance December 31, 1998
<u>Contractor Maintenance Deposit</u>				
Assets:				
Restricted Cash and Cash Equivalents	\$57,133	\$39,600	(\$37,019)	\$59,714
Total Assets	<u>\$57,133</u>	<u>\$39,600</u>	<u>(\$37,019)</u>	<u>\$59,714</u>
Liabilities:				
Due to Others	\$57,133	\$39,600	(\$37,019)	\$59,714
Total Liabilities	<u>\$57,133</u>	<u>\$39,600</u>	<u>(\$37,019)</u>	<u>\$59,714</u>

THE CITY OF TIPP CITY, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCE
DECEMBER 31, 1998

General Fixed Assets

Land	\$1,255,718
Buildings	3,006,183
Improvements Other Than Buildings	613,646
Machinery and Equipment	3,024,886
Construction in Progress	3,500
Total General Fixed Assets	\$7,903,933

Investment in General Fixed Assets

General Fund	\$2,228,082
Special Revenue Funds	396,167
Capital Projects Funds	4,717,706
Revenue Sharing	56,936
Proprietary Funds	233,306
Trust/Agency Funds	35,669
Contributions	236,067
Total Investment in General Fixed Assets	\$7,903,933

THE CITY OF TIPP CITY, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 1998

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
<u>General Government:</u>						
Clerk - Council	\$0	\$0	\$0	\$18,189	\$0	\$18,189
City Manager	0	0	0	23,410	0	23,410
Buildings and Grounds	95,971	1,178,198	0	96,008	3,500	1,373,677
Finance - Administration	0	0	0	45,031	0	45,031
Finance - Utility Billing	0	0	0	18,147	0	18,147
Finance - Income Tax	0	0	0	11,827	0	11,827
Miscellaneous	0	0	0	47,348	0	47,348
Capital Improvement	0	0	0	715	0	715
Total	95,971	1,178,198	0	260,675	3,500	1,538,344
<u>Security of Persons and Property:</u>						
Police	685	29,259	0	436,744	0	466,688
Fire	13,330	397,676	0	878,812	0	1,289,818
EMS	0	1,750	0	409,718	0	411,468
Total	14,015	428,685	0	1,725,274	0	2,167,974
<u>Transportation:</u>						
Planning/Engineering	0	0	0	32,006	0	32,006
Street	115,484	968,159	75,754	582,132	0	1,741,529
Total	115,484	968,159	75,754	614,138	0	1,773,535
<u>Leisure Time Activities:</u>						
Parks	1,030,248	394,421	249,025	400,332	0	2,074,026
Pool	0	36,720	288,867	24,467	0	350,054
Total	1,030,248	431,141	537,892	424,799	0	2,424,080
Total General Fixed Assets	\$1,255,718	\$3,006,183	\$613,646	\$3,024,886	\$3,500	\$7,903,933

*THE CITY OF TIPP CITY, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 1998*

Function and Activity	December 31, 1997	Transfers	Additions	Deletions	December 31, 1998
<u>General Government:</u>					
Clerk - Council	\$17,372	\$0	\$817	\$0	\$18,189
City Manager	31,563	(10,299)	2,146	0	23,410
Buildings and Grounds	1,350,893	0	64,126	(41,342)	1,373,677
Finance - Administration	36,460	0	8,920	(349)	45,031
Finance - Utility Billing	13,238	0	7,341	(2,432)	18,147
Finance - Income Tax	11,427	0	400	0	11,827
Miscellaneous	49,964	10,299	0	(12,915)	47,348
Capital Improvement	715	0	0	0	715
Total	1,511,632	0	83,750	(57,038)	1,538,344
<u>Security of Persons and Property:</u>					
Police	402,961	0	71,696	(7,969)	466,688
Fire	1,286,067	9,632	9,901	(15,782)	1,289,818
EMS	384,021	(9,632)	37,957	(878)	411,468
Total	2,073,049	0	119,554	(24,629)	2,167,974
<u>Transportation:</u>					
Planning/Engineering	26,553	0	5,453	0	32,006
Street	1,662,119	(535)	100,335	(20,390)	1,741,529
Total	1,688,672	(535)	105,788	(20,390)	1,773,535
<u>Leisure Time Activities:</u>					
Parks	1,938,877	535	164,550	(29,936)	2,074,026
Pool	342,830	0	7,224	0	350,054
Total	2,281,707	535	171,774	(29,936)	2,424,080
Total General Fixed Assets	\$7,555,060	\$0	\$480,866	(\$131,993)	\$7,903,933

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THE CITY OF TIPP CITY, OHIO

MIAMI COUNTY

GENERAL PURPOSE
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 1999

Prepared by:
Department of Finance
Richard U. Drennen, Director

TABLE OF CONTENTS

CITY OF TIPP CITY, OHIO MIAMI COUNTY

I.

GENERAL PURPOSE FINANCIAL STATEMENTS

A.	Combined Balance Sheet All Fund Types and Account Groups	2
B.	Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds	4
C.	Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget-Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types and Expendable Trust Funds	5
D.	Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types	8
E.	Combined Statement of Cash Flows All Proprietary Fund Types	9
F.	Notes to the General Purpose Financial Statements	11

II.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

A.	Enterprise Funds	36
1.	Combining Balance Sheet	37
2.	Combining Statement of Revenues, Expenses and Changes in Retained Earnings	38
3.	Combining Statement of Cash Flows	39
4.	Schedule of Proprietary Fixed Assets	41

III.

SUPPLEMENTAL INFORMATION

A.	Statement of Changes in Assets and Liabilities - Agency Fund	42
B.	Schedule of General Fixed Assets by Source	43
C.	Schedule of General Fixed Assets by Category	44
D.	Schedule of Changes in General Fixed Assets by Function and Activity	45

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

	Governmental			Proprietary			Fiduciary			Account		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)		
Assets and Other Debits:												
Assets:												
Cash and Cash Equivalents	\$904,686	\$371,034	\$140	\$546,262	\$1,299,070	\$89,153	\$16,434	\$0	\$0	\$3,226,779		
Investments	2,063,061	0	0	0	3,171,043	0	0	0	0	5,234,104		
Receivables (net of allowance for doubtful accounts):												
Taxes	564,325	0	0	54,972	0	0	0	0	0	619,297		
Accounts	75,812	0	0	0	980,013	0	0	0	0	1,055,825		
Interest	84,712	0	0	0	0	0	0	0	0	84,712		
Special Assessments	0	0	0	263,598	699,408	0	0	0	0	963,006		
Due from Other Funds	0	0	0	0	3,998	0	0	0	0	3,998		
Intergovernmental Receivables	40,730	22,742	0	0	0	0	0	0	0	63,472		
Inventory of Supplies at Cost	24,427	35,713	0	0	583,961	0	0	0	0	644,101		
Prepaid Items	5,055	73	0	0	3,987	0	0	0	0	9,115		
Restricted Assets:												
Cash and Cash Equivalents	0	0	0	0	91,486	0	33,679	0	0	125,165		
Cash with Fiscal Agent	0	0	256	0	0	0	0	0	0	256		
Investment in Joint Venture	0	0	0	0	3,407,563	0	0	0	0	3,407,563		
Fixed Assets (net of accumulated depreciation)	0	0	0	0	15,145,881	0	0	8,426,254	0	23,572,135		
Other Debits:												
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	140	140		
Amount to be Provided for General Long-Term Obligations	0	0	0	0	0	0	0	0	1,719,278	1,719,278		
Total Assets and Other Debits	\$3,762,808	\$429,562	\$396	\$864,832	\$25,386,410	\$89,153	\$50,113	\$8,426,254	\$1,719,418	\$40,728,946		

