

**Auditor of State
Betty Montgomery**

CITY OF ORRVILLE
WAYNE COUNTY

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Auditor of State Betty Montgomery

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

City of Orrville
Wayne County
207 North Main Street
Orrville, Ohio 44667

To the Mayor and City Council Members:

We have audited the financial statements of City of Orrville, Wayne County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted a matter involving compliance that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 6, 2003.

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 6, 2003.

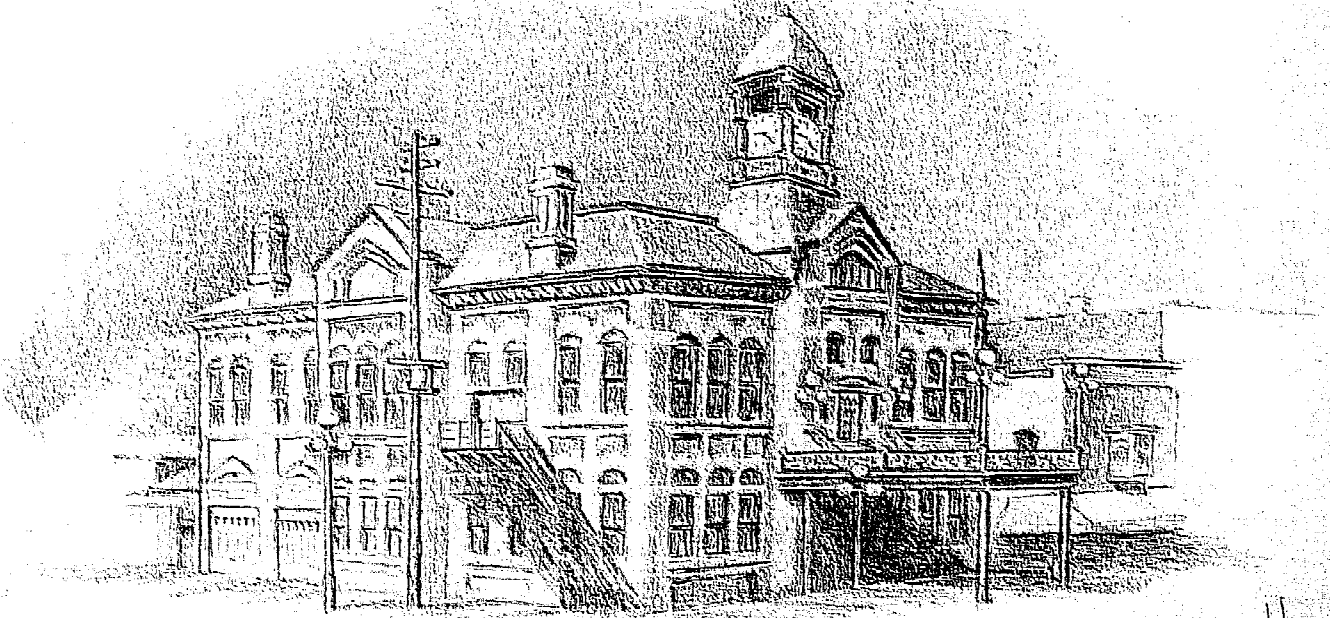
City of Orrville
Wayne County
Independent Accountants' Report on Compliance and on
Internal Control Required By *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 6, 2003



ORRVILLE CITY HALL EARLY 1900's

**THE CITY OF
ORRVILLE, OHIO
COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT
2002**

CITY OF ORRVILLE, OHIO

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2002

James D. Leggett
Finance Director

Prepared by the City Finance Department

Introductory Section

City of Orrville, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2002
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207 North Main Street | Orrville, Ohio 44667-1639 | Phone (330) 684-5000 | FAX (330) 684-5023 | www.orrville.com

June 6, 2003

Citizens of Orrville
Members of City Council
Members of the Public Utility Board
City of Orrville, Ohio

I am pleased to present this Comprehensive Annual Financial Report (CAFR) for the City of Orrville. This Governmental Accounting Standards Board (GASB) 34 compliant report, for the year ended December 31, 2002, reflects our intent to provide an organized, comprehensive, and informative presentation of the financial statements and other financial and statistical data that represent a complete and full disclosure of the City's financial activities. This is our second CAFR and also the second year the City will be reporting under the GASB 34 reporting model.