(Continued)

Governmental Proprietary Fiduciary Account
Fund Types Fund Types Fund Types Groups

General Fund	Special Revenue Funds		Debt Service Fund	Capital Projects Funds	Enterprise Funds	Internal Service Fund	Trust and Agency Funds		General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
	Funds	Funds					Funds	Funds			
\$39,957	\$7,606	\$0	\$0	\$6,305	\$466,257	\$0	\$0	\$0	\$0	\$0	\$520,125
153,655	11,781	0	0	0	51,271	0	0	0	0	0	216,707
1,057	0	0	0	0	2,941	0	0	0	0	0	3,998
13,393	0	0	0	0	0	0	0	0	0	0	13,393
0	0	0	0	0	0	0	33,679	0	0	0	33,679
0	0	0	256	0	0	0	0	0	0	0	256
0	0	0	0	9,000	8,770	0	0	0	0	0	17,770
0	0	0	0	0	91,486	0	0	0	0	0	91,486
342,319	0	0	0	267,918	0	0	0	0	0	0	610,237
0	0	0	0	375,000	0	0	0	0	0	0	375,000
0	0	0	0	0	146,909	0	0	0	539,418	0	686,327
0	0	0	0	0	1,910,000	0	0	0	1,180,000	0	3,090,000
0	0	0	0	0	580,236	0	0	0	0	0	580,236
550,381	19,387	256	658,223	3,257,870	0	33,679	0	1,719,418	0	6,239,214	

Liabilities and Other Credits:

Accounts Payable	
Accrued Wages and Benefits	
Due to Other Funds	
Intergovernmental Payables	
Due to Others	
Matured Bonds and Interest Payable	
Accrued Interest Payable	
Customer Deposits Payable	
Deferred Revenue	
General Obligation Notes Payable	
Compensated Absences Payable	
General Obligation Bonds Payable	
State Loan Payable	
Total Liabilities	8,426,254

Equity and Other Credits:

Investment in General Fixed Assets	
Contributed Capital:	
Wastewater Authority	
Other	
Retained Earnings:	
Unreserved	
Fund Balances:	
Reserved for Encumbrances	
Reserved for Supplies Inventory	
Reserved for Prepaid Items	
Reserved for Debt Service	
Unreserved:	
Undesignated	
Total Equity and Other Credits	8,426,254

Total Liabilities, Equity and Other Credits

\$3,762,808	\$429,562	\$396	\$864,832	\$25,386,410	\$89,153	\$50,113	\$8,426,254	\$1,719,418	\$40,728,946
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The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF TIPP CITY, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Taxes	\$2,029,562	\$0	\$0	\$456,130	\$0	\$2,485,692
Intergovernmental Revenues	761,582	348,963	0	0	0	1,110,545
Charges for Services	261,604	41,348	0	19,361	0	322,313
Licenses and Permits	56,338	0	0	0	0	56,338
Investment Earnings	427,244	1,900	0	0	0	429,144
Special Assessments	4,107	0	0	60,061	0	64,168
Fines and Forfeitures	12,454	5,753	0	0	0	18,207
All Other Revenues	120,777	4,598	0	3,642	3,074	132,091
Total Revenues	<u>3,673,668</u>	<u>402,562</u>	<u>0</u>	<u>539,194</u>	<u>3,074</u>	<u>4,618,498</u>
Expenditures:						
Current:						
Security of Persons and Property	1,543,343	221	0	0	4,984	1,548,548
Leisure Time Activities	224,191	56,666	0	0	0	280,857
Community Environment	126,377	7,140	0	0	0	133,517
Basic Utility Services	120,321	0	0	0	0	120,321
Transportation	45,374	288,537	0	22,241	0	356,152
General Government	901,757	0	0	3,193	0	904,950
Capital Outlay	399,680	21,894	0	782,630	0	1,204,204
Debt Service:						
Principal Retirements	0	0	185,000	0	0	185,000
Interest and Fiscal Charges	0	0	70,632	14,572	0	85,204
Total Expenditures	<u>3,361,043</u>	<u>374,458</u>	<u>255,632</u>	<u>822,636</u>	<u>4,984</u>	<u>4,818,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	312,625	28,104	(255,632)	(283,442)	(1,910)	(200,255)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	1,415	0	26,100	0	27,515
Operating Transfers In	425,940	45,000	255,749	526,860	0	1,253,549
Operating Transfers Out	(505,000)	0	0	(294,488)	0	(799,488)
Other Financing Sources	4,094	542	0	0	0	4,636
Other Financing Uses	(591)	0	0	0	0	(591)
Total Other Financing Sources (Uses)	<u>(75,557)</u>	<u>46,957</u>	<u>255,749</u>	<u>258,472</u>	<u>0</u>	<u>485,621</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	237,068	75,061	117	(24,970)	(1,910)	285,366
Fund Balance Beginning of Year	2,974,444	331,545	23	231,579	18,344	3,555,935
Increase in Inventory Reserve	915	3,569	0	0	0	4,484
Fund Balance End of Year	<u>\$3,212,427</u>	<u>\$410,175</u>	<u>\$140</u>	<u>\$206,609</u>	<u>\$16,434</u>	<u>\$3,845,785</u>

The notes to the general purpose financial statements are an integral part of this statement.

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

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$2,121,651	\$2,178,997	\$57,346	\$0	\$0	\$0
Intergovernmental Revenues	677,330	690,401	13,071	334,010	352,275	18,265
Charges for Services	244,373	249,331	4,958	40,540	41,348	808
Licenses and Permits	54,425	56,338	1,913	0	0	0
Investment Earnings	450,000	461,091	11,091	1,500	1,900	400
Special Assessments	2,200	2,715	515	0	0	0
Fines and Forfeitures	12,300	13,110	810	5,200	5,725	525
All Other Revenues	118,850	114,807	(4,043)	3,200	4,850	1,650
Total Revenues	<u>3,681,129</u>	<u>3,766,790</u>	<u>85,661</u>	<u>384,450</u>	<u>406,098</u>	<u>21,648</u>
Expenditures:						
Current:						
Security of Persons and Property	1,706,884	1,632,634	74,250	5,000	221	4,779
Leisure Time Activities	266,070	233,775	32,295	70,613	70,002	611
Community Environment	139,725	132,939	6,786	35,000	7,140	27,860
Basic Utility Services	165,625	159,734	5,891	0	0	0
Transportation	55,945	48,080	7,865	345,328	322,567	22,761
General Government	1,141,166	1,066,667	74,499	0	0	0
Capital Outlay	456,941	425,334	31,607	35,593	24,394	11,199
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>3,932,356</u>	<u>3,699,163</u>	<u>233,193</u>	<u>491,534</u>	<u>424,324</u>	<u>67,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(251,227)	67,627	318,854	(107,084)	(18,226)	88,858
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	0	1,415	1,415
Proceeds of General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	425,940	425,940	0	45,000	45,000	0
Operating Transfers Out	(505,000)	(505,000)	0	0	0	0
Other Financing Sources	2,500	4,094	1,594	0	542	542
Other Financing Uses	(81,870)	(78,962)	2,908	(300)	0	300
Total Other Financing Sources (Uses)	<u>(158,430)</u>	<u>(153,928)</u>	<u>4,502</u>	<u>44,700</u>	<u>46,957</u>	<u>2,257</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(409,657)	(86,301)	323,356	(62,384)	28,731	91,115
Fund Balance at Beginning of Year	2,557,372	2,557,372	0	261,691	261,691	0
Prior Year Encumbrances	201,117	201,117	0	34,248	34,248	0
Fund Balance at End of Year	<u>\$2,348,832</u>	<u>\$2,672,188</u>	<u>\$323,356</u>	<u>\$233,555</u>	<u>\$324,670</u>	<u>\$91,115</u>

The notes to the general purpose financial statements are an integral part of this statement.