The responsibility for the report's completeness and fairness of presentation rests with the City, specifically the City Finance Department. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City.

In preparing this report, the City Finance Director stresses the commitment of the City of Orrville to follow nationally recognized standards of excellence in financial reporting, a commitment shared by a growing number of governmental entities in Ohio.

The Comprehensive Annual Financial Report is divided into three sections:

1. The Introductory Section contains the table of contents, letter of transmittal, elected and principal officials of the City, the City's organizational chart, and the GFOA Certificate of Achievement.
2. The Financial Section begins with the Independent Accountants' Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statements for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents various tables reflecting social and economic information, financial trends, and fiscal capacity of the City.

REPORTING ENTITY

The City has reviewed its entity definition in order to ensure conformance with the Governmental Accounting Standards Board Statement 14 "The Financial Reporting Entity." In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments and organizations making up the City of Orrville (the primary government) and its potential component units.

Becky L. Jewell
Safety-Service Director

James D. Leggett
Finance Director
P.O. Box 61

Dennis R. Steiner
Mayor

Daniel R. Lutz
Law Director
100 N. Vine St.
330-683-5010

Dennis L. Forrer
Human Resources Manager

The Orrville City School District has not been included in the accompanying financial statements because it is not fiscally dependent on the City, nor is the City financially accountable for the School District.

THE CITY OF ORRVILLE

The City, founded in 1864, is located in Wayne County in northeastern Ohio, approximately 50 miles south of the City of Cleveland. The City was incorporated as a Village in 1913 and later became a City in 1951. The City's 2000 population was 8,551 according to the U.S. Census. Although no census was taken during 2002, the Safety Service Department estimates the population in 2002 to be 8,656.

The City provides a number of services to its citizens, including police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, electric, sewer, and refuse collection.

A number of major State highways traverse the County and link the City and the County to the markets of the metropolitan areas of Akron, Cleveland, and Columbus and also facilitate travel within the County. In addition, Interstate 71 provides access to other major thoroughfares such as I-76, I-80 and I-77 providing County residents with direct access to major economic centers. One advantage of having such access has been the development of trucking terminals within the County. Several major carriers with terminals are located in the County.

The City has access to major railroad systems and is currently served by the Wheeling and Lake Erie, and Norfolk-Southern companies.

Air service is easily accessible to both residents and industry through the Wayne County Airport, the Holmes County Airport, and the Wadsworth Municipal Airport (Medina County), all of which are easily reached and able to handle small aircraft traffic.

Commercial passenger and air freight services are available through the Akron-Canton Regional Airport and the Cleveland Hopkins International Airport, each of which is within an hour's driving time.

The County has a strong agricultural economy and in 2000 ranked third among the State's 88 counties in terms of total farm income (most recent information); the County ranked first in milk, cattle and calves, oats, and hay. The major commodity produced is dairy products. The County maintains fifty acres of fairgrounds situated in the southwest portion of the nearby City of Wooster. The fairgrounds are the home of the annual County Fair and are used year round to stable privately-owned horses, for flea markets and for art and craft shows. Several private and public golf courses and campgrounds are situated in the County.

The City's area is 6.02 square miles, broken down by value as follows:

	Percent of Assessed Valuation
Residential	66.1%
Commercial	17.7
Industrial	15.9
Agricultural	0.3

Source: County Auditor.

Residents of the City have access to a wide range of educational and cultural facilities. A branch campus of the University of Akron was founded in 1972 on 163 acres located within the City. The campus had a fall 2002 enrollment of 1,967 and offers general, technical and continuing education programs. Students choosing general studies may transfer to a four-year college or university after the first two basic years at the campus. Those choosing technical education programs may obtain associate degrees from the University of Akron.