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

	<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$463,000	\$476,393	\$13,393
Intergovernmental Revenues	0	0	0	210,000	0	(210,000)
Charges for Services	0	0	0	20,000	19,361	(639)
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Special Assessments	0	0	0	55,000	56,033	1,033
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	0	0	0	18,500	3,642	(14,858)
Total Revenues	0	0	0	766,500	555,429	(211,071)
Expenditures:						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	35,000	35,000	0
General Government	0	0	0	4,028	3,193	835
Capital Outlay	0	0	0	1,421,868	1,024,416	397,452
Debt Service:						
Principal Retirement	905,000	905,000	0	0	0	0
Interest and Fiscal Charges	221,782	209,259	12,523	0	0	0
Total Expenditures	1,126,782	1,114,259	12,523	1,460,896	1,062,609	398,287
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,126,782)	(1,114,259)	12,523	(694,396)	(507,180)	187,216
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	16,500	26,100	9,600
Proceeds of General Obligation Notes	375,000	375,000	0	0	0	0
Operating Transfers In	751,782	739,376	(12,406)	460,000	460,000	0
Operating Transfers Out	0	0	0	(307,030)	(294,628)	12,402
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Total Other Financing Sources (Uses)	1,126,782	1,114,376	(12,406)	169,470	191,472	22,002
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	117	117	(524,926)	(315,708)	209,218
Fund Balance at Beginning of Year	23	23	0	252,360	252,360	0
Prior Year Encumbrances	0	0	0	367,906	367,906	0
Fund Balance at End of Year	\$23	\$140	\$117	\$95,340	\$304,558	\$209,218

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

	<i>Expendable Trust Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$2,584,651	\$2,655,390	\$70,739
Intergovernmental Revenues	0	0	0	1,221,340	1,042,676	(178,664)
Charges for Services	0	0	0	304,913	310,040	5,127
Licenses and Permits	0	0	0	54,425	56,338	1,913
Investment Earnings	0	0	0	451,500	462,991	11,491
Special Assessments	0	0	0	57,200	58,748	1,548
Fines and Forfeitures	0	0	0	17,500	18,835	1,335
All Other Revenues	5,200	3,074	(2,126)	145,750	126,373	(19,377)
Total Revenues	5,200	3,074	(2,126)	4,837,279	4,731,391	(105,888)
Expenditures:						
Current:						
Security of Persons and Property	18,605	6,353	12,252	1,730,489	1,639,208	91,281
Leisure Time Activities	0	0	0	336,683	303,777	32,906
Community Environment	0	0	0	174,725	140,079	34,646
Basic Utility Services	0	0	0	165,625	159,734	5,891
Transportation	0	0	0	436,273	405,647	30,626
General Government	0	0	0	1,145,194	1,069,860	75,334
Capital Outlay	0	0	0	1,914,402	1,474,144	440,258
Debt Service:						
Principal Retirement	0	0	0	905,000	905,000	0
Interest and Fiscal Charges	0	0	0	221,782	209,259	12,523
Total Expenditures	18,605	6,353	12,252	7,030,173	6,306,708	723,465
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,405)	(3,279)	10,126	(2,192,894)	(1,575,317)	617,577
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Asscts	0	0	0	16,500	27,515	11,015
Proceeds of General Obligation Notes	0	0	0	375,000	375,000	0
Operating Transfers In	0	0	0	1,682,722	1,670,316	(12,406)
Operating Transfers Out	0	0	0	(812,030)	(799,628)	12,402
Other Financing Sources	0	0	0	2,500	4,636	2,136
Other Financing Uses	0	0	0	(82,170)	(78,962)	3,208
Total Other Financing Sources (Uses)	0	0	0	1,182,522	1,198,877	16,355
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,405)	(3,279)	10,126	(1,010,372)	(376,440)	633,932
Fund Balance at Beginning of Year	19,217	19,217	0	3,090,663	3,090,663	0
Prior Year Encumbrances	405	405	0	603,676	603,676	0
Fund Balance at End of Year	\$6,217	\$16,343	\$10,126	\$2,683,967	\$3,317,899	\$633,932

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

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Charges for Service	\$8,604,970	\$57,203	\$8,662,173
Total Operating Revenues	<u>8,604,970</u>	<u>57,203</u>	<u>8,662,173</u>
<u>Operating Expenses:</u>			
Personal Services	846,038	0	846,038
Materials and Supplies	149,723	0	149,723
Contractual Services	5,807,463	57,359	5,864,822
Utilities	49,968	0	49,968
Depreciation	673,138	0	673,138
Other Operating Expenses	5,474	0	5,474
Total Operating Expenses	<u>7,531,804</u>	<u>57,359</u>	<u>7,589,163</u>
Operating Income (Loss)	1,073,166	(156)	1,073,010
<u>Nonoperating Revenues (Expenses):</u>			
Loss on Disposal of Fixed Assets	(2,303)	0	(2,303)
Interest and Fiscal Charges	(118,853)	0	(118,853)
Income from Joint Venture	67,376	0	67,376
Interest Income	(28,040)	0	(28,040)
Other Nonoperating Revenues	59,604	0	59,604
Other Nonoperating (Expenses)	(279,239)	0	(279,239)
Total Nonoperating Revenues (Expenses)	<u>(301,455)</u>	<u>0</u>	<u>(301,455)</u>
Income (Loss) Before Operating Transfers	771,711	(156)	771,555
<u>Operating Transfers:</u>			
Operating Transfers Out	(454,061)	0	(454,061)
Total Operating Transfers	<u>(454,061)</u>	<u>0</u>	<u>(454,061)</u>
Net Income (Loss)	317,650	(156)	317,494
Retained Earnings at Beginning of Year	12,637,452	89,309	12,726,761
Retained Earnings at End of Year	<u>\$12,955,102</u>	<u>\$89,153</u>	<u>\$13,044,255</u>

The notes to the general purpose financial statements are an integral part of this statement.