The County is also the home of the College of Wooster, the Ohio Agricultural Research and Development Center and the Agricultural Technical Institute.

The College of Wooster, a private nonprofit college founded in 1866, is a source of cultural and educational opportunities usually limited to more metropolitan areas and had a fall 2002 enrollment of 1,844. Lectures, concerts, plays, recitals, arts shows and public forums draw residents from across the County. The College's Ohio Light Opera Company attracts thousands of residents each year as well as over 24,000 visitors from outside the County.

The Ohio Agricultural Research and Development Center (OARDC), a division of Ohio State University, is also located in the County. OARDC conducts basic and applied research in agriculture, home economics and related fields and helps train graduate students in these fields. In addition to the extensive research facilities, OARDC houses the 85-acre Secrest Arboretum and a formal rose garden, both of which are popular attractions.

The Ohio State Agricultural Technical Institute (ATI) is located south of OARDC and had a fall 2002 enrollment of 907. ATI offers a two-year Associate of Applied Science specialized degree in Agriculture Technologies.

City Government

The City operates under and is governed by its Charter, first adopted by the voters in 1975. The Charter became fully effective in 1976 and has been and may be amended by the voters from time to time. The City is also subject to some general laws that are applicable to all cities. Under the Ohio Constitution, the City may exercise all powers of local self-government, and police powers to the extent not in conflict with applicable general laws. The Charter provides for a Council-Mayor form of government.

Legislative authority is vested in a seven-member Council. Three members are elected at-large and four members are elected from wards, for staggered four-year terms. The Council fixes compensation of City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades, and other municipal purposes. The presiding officer is the President of Council, who is elected by the electors of the City for a four-year term. The President of Council has no vote in Council except in the event of a tie. The Charter establishes certain administrative departments; the Council may establish divisions of those departments, and additional departments.

The City's chief executive and administrative officer is the Mayor, who is elected by the voters for a four-year term. The Mayor appoints the directors of the City's departments. The major appointed officials are the Director of Finance and the Director of Law, appointed with the approval of Council, and the Director of Public Safety and Service, appointed by the Mayor. The Public Utilities Board is appointed by the Mayor with approval by Council. The Director of Utilities is appointed by the Public Utilities Board. The Mayor also appoints members to a number of boards and commissions, and appoints and removes, in accordance with civil service requirements, all appointed officers, except Council officers and employees of the City's utilities, who are hired and removed by the Director of Utilities. The Safety Service Director and the Finance Director have hiring authority for their respective departments. The Mayor may veto any

legislation passed by the Council. A veto may be overridden by a two-thirds vote of all members of the Council.

City Employees

The City has 156 full-time and 5 part-time employees; these figures do not include 40 members of City's volunteer fire department who are paid on a per-call basis or seasonal employees. The number of full-time employees has remained relatively constant over the past several years. A statewide public employee collective bargaining law applies generally to public employee relations and collective bargaining. Some full-time employees are represented by the following bargaining units:

Bargaining Unit	Expiration Date Of Current Agreement	Number of Employees
United City Workers	December 31, 2003	101
Ohio Patrolmen's Benevolent Association	December 31, 2003	17

The remaining full-time City employees either are not authorized to join a bargaining unit or have elected not to do so.

City Council by ordinance establishes salary, wages and other economic benefits for City employees, the terms of which are the products of negotiations with representatives of the employees or bargaining unit. Increases in economic benefits have been provided on an annual basis. In the judgment of the City, its employee relations have been and are currently considered to be excellent.

Community, Commercial, Industrial and Utilities Development

The City and its various utilities have completed a number of projects in the last few years.

Plans are being developed to further enhance the downtown business district as well as other commercial areas. A study has been completed of the downtown historic district that will encompass the Orrville Historical Museum, Union Depot, the Judge Smith Orr residence, and the Pennzoil property on West Market Street. Recommendations were made for enhancement of the historic character of this section of downtown.

The Orrville Public Library was named nationally the fifth best out of 1,742 libraries with a customer base between 10,000 and 25,000 people. This recognition comes from the Hennen's American Public Library Ratings, a national rating organization. In July 2000, the new library building was dedicated and opened. It is a beautiful addition to the community.

In 2000, the Orrville Planning Commission approved a new 120-acre residential development on the west side of the City. Preliminary plans allow for an assortment of housing choices ranging from executive housing to cluster homes.

Street projects in 2002 included some asphalt overlays such as West High Street, and new concrete installed on Collins Boulevard. Several streets were also slurry sealed and micro-sealed. The new park in the south end of town was also started with the installation of playground equipment.

The fire department completed the addition to station number two. That station will also serve as a back-up Emergency Operations Center in the event City Hall can not be used.

Construction of a mausoleum in the cemetery was started in 2002 and should be complete in early 2003.

Several new businesses have located in the Uptown/Downtown area, a new designation and concept that has considerable support in the retail community. The Orrville Area Chamber of Commerce has initialed a task force to build on this support and revitalize the Uptown/Downtown areas.

On the industrial front, several existing industries continue to grow and expand, including Ameri-Steel Bright Bar, Smith Dairy, Contours, and the J.M. Smucker Company, which is currently enlarging its corporate and administrative facility.

The City, its utilities and the Chamber of Commerce formed a partnership to explore the feasibility of a second industrial park north of Smith Dairy. The closings of three industries in the recent past, ACV, Gradall, and Orrville Products have had a negative impact on the employment and economy of the City. The Orrville Products Facility was purchased by the J.M. Smucker Company, while the Gradall facility and the ACV facility are currently for sale.

In 1999, the City's wastewater utility installed a mile long 36-inch trunk sewer into the northwestern portion of the City. This was done in anticipation of the development that is expected to take place in that part of Orrville. This utility also installed a trunk sewer to service the new Marsh Ridge residential development on the west side of the City. The wastewater utility also installed an experimental Model Wetlands to evaluate the future potential of a full scale wetlands to polish our facility's effluent and remove sporadic trace amounts of toxicity.

In 2000, the electric utility began servicing some of its industrial customers from a newly completed 138 KW industrial substation. This substation was installed to enable the electric utility to provide better service to the industrial customers. In 2002 the utility installed new fire protection systems on the coal belt system and turbine generators. Also, the precipitator on Boiler 12 was rebuilt at a cost of \$1.2 million.

The water utility upgraded numerous water mains throughout the City. The water utility also completed several security measures during 2002. These included a building to enclose the recarbonation tanks, as well as domed covers over the two clarifiers and various security devices throughout the system.

The electric utility's system also provides some telecommunications services in order to meet the communication needs of some of its industrial and commercial customers. Leased fiber optic lines provide such services for the J.M. Smucker Company, the University of Akron, Contours, Smith Dairy, Banner Chevrolet, and the Orrville City Schools, as well as being a medium for providing internet services and reading and monitoring the electrical meters at several customers' facilities.

ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

Introduction

The City's fiscal year corresponds to the calendar year.

The responsibilities for the major financial functions of the City are divided among the Mayor, the Director of Finance and the Council.

The Director of Finance is the City's fiscal and chief accounting officer. Among that officer's duties are to keep the books and accurate statements of all moneys received and expended and of all taxes and assessments; at the end of each year, or more often if requested by the Mayor, to examine the accounts of City officers and departments; and not to allow the amount set aside for any appropriation to be

overdrawn or the amount appropriated for any one item of expense to be drawn upon for any other purpose, or a voucher to be paid unless sufficient funds are in the City treasury to the credit of the fund on which the voucher is drawn. The Director of Finance is responsible for receiving, maintaining custody of and disbursing all City funds.