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

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$8,379,018	\$57,203	\$8,436,221
Cash Payments for Goods and Services	(6,226,699)	(56,962)	(6,283,661)
Cash Payments to Employees	(837,415)	0	(837,415)
Other Operating Revenues	328	0	328
Net Cash Provided by Operating Activities	1,315,232	241	1,315,473
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers Out to Other Funds	(454,061)	0	(454,061)
Net Cash Used for Noncapital Financing Activities	(454,061)	0	(454,061)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(493,098)	0	(493,098)
Principal Paid on General Obligation Bonds	(235,000)	0	(235,000)
Principal Paid on Bond Anticipation Notes	(60,000)	0	(60,000)
Interest Paid on All Debt	(121,627)	0	(121,627)
Net Cash Used for Capital and Related Financing Activities	(909,725)	0	(909,725)
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	9,496	0	9,496
Purchase of Investments	(389,296)	0	(389,296)
Net Cash Used by Investing Activities	(379,800)	0	(379,800)
Net Increase (Decrease) in Cash and Cash Equivalents	(428,354)	241	(428,113)
Cash and Cash Equivalents at Beginning of Year	1,818,910	88,912	1,907,822
Cash and Cash Equivalents at End of Year	\$1,390,556	\$89,153	\$1,479,709

(Continued)

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

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	\$1,073,166	(\$156)	\$1,073,010
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	673,138	0	673,138
Increase in Nonoperating Activity	68,885	0	68,885
Decrease in Nonoperating Activity	(287,738)	0	(287,738)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(226,331)	0	(226,331)
Decrease in Special Assessments Receivable	328	0	328
Increase in Inventory	(41,395)	0	(41,395)
(Increase) Decrease in Prepaid Items	(2,862)	397	(2,465)
Decrease in Due from Other Funds	379	0	379
Increase in Accounts Payable	49,340	0	49,340
Decrease in Accrued Wages and Benefits	(11,502)	0	(11,502)
Decrease in Due to Other Funds	(301)	0	(301)
Increase in Compensated Absences	20,125	0	20,125
Total Adjustments	<u>242,066</u>	<u>397</u>	<u>242,463</u>
Net Cash Provided by Operating Activities	<u>\$1,315,232</u>	<u>\$241</u>	<u>\$1,315,473</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 1999, the Water Fund and Electric Fund had outstanding liabilities of \$3,800 and \$11,408, respectively, for the purchase of certain capital assets. The Water Fund and Sewer Fund received capital assets contributed by developers/customers in the amounts of \$70,438 and \$83,247 respectively. During 1999 the fair value of investments increased by \$260,169 and \$101,626 in the Water and Sewer Funds, respectively and decreased by \$10,035 in the Electric Fund.

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF TIPP CITY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tipp City, Ohio (the "City") is a home-rule municipal corporation created under the laws of the State of Ohio. The City was incorporated as a village in 1850 and became a city in 1960. The City operates under its own Charter. The current Charter, which provides for a Council-Manager form of government, was adopted in 1968 and has been amended three times (in 1977, 1984 and 1992).

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 1999 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying general purpose financial statements comply with the provisions of the GASB Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, emergency medical services, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system and an electric distribution system, each of which is reported as an enterprise fund.

1. Joint Ventures with Equity Interest

Tri-Cities North Regional Wastewater Authority - The City is a participant with the cities of Huber Heights and Vandalia in a joint venture to provide reliable, reasonably priced and environmentally sound wastewater utility collection and treatment service for their respective communities. See Note 18 for further information.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the City's significant accounting policies:

The accounting system is organized and operated on the basis of funds and account groups, each of which is a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

Governmental Funds - The funds through which most governmental functions are typically financed are the governmental funds. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except that accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's governmental fund types:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal and interest other than those accounted for in the proprietary funds.

Capital Projects Funds - These 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 the proprietary funds).

Proprietary Funds - These funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) are segregated into contributed capital and retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - The City maintains expendable trust funds and an agency fund. Expendable trust funds are accounted for and reported similarly to governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the City except that accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance), certain charges for services, and levied fines and forfeitures. Other revenue, including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Property taxes and special assessments measurable as of December 31, 1999 but not received within the available period are recorded as deferred revenue. Delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,"* the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the City Manager submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level, and may be modified during the year by ordinance of the City Council. Total fund appropriations may not exceed the current estimated resources as certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

5. Lapsing of Appropriations

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 subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary cash basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds
GAAP Basis (as reported)	\$237,068	\$75,061	\$117	(\$24,970)	(\$1,910)
Increase (Decrease):					
Accrued Revenues at December 31, 1999 received during 2000	(432,756)	(22,742)	0	(50,652)	0
Accrued Revenues at December 31, 1998 received during 1999	448,313	26,278	0	66,887	0
Accrued Expenditures at December 31, 1999 paid during 2000	208,062	19,387	0	15,305	0
Accrued Expenditures at December 31, 1998 paid during 1999	(264,125)	(22,864)	0	(30,574)	(1,278)
1998 Prepays for 1999	8,035	48	0	0	0
1999 Prepays for 2000	(5,055)	(73)	0	0	0
Retirement of Notes Payable	0	0	0	(425,000)	0
Issuance of Notes Payable	0	0	0	375,000	0
Outstanding Encumbrances	(285,843)	(46,364)	0	(241,704)	(91)
Budget Basis	(\$86,301)	\$28,731	\$117	(\$315,708)	(\$3,279)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the general purpose financial statements because it is a highly liquid instrument which is readily convertible to cash.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash represents the balance on hand as if each fund maintains its own cash and investments account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be cash equivalents. See Note 4, "Pooled Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution the Ohio Revised Code, and the City's Investment Policies. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 4, "Pooled Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 1999. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

1. Property, Plant and Equipment - General Governmental Purposes (Continued)

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks and drainage systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets. The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds is stated at cost (or estimated historical cost). Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings	50
Improvements Other Than Buildings	10 - 45
Machinery, Equipment, Furniture and Fixtures	3 - 35

Depreciation on proprietary fixed assets is charged to retained earnings.

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Bond Retirement Fund
	Water Fund
	Sewer Fund
	Electric Fund
Compensated Absences	General Fund
	Street Construction, Maintenance and Repair Fund
	Municipal Road Fund
	Water Fund
	Sewer Fund
	Electric Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the electric, water and sewer enterprise funds when earned. The related liability is reported within the fund.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

1. Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
2. Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers during 1999.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies, prepaid items, debt service, self insurance claims and encumbered amounts that have not been accrued at year end.

N. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements, shared revenues, and donations is recorded as an operating expense and closed along with other operating expenses directly to retained earnings.

O. Total Columns on Combined Financial Statements - Overview

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at December 31, 1999 of \$204,800 in the East Broadway Improvement Fund and of \$179,200 in the Fire Truck Equipment Fund (capital projects funds) arise from the recording of general obligation notes payable within the fund. A deficit does not exist under the budgetary basis of accounting. Operating transfers are provided when cash is required, not when accruals occur.

NOTE 3 - PRIOR PERIOD ADJUSTMENTS

During 1999, the City changed its capitalization limit for fixed assets from \$300 to \$500. As a result of this change in the capitalization limit the General Fixed Assets Account Group was overstated by \$113,468. The General Fixed Assets Account Group balance at January 1, 1999 has been restated. The balance decreased from \$7,903,933 to \$7,790,465.

The City also applied this new capitalization level to the proprietary fixed assets. The new capitalization level resulted in the following change to the beginning retained earnings balance in the enterprise funds:

Enterprise Funds:	
Retained Earnings 12/31/98 (as reported)	\$12,951,922
Restate Fixed Assets	(314,470)
Retained Earnings 01/01/99 (restated)	<u>\$12,637,452</u>

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash, Cash Equivalents and Investments."

Ohio law requires the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- Bonds, notes, debentures, or any 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized.

Investments:

- Category 1 Insured or registered with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end, the carrying amount of the City's deposits was \$542,200 and the bank balance was \$715,148. Federal depository insurance covered \$201,043 of the bank balance. All remaining deposits were classified as Category 3. In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral.

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 1999 were as follows:

<u>Categorized Investments</u>	Fair Value
United States Treasury Bills (Category 1)	\$780,629
United States Treasury Notes (Category 1)	4,003,475
Total Categorized Investments	4,784,104
<u>Non-Categorized Investments</u>	
STAR Ohio	3,260,000
Total Investments	<u>\$8,044,104</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents *	Investments
Per Combined Balance Sheet	\$3,352,200	\$5,234,104
Certificates of Deposit (with maturities of more than 3 months)	450,000	(450,000)
Investments:		
STAR Ohio	(3,260,000)	3,260,000
Per GASB Statement No. 3	<u>\$542,200</u>	<u>\$8,044,104</u>

* - Includes Cash with Fiscal Agent

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1995. Real property taxes are payable annually or semiannually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year.

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semiannually. The first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Tipp City. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 1999 was \$1.40 per \$1,000 of assessed value. The assessed value upon which the 1999 levy was based was \$203,023,060. This amount constitutes \$154,599,360 in real property assessed value, \$11,810,630 in public utility assessed value and \$36,613,070 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .140 % (1.4 mills) of assessed value.

B. Income Tax

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

NOTE 5 - TAXES (Continued)**B. Income Tax (Continued)**

Employers 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 individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Municipal Income Tax Revenue for 1999 was \$2,280,649. This represented a 6.51% increase over the 1998 tax revenue of \$2,141,272.

NOTE 6 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, special assessments, interest, accounts receivable and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectable in full.

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 1999:

Fund	Transfer In	Transfer Out
General Fund	\$425,940	\$505,000
Special Revenue Funds:		
Swimming Pool Fund	20,000	0
Street Construction and Repair Fund	25,000	0
Total Special Revenue Funds	<u>45,000</u>	<u>0</u>
Debt Service Fund:		
General Bond Retirement Fund	255,749	0
Capital Projects Funds:		
Capital Improvement Reserve Fund	460,000	294,488
E. Broadway Improvement Fund	33,860	0
Fire Truck Equipment Fund	33,000	0
Total Capital Projects Funds	<u>526,860</u>	<u>294,488</u>
Enterprise Funds:		
Water Fund	0	49,804
Sewer Fund	0	59,112
Electric Fund	0	345,145
Total Enterprise Funds	<u>0</u>	<u>454,061</u>
Totals	<u><u>\$1,253,549</u></u>	<u><u>\$1,253,549</u></u>

NOTE 8 - INTERFUND RECEIVABLES/PAYABLES

Following is a summary of interfund receivable and payables for all funds for 1999:

Fund	Due From	Due To
General Fund	\$0	\$1,057
Enterprise Funds:		
Water Fund	151	2,487
Sewer Fund	416	454
Electric Fund	3,431	0
Total Enterprise Funds	3,998	2,941
Totals	<u>\$3,998</u>	<u>\$3,998</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Category	Restated December 31, 1998	Additions	Deletions	December 31, 1999
Land	\$1,255,718	\$61,797	\$0	\$1,317,515
Buildings	3,004,565	170,416	0	3,174,981
Improvements Other than Buildings	613,166	74,873	0	688,039
Machinery and Equipment	2,913,516	476,845	(144,642)	3,245,719
Construction in Progress	3,500	0	(3,500)	0
Totals	<u>\$7,790,465</u>	<u>\$783,931</u>	<u>(\$148,142)</u>	<u>\$8,426,254</u>

Schedule of General Fixed Assets at December 31, 1999:

General Fixed Assets		Investment in General Fixed Assets	
Land	\$1,317,515	General Fund	\$2,324,365
Buildings	3,174,981	Special Revenue Funds	381,236
Improvements Other Than Building	688,039	Capital Projects Funds	5,078,984
Machinery and Equipment	3,245,719	General Revenue Sharing	56,936
Construction in Progress	0	Enterprise Funds	249,121
		Trust/Agency Funds	30,275
		Contributions	305,337
Total	<u>\$8,426,254</u>	Total	<u>\$8,426,254</u>

NOTE 9 - FIXED ASSETS (Continued)

B. Proprietary Fixed Assets

Summary by Category at December 31, 1999:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$134,434	\$0	\$134,434
Buildings	1,367,029	(419,632)	947,397
Improvements Other Than Buildings	18,993,426	(5,722,388)	13,271,038
Machinery and Equipment	1,684,656	(891,644)	793,012
Property, Plant and Equipment	<u>\$22,179,545</u>	<u>(\$7,033,664)</u>	<u>\$15,145,881</u>

NOTE 10 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the “PERS of Ohio”)

The following information was provided by the PERS of Ohio to assist the City in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers.*

All employees of the City, except full-time uniformed police officers, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. 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 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 1999 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.35% to fund the pension and 4.2% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the PERS of Ohio for the years ending December 31, 1999, 1998 and 1997 were \$245,902, \$232,701 and \$216,904, respectively, which were equal to the required contributions for each year.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

The PERS of Ohio provides postemployment health care benefits 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 also available. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 1999 employer contribution rate (identified above) that was used to fund health care for the year 1999 was 4.2% of covered payroll which amounted to \$76,221.

Other Postemployment Benefits (OPEB) are financed through employer contributions and investment earnings thereon. Funding and accounting were on a pay-as-you-go basis. 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 other postemployment benefits 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.

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 1999, 1998 and 1997 were \$139,012, \$130,455 and \$119,828 which was equal to the required contributions for each year.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)

The OP&F Fund provides postemployment 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 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 on a full-time or two-thirds basis. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 1999 covered payroll that was used to fund postemployment health care benefits was \$49,902 representing 7.00% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. 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. As of December 31, 1998, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 11,424 for police. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790, which was net of member contributions of \$5,331,515.

NOTE 11 – COMPENSATED ABSENCES

All full-time City employees earn vacation at a rate of between 80 to 200 hours per year of active service based on the employee's years of service. Employees are allowed to carry over up to 120 hours or 160 hours to the following year dependent on their employment contract. Upon separation from the City, the employee (or his estate) receives 100% of all vacation and from 25% (up to a maximum of 30 days) to 75% (up to a maximum of 180 days) of the employee's sick leave balance based on years of service and dependent upon the employment contract.

As of December 31, 1999, the liability for unpaid compensated absences was \$539,418 for all funds of the City except the proprietary funds. For governmental funds, the entire amount was considered long-term since no payments were anticipated which would require the use of current available financial resources. The liability has been reported in the General Long-Term Obligations Account Group. The portion attributable to the proprietary funds has been recorded within the appropriate fund.

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes payable by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

The City had the following general obligation bond anticipation notes outstanding at December 31, 1999:

		Balance December 31, 1998	Issued (Retired)	Balance December 31, 1999
Capital Projects Notes Payable:				
4.00% E. Broadway Ave. Improvement	4/27/1999	\$225,000	(\$225,000)	\$0
4.00% Fire Truck Improvement	4/27/1999	200,000	(200,000)	0
3.57% E. Broadway Ave. Improvement	4/26/2000	0	200,000	200,000
3.57% Fire Truck Improvement	4/26/2000	0	175,000	175,000
Total Capital Projects Notes Payable		425,000	(50,000)	375,000
Enterprise Notes Payable:				
4.00% Woodlawn Sewer Improvement	4/27/1999	60,000	(60,000)	0
Total Enterprise Notes Payable		60,000	(60,000)	0
Total Notes Payable		\$485,000	(\$110,000)	\$375,000

NOTE 13 - LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 1999 were as follows:

	Maturity Date	Balance December 31, 1998	Issued (Retired)	Balance December 31, 1999
Enterprise Funds:				
General Obligation Bonds:				
Sewer System Improvement	2000	\$30,000	(\$15,000)	\$15,000
Electric Improvement	2006	400,000	(50,000)	350,000
Water System Improvement	2008	300,000	(30,000)	270,000
Sewer System Bonds	2002	140,000	(30,000)	110,000
Water Improvement Bonds	2002	110,000	(30,000)	80,000
Water Improvement Bonds	2007	270,000	(30,000)	240,000
Electric Improvement Bonds	2015	895,000	(50,000)	845,000
Total General Obligation Bonds		2,145,000	(235,000)	1,910,000
North East Sewer Interceptor Loan	2014	580,236	0	580,236
Total Enterprise Long-Term Debt		\$2,725,236	(\$235,000)	\$2,490,236
General Long-Term Debt:				
General Obligation Bonds:				
Government Center Bond - I	2008	\$290,000	(\$30,000)	\$260,000
Government Center Bond- II	2001	75,000	(25,000)	50,000
South Hyatt Street Improvement	2000	80,000	(40,000)	40,000
North Hyatt Street Improvement	2000	80,000	(40,000)	40,000
Service Center Improvement	2015	840,000	(50,000)	790,000
Total General Obligation Bonds		1,365,000	(185,000)	1,180,000
Other Long-Term Obligations:				
Compensated Absences		528,098	11,320	539,418
Total Other Long-Term Obligations		528,098	11,320	539,418
Total General Long-Term Debt and Other Long-Term Obligations		\$1,893,098	(\$173,680)	\$1,719,418

A. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 1999, follows:

Years	General Obligation Bonds		Loan	
	Principal	Interest	Principal	Interest
2000	\$420,000	\$166,476	\$0	\$0
2001	330,000	143,044	0	0
2002	305,000	124,706	0	0
2003	240,000	107,606	0	0
2004	240,000	93,789	0	0
2005-2009	920,000	274,878	0	0
2010-2014	500,000	100,519	580,236	0
2015	135,000	6,244	0	0
Totals	\$3,090,000	\$1,017,262	\$580,236	\$0

NOTE 14 - 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. On September 1, 1996 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local cities. As of December 31, 1999, the pool has sixteen members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, general liability, boiler and machinery, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a sixteen member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a full-time Claims Manager, Loss Control Manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board.

The sixteen participating cities and their respective pool contribution factors for the loss year ended December 31, 1999 are:

Entity	Percentage
Beavercreek	8.70 %
Blue Ash	6.87
Indian Hill	2.87
Kettering	16.19
Madeira	1.69
Mason	4.47
Miamisburg	12.73
Montgomery	3.97
Sidney	10.21
Springdale	5.42
Tipp City	2.60
Troy	8.03
Vandalia	5.31
West Carrollton	4.45
Wilmington	4.34
Wyoming	2.15
Total	100.00 %

The individual MVRMA, Inc. members are not considered "participants having equity interest" as defined by GASB Statement No. 14 since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multijurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture defined in GASB Statement No. 14.

NOTE 14 - RISK MANAGEMENT (Continued)

The following is a summary of insurance coverages at year end:

Property	\$447,000,000	blanket limit
Crime	1,000,000	per occurrence
Liability	11,000,000	per occurrence
Boiler and Machinery	447,000,000	blanket limit
Public Officials Liability /		
Police Professional Liability	10,000,000	per occurrence
Ambulance Liability	11,000,000	per occurrence
Employee Theft Coverage	1,000,000	per occurrence
Flood (Property)	100,000,000	annual aggregate
Earthquake (Property)	100,000,000	annual aggregate

The deductible per occurrence for most types of claims is \$2,500, except Boiler and Machinery which is \$5,000. The Pool's self insured retention (SIR) for property claims is \$2,501 - \$250,000 per occurrence. The pool's SIR for liability claims is \$500,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is \$500,001 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 1999, because an actuarial opinion issued as of December 31, 1999 reported actual reserves in excess of \$4,149,535, an amount in excess of the recommended net reserve of \$2,499,961.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City pays unemployment claims to the State of Ohio as incurred.

In August 1994, the City joined the Ohio Benefits Co-operative, Inc., a health co-op comprised of twelve political subdivisions. The co-op was formed to explore the benefits of insurance pooling and collective purchasing strategies for its members. The co-op currently has a contract with Anthem Blue Cross and Blue Shield to handle their health insurance needs. The City pays a premium to Anthem, which handles all claims and benefit processing and assumes all risks.

NOTE 15 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are water treatment and distribution, wastewater collection and treatment and electric services. The key financial information for the year ended December 31, 1999 for these enterprise activities is indicated below:

	Water	Sewer	Electric	Total
Operating Revenues	\$703,411	\$931,171	\$6,970,388	\$8,604,970
Depreciation	238,860	160,861	273,417	673,138
Operating Income	125,550	105,315	842,301	1,073,166
Operating Transfers Out	49,804	59,112	345,145	454,061
Net Income	41,552	100,640	175,458	317,650
Current Capital Contributions	70,438	83,247	0	153,685
Property, Plant and Equipment:				
Additions	144,791	142,742	407,340	694,873
Deletions	29,561	27,000	86,199	142,760
Assets	7,769,130	9,471,358	8,145,922	25,386,410
Net Working Capital	2,254,811	1,623,262	2,334,168	6,212,241
Bonds and Loans Payable	590,000	705,236	1,195,000	2,490,236
Total Equity	7,098,426	8,678,796	6,351,318	22,128,540

NOTE 17 - CONTRIBUTED CAPITAL

During the year, contributed capital in the enterprise funds increased from shared revenues as follows:

	Water Fund	Sewer Fund	Electric Fund	Total
Balance at Beginning of Year	\$2,327,309	\$6,626,736	\$300,640	\$9,254,685
Additions:				
Wastewater Authority	0	(234,932)	0	(234,932)
Developers/Customers	70,438	83,247	0	153,685
Balance at End of Year	<u>\$2,397,747</u>	<u>\$6,475,051</u>	<u>\$300,640</u>	<u>\$9,173,438</u>

NOTE 18 - JOINT VENTURE

Prior to June of 1996 the Miami Conservancy District provided the cities of Tipp City, Vandalia and Huber Heights with wastewater treatment services. The Miami Conservancy District expressed the intent to no longer provide these services to the cities and gave them the option to acquire and operate the facility themselves. In order to do so, the three cities established the Tri-Cities North Regional Wastewater Authority.

Tri-Cities North Regional Wastewater Authority (Tri-Cities) is a joint venture among the cities of Tipp City, Vandalia and Huber Heights. Tri-Cities is governed by a management board consisting of the city managers of the three participating cities. The Board has complete authority over all the aspects of the Plant's operation. Tri-Cities supplies all participating residents of the member cities with sewer services. Each city owns the sewage lines located in its city and bills its residents for usage. Continued existence of Tri-Cities is dependent on the City's continued participation, and the City does have an equity interest. The percentage of equity interest for each city is based on annual usage and is adjusted each year accordingly. The City's percentage of usage was lower in 1999, therefore, the equity interest in the joint venture decreased. The City's equity interest is \$3,407,563 which represents 17.72% of the total equity in Tri-Cities. This reflects a decrease of 1.17% over the City's equity interest of 18.89% in 1998. Tri-Cities is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefits to or burden on the City. Complete financial statements can be obtained from Tri-Cities North Regional Wastewater Authority, 3777 Old Needmore Road, Dayton, Ohio 45424.

ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private a business enterprise, whereby the intent of City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or when City Council has decided that periodic determination of net income is appropriate for accountability purposes.

Water Fund

To account for the operation of the City's water treatment and distribution systems.

Sewer Fund

To account for the operation of the City's sewage treatment and collection systems.

Electric Fund

To account for the operation of the City's electric generation and distribution systems.