Other important financial functions include general financial recommendations and planning by the Director of Finance with the assistance of the Mayor, and express approval of appropriations by the Council. For property taxation purposes, assessment of real property is by the County Auditor subject to supervision by the State Tax Commissioner, and assessment of public utility and tangible personal property is by the State Tax Commissioner. Property taxes and assessments are billed and collected by County officials.

Budgeting, Tax Levy and Appropriations Procedures

Detailed provisions for City budgeting, tax levies and appropriations are made in the Ohio Revised Code. The procedures involve review by County officials at several steps.

City budgeting formally begins with the preparation and the adoption after a public hearing in the prior July, of a tax budget for the year. For debt service, the tax budget must show the amounts required, the estimated receipts from sources other than ad valorem property taxes, the net amount for which a property tax levy must be made, and the portions of that levy to be inside and outside the ten-mill limitation. The tax budget then is presented for review by the County Budget Commission comprised of the County Auditor, Treasurer and Prosecuting Attorney.

As part of that review, the County Budget Commission determines and approves levies for debt service outside and inside the ten-mill limitation. The Revised Code provides that “if any debt charge is omitted from the budget, the commission shall include it therein.”

After approval of the tax budget, the County Budget Commission certifies its action to the City together with the estimate by the County Auditor of the tax rates outside and inside the ten-mill limitation. Thereafter, and before the end of the year, the Council approves the tax levies and certifies them to the proper County officials. The approved and certified tax rates are then reflected in the tax bills sent to property owners. Real property taxes are payable in two installments, the first usually in January and the second in June.

The Council adopts a temporary appropriation measure in January and then, by April 1, a permanent appropriation measure for that year. Annual appropriations may not exceed the County Budget Commission’s official estimates of resources, and the County Auditor must certify that the City’s appropriation measures do not appropriate moneys in excess of the amounts set forth in those estimates.

Financial Reports and Examinations of Accounts

The City maintains its accounts, appropriations and other fiscal records, including those of the utilities, in accordance with the procedures prescribed by the Auditor of State (the Auditor). The Auditor is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision and most public agencies and institutions.

City receipts and expenditures are compiled on a cash basis, pursuant to accounting procedures prescribed by the Auditor. The accounting procedures are generally applicable to all Ohio municipal corporations and differ from generally accepted accounting principles (GAAP) as recommended by GASB. Those recommendations by GASB, among other things, provide for a modified accrual basis of accounting for reporting purposes for the general fund, all special revenue funds, the debt service funds and the capital

projects funds and for a full accrual basis of accounting for reporting purposes for all other funds, and for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. Beginning with the year which ended December 31, 1988, annual reports to the Auditor have been made on a full accrual accounting basis for the City's proprietary funds and on a modified accrual accounting basis for all other City funds. Day-to-day records are maintained on a cash basis with conversion to GAAP on year-end reports.

The most recent examination of the City's accounts and records by the Auditor was completed through December 31, 2002, and has been received by the City. No material citations or items for adjustment were made. Except for examinations by the Auditor, or by independent accounting firms at the direction of the Auditor, no other independent examination or audit of the City's financial records is made.

New Financial Reporting This is the second year the City has prepared financial statements following GASB Statement 34 - "Basic Financial Statements-and-Management's Discussion and Analysis – for State and Local Governments." GASB 34 creates new basic financial statements for reporting on the City's financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

Fund financial statements These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statements of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

Financial Highlights - Internal Service Fund There is one internal service fund carried on the City's financial records. The self insurance-internal service fund has net assets of \$708,614 as of December 31, 2002. This fund is financially sound.

As part of this reporting model, management is responsible for preparing a Management Discussion and Analysis of the City. This discussion follows the independent accountants' report, providing an assessment of the City finances for 2002.

CASH MANAGEMENT

Investments of City funds are governed by the Uniform Depository Law (Chapter 135 of the Revised Code) applicable to all subdivisions. The Director of Finance is responsible for those investments. At the end of 2002, the City had investments in certificates of deposit, repurchase agreements, certain of the City's own obligations, and obligations of the United States of America.

RISK MANAGEMENT

The City of Orrville insures all risks with the exception of health insurance through private insurance carriers. Property valuations are revised annually to provide insurance companies and the City with an accurate inventory of insurable property and replacement cost values. The City of Orrville manages the

hospital-medical, dental, drug and vision insurance benefits for its employees on a self-insured basis. A third party administrator processes and pays the claims. An excess coverage insurance (stop-loss) policy covers claims in excess of \$50,000 per year, per person. Control of the plan rests with the City.

INDEPENDENT AUDIT

State statutes require the City to be subjected to an annual examination by the Auditor of State. The Auditor of State's office rendered an opinion on the City's financial statements as of December 31, 2002 and the Independent Accountants' Report on the basic financial statements is included in the financial section of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Orrville for its comprehensive financial report for the year ended December 31, 2001. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

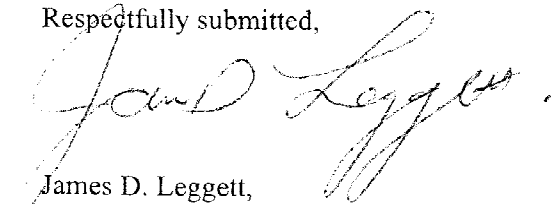
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

Special thanks is extended to the members of City Council and the Public Utility Board and to the Administration whose continued support is necessary for the City of Orrville to conform to reporting requirements established for municipal governments. Thanks also to my staff in the Finance Department for all their assistance and support.

Sincere thanks also goes to the Local Government Services Section of Auditor of State Betty Montgomery's Office for their assistance in the organization and final review of our 2002 Comprehensive Annual Financial Report.

Respectfully submitted,



James D. Leggett,
Director of Finance

City of Orrville, Ohio

City Officials

ELECTED OFFICIALS

Mayor..... Dennis Steiner
President of Council..... David Handwerk
Council Member Ronald Brillhart
Council Member Rich Corfman
Council Member Deborah Garrett
Council Member Phil Kamp
Council Member Dennis Landlaw
Council Member Tom Purdy
Council Member Bob Weaver