THE CITY OF TIPP CITY, OHIO
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
DECEMBER 31, 1999

	Water	Sewer	Electric	Totals
<u>Assets:</u>				
Cash and Cash Equivalents	\$646,881	\$273,969	\$378,220	\$1,299,070
Investments	1,475,154	624,763	1,071,126	3,171,043
Receivables (net of allowances for doubtful accounts):				
Accounts	65,629	86,816	827,568	980,013
Special Assessments	0	699,408	0	699,408
Due from Other Funds	151	416	3,431	3,998
Inventory of Supplies at Cost	104,124	4,503	475,334	583,961
Prepaid Items	3,649	338	0	3,987
Restricted Assets:				
Cash and Cash Equivalents	0	0	91,486	91,486
Investment in Joint Venture	0	3,407,563	0	3,407,563
Property, Plant and Equipment	8,362,129	6,132,535	7,684,881	22,179,545
Less Accumulated Depreciation	(2,888,587)	(1,758,953)	(2,386,124)	(7,033,664)
Net Fixed Assets	5,473,542	4,373,582	5,298,757	15,145,881
Total Assets	<u>\$7,769,130</u>	<u>\$9,471,358</u>	<u>\$8,145,922</u>	<u>\$25,386,410</u>
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$24,473	\$60,708	\$381,076	\$466,257
Accrued Wages and Benefits	10,957	5,198	35,116	51,271
Due to Other Funds	2,487	454	0	2,941
Accrued Interest Payable	2,860	591	5,319	8,770
Customer Deposits Payable	0	0	91,486	91,486
Compensated Absences Payable	39,927	20,375	86,607	146,909
General Obligation Bonds Payable	590,000	125,000	1,195,000	1,910,000
State Loans Payable	0	580,236	0	580,236
Total Liabilities	<u>670,704</u>	<u>792,562</u>	<u>1,794,604</u>	<u>3,257,870</u>
Fund Equity:				
Contributed Capital:				
Wastewater Authority	0	3,030,785	0	3,030,785
Other	2,397,747	3,444,266	300,640	6,142,653
Retained earnings:				
Unreserved	4,700,679	2,203,745	6,050,678	12,955,102
Total Fund Equity	<u>7,098,426</u>	<u>8,678,796</u>	<u>6,351,318</u>	<u>22,128,540</u>
Total Liabilities and Fund Equity	<u>\$7,769,130</u>	<u>\$9,471,358</u>	<u>\$8,145,922</u>	<u>\$25,386,410</u>

THE CITY OF TIPP CITY, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Water	Sewer	Electric	Totals
<u>Operating Revenues:</u>				
Charges for Service	\$703,411	\$931,171	\$6,970,388	\$8,604,970
Total Operating Revenues	703,411	931,171	6,970,388	8,604,970
<u>Operating Expenses:</u>				
Personal Services	185,731	85,023	575,284	846,038
Materials and Supplies	65,206	8,779	75,738	149,723
Contractual Services	50,144	563,308	5,194,011	5,807,463
Utilities	36,502	7,756	5,710	49,968
Depreciation	238,860	160,861	273,417	673,138
Other Operating Expenses	1,418	129	3,927	5,474
Total Operating Expenses	577,861	825,856	6,128,087	7,531,804
Operating Income	125,550	105,315	842,301	1,073,166
<u>Nonoperating Revenues (Expenses):</u>				
Loss on Sale of Fixed Assets	(444)	0	(1,859)	(2,303)
Interest and Fiscal Charges	(38,946)	(10,678)	(69,229)	(118,853)
Income from Joint Venture	0	67,376	0	67,376
Interest Income	(6,181)	(6,797)	(15,062)	(28,040)
Other Nonoperating Revenue	11,874	4,935	42,795	59,604
Other Nonoperating Expense	(497)	(399)	(278,343)	(279,239)
Total Nonoperating Revenues (Expenses)	(34,194)	54,437	(321,698)	(301,455)
Income Before Operating Transfers	91,356	159,752	520,603	771,711
<u>Operating Transfers:</u>				
Operating Transfers Out	(49,804)	(59,112)	(345,145)	(454,061)
Total Operating Transfers	(49,804)	(59,112)	(345,145)	(454,061)
Net Income	41,552	100,640	175,458	317,650
Retained Earnings at Beginning of Year	4,659,127	2,103,105	5,875,220	12,637,452
Retained Earnings at End of Year	\$4,700,679	\$2,203,745	\$6,050,678	\$12,955,102

THE CITY OF TIPP CITY, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Water	Sewer	Electric	Total
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$700,766	\$929,734	\$6,748,518	\$8,379,018
Cash Payments for Goods and Services	(137,345)	(565,758)	(5,523,596)	(6,226,699)
Cash Payments to Employees	(184,337)	(83,271)	(569,807)	(837,415)
Other Operating Revenues	0	328	0	328
Net Cash Provided by Operating Activities	<u>379,084</u>	<u>281,033</u>	<u>655,115</u>	<u>1,315,232</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers Out to Other Funds	(49,804)	(59,112)	(345,145)	(454,061)
Net Cash Used for Noncapital Financing Activities	<u>(49,804)</u>	<u>(59,112)</u>	<u>(345,145)</u>	<u>(454,061)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(70,553)	(59,495)	(363,050)	(493,098)
Principal Paid on General Obligation Bonds	(90,000)	(45,000)	(100,000)	(235,000)
Principal Paid on Bond Anticipation Notes	0	(60,000)	0	(60,000)
Interest Paid on All Debt	(39,365)	(12,545)	(69,717)	(121,627)
Net Cash Used for Capital and Related Financing Activities	<u>(199,918)</u>	<u>(177,040)</u>	<u>(532,767)</u>	<u>(909,725)</u>
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	9,496	0	0	9,496
Purchase of Investments	(275,846)	(108,423)	(5,027)	(389,296)
Net Cash Used by Investing Activities	<u>(266,350)</u>	<u>(108,423)</u>	<u>(5,027)</u>	<u>(379,800)</u>
Net Decrease in Cash and Cash Equivalents	(136,988)	(63,542)	(227,824)	(428,354)
Cash and Cash Equivalents at Beginning of Year	783,869	337,511	697,530	1,818,910
Cash and Cash Equivalents at End of Year	<u>\$646,881</u>	<u>\$273,969</u>	<u>\$469,706</u>	<u>\$1,390,556</u>

(Continued)

THE CITY OF TIPP CITY, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

	Water	Sewer	Electric	Total
<u>Reconciliation of Operating Income to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income	\$125,550	\$105,315	\$842,301	\$1,073,166
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	238,860	160,861	273,417	673,138
Increase in Nonoperating Activity	11,874	4,935	52,076	68,885
Decrease in Nonoperating Activity	(497)	(399)	(286,842)	(287,738)
Adjustments to Assets and Liabilities:				
Increase in Accounts Receivable	(2,671)	(1,504)	(222,156)	(226,331)
Decrease in Special Assessments Receivable	0	328	0	328
Increase in Inventory	(8,631)	(655)	(32,109)	(41,395)
(Increase) Decrease in Prepaid Items	(3,299)	61	376	(2,862)
Decrease in Due from Other Funds	26	67	286	379
Increase in Accounts Payable	16,564	10,487	22,289	49,340
Decrease in Accrued Wages and Benefits	(3,289)	(1,367)	(6,846)	(11,502)
Decrease in Due to Other Funds	(86)	(215)	0	(301)
Increase in Compensated Absences	4,683	3,119	12,323	20,125
Total Adjustments	253,534	175,718	(187,186)	242,066
Net Cash Provided by Operating Activities	<u>\$379,084</u>	<u>\$281,033</u>	<u>\$655,115</u>	<u>\$1,315,232</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 1999, the Water Fund and Electric Fund had outstanding liabilities of \$3,800 and \$11,408, respectively, for the purchase of certain capital assets. The Water Fund and Sewer Fund received capital assets contributed by developers/customers in the amounts of \$70,438 and \$83,247 respectively. During 1999 the fair value of investments increased by \$260,169 and \$101,626 in the Water and Sewer Funds, respectively and decreased by \$10,035 in the Electric Fund.