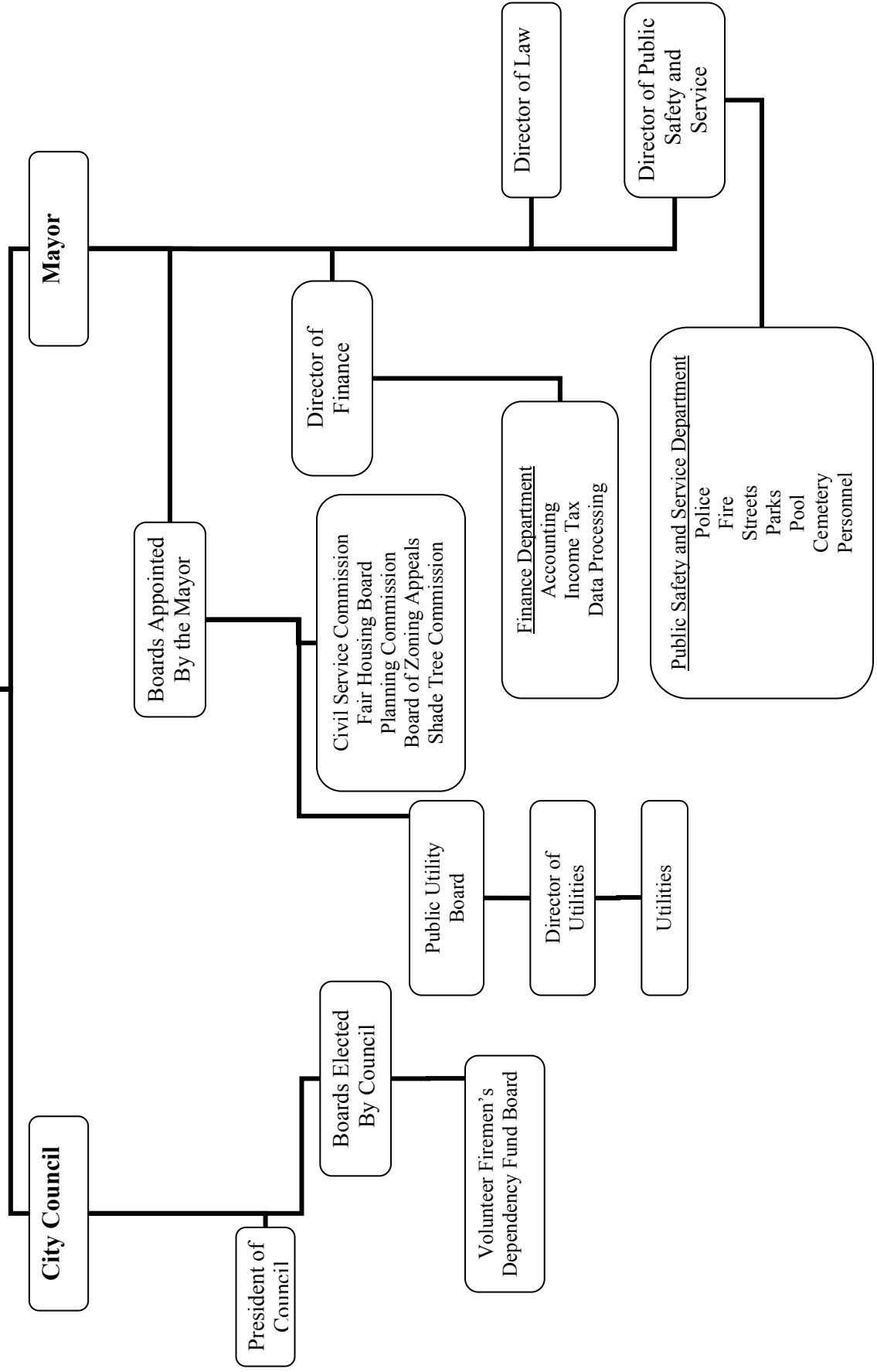
APPOINTED OFFICIALS

Director of Finance James D. Leggett
Director of Law..... Daniel R. Lutz
Director of Public Safety and Service..... Becky L. Jewell
Director of Utilities Dan Preising
Clerk of Council..... Michelle Hedberg

UTILITY BOARD MEMBERS

President of Board..... Robert Maglio
Board Member Phyllis Gype
Board Member James Ritchie
Board Member William Sampson
Board Member Kenneth Stuter

**Citizens of Orrville
(Voters)**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Orrville,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Bate

President

Jeffrey R. Emer

Executive Director

Financial Section



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Orrville
Wayne County
207 North Main Street
Orrville, Ohio 44667

To the Mayor and City Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orrville, Wayne County, Ohio, (the City) as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Orrville, Wayne County, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 6, 2003

City of Orrville, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2002
Unaudited

The discussion and analysis for the City of Orrville's financial statements provides an overall review of the financial activity of the City for the twelve months ended December 31, 2002. The intent of this discussion is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding, one should also review the transmittal letter and the basic financial statements.

Financial Highlights

Key financial highlights for 2002 are as follows:

- Total Net Assets decreased \$2,783,509. Net Assets of governmental activities decreased \$1,073,312, which represents a 2.2 percent decrease from 2001. Net assets of business-type activities decreased \$1,710,197 or 3.5 percent from 2001.
- Total Assets of Governmental Activities decreased \$933,000 or 1.9 percent below the 2001 level.
- Total Liabilities of Business-Type Activities decreased \$2,474,491. This is a reduction of 9 percent from the previous year.
- Total Capital Assets decreased \$744,425 which represents a .08 percent