THE CITY OF TIPP CITY, OHIO
SCHEDULE OF PROPRIETARY FIXED ASSETS
BY CATEGORY
DECEMBER 31, 1999

	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Total
<u>Enterprise Funds:</u>					
Water	\$103,188	\$1,027,693	\$6,668,097	\$563,151	\$8,362,129
Accumulated Depreciation	0	(270,835)	(2,291,933)	(325,819)	(2,888,587)
Net	<u>103,188</u>	<u>756,858</u>	<u>4,376,164</u>	<u>237,332</u>	<u>5,473,542</u>
Sewer	4,116	136,540	5,838,117	153,762	6,132,535
Accumulated Depreciation	0	(30,475)	(1,688,514)	(39,964)	(1,758,953)
Net	<u>4,116</u>	<u>106,065</u>	<u>4,149,603</u>	<u>113,798</u>	<u>4,373,582</u>
Electric	27,130	202,796	6,487,212	967,743	7,684,881
Accumulated Depreciation	0	(118,322)	(1,741,941)	(525,861)	(2,386,124)
Net	<u>27,130</u>	<u>84,474</u>	<u>4,745,271</u>	<u>441,882</u>	<u>5,298,757</u>
<u>Totals:</u>					
Assets	134,434	1,367,029	18,993,426	1,684,656	22,179,545
Accumulated Depreciation	0	(419,632)	(5,722,388)	(891,644)	(7,033,664)
Net	<u>\$134,434</u>	<u>\$947,397</u>	<u>\$13,271,038</u>	<u>\$793,012</u>	<u>\$15,145,881</u>

THE CITY OF TIPP CITY, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

	Balance December 31, 1998	Additions	Deductions	Balance December 31, 1999
<u>Contractor Maintenance Deposit</u>				
Assets:				
Restricted Cash and Cash Equivalents	\$59,714	\$18,400	(\$44,435)	\$33,679
Total Assets	<u>\$59,714</u>	<u>\$18,400</u>	<u>(\$44,435)</u>	<u>\$33,679</u>
Liabilities:				
Due to Others	\$59,714	\$18,400	(\$44,435)	\$33,679
Total Liabilities	<u>\$59,714</u>	<u>\$18,400</u>	<u>(\$44,435)</u>	<u>\$33,679</u>

THE CITY OF TIPP CITY, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCE
DECEMBER 31, 1999

General Fixed Assets

Land	\$1,317,515
Buildings	3,174,981
Improvements Other Than Buildings	688,039
Machinery and Equipment	3,245,719
	<hr/>
Total General Fixed Assets	<u><u>\$8,426,254</u></u>

Investment in General Fixed Assets

General Fund	\$2,324,365
Special Revenue Funds	381,236
Capital Projects Funds	5,078,984
Revenue Sharing	56,936
Proprietary Funds	249,121
Trust/Agency Funds	30,275
Contributions	305,337
	<hr/>
Total Investment in General Fixed Assets	<u><u>\$8,426,254</u></u>

THE CITY OF TIPP CITY, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 1999

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Total
<u>General Government:</u>					
Clerk - Council	\$0	\$0	\$0	\$14,543	\$14,543
City Manager	0	0	0	21,279	21,279
Buildings and Grounds	95,971	1,245,096	0	116,852	1,457,919
Finance - Administration	0	0	0	41,235	41,235
Finance - Utility Billing	0	0	0	24,264	24,264
Finance - Income Tax	0	0	0	9,961	9,961
Miscellaneous	0	0	0	27,150	27,150
Total	<u>95,971</u>	<u>1,245,096</u>	<u>0</u>	<u>255,284</u>	<u>1,596,351</u>
<u>Security of Persons and Property:</u>					
Police	685	29,259	0	480,753	510,697
Fire	13,330	397,676	9,934	893,953	1,314,893
EMS	0	1,750	0	433,640	435,390
Total	<u>14,015</u>	<u>428,685</u>	<u>9,934</u>	<u>1,808,346</u>	<u>2,260,980</u>
<u>Transportation:</u>					
Planning/Engineering	0	0	0	42,583	42,583
Street	115,484	968,159	75,274	704,316	1,863,233
Total	<u>115,484</u>	<u>968,159</u>	<u>75,274</u>	<u>746,899</u>	<u>1,905,816</u>
<u>Leisure Time Activities:</u>					
Parks	1,092,045	496,006	312,464	412,189	2,312,704
Pool	0	37,035	290,367	23,001	350,403
Total	<u>1,092,045</u>	<u>533,041</u>	<u>602,831</u>	<u>435,190</u>	<u>2,663,107</u>
Total General Fixed Assets	<u><u>\$1,317,515</u></u>	<u><u>\$3,174,981</u></u>	<u><u>\$688,039</u></u>	<u><u>\$3,245,719</u></u>	<u><u>\$8,426,254</u></u>

THE CITY OF TIPP CITY, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 1999

Function and Activity	Restated December 31, 1998	Transfers	Additions	Deletions	December 31, 1999
<u>General Government:</u>					
Clerk - Council	\$14,543	\$0	\$0	\$0	\$14,543
City Manager	19,158	0	2,121	0	21,279
Buildings and Grounds	1,371,281	0	90,138	(3,500)	1,457,919
Finance - Administration	42,921	0	9,058	(10,744)	41,235
Finance - Utility Billing	15,023	0	10,915	(1,674)	24,264
Finance - Income Tax	9,301	0	2,279	(1,619)	9,961
Miscellaneous	40,184	0	0	(13,034)	27,150
Total	<u>1,512,411</u>	<u>0</u>	<u>114,511</u>	<u>(30,571)</u>	<u>1,596,351</u>
<u>Security of Persons and Property:</u>					
Police	440,413	(1,598)	90,611	(18,729)	510,697
Fire	1,271,085	1,598	42,210	0	1,314,893
EMS	393,987	0	82,580	(41,177)	435,390
Total	<u>2,105,485</u>	<u>0</u>	<u>215,401</u>	<u>(59,906)</u>	<u>2,260,980</u>
<u>Transportation:</u>					
Planning/Engineering	30,680	0	11,903	0	42,583
Street	1,735,645	0	167,206	(39,618)	1,863,233
Total	<u>1,766,325</u>	<u>0</u>	<u>179,109</u>	<u>(39,618)</u>	<u>1,905,816</u>
<u>Leisure Time Activities:</u>					
Parks	2,058,486	0	272,265	(18,047)	2,312,704
Pool	347,758	0	2,645	0	350,403
Total	<u>2,406,244</u>	<u>0</u>	<u>274,910</u>	<u>(18,047)</u>	<u>2,663,107</u>
Total General Fixed Assets	<u>\$7,790,465</u>	<u>\$0</u>	<u>\$783,931</u>	<u>(\$148,142)</u>	<u>\$8,426,254</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF TIPP CITY

MIAMI 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
SEPTEMBER 12, 2000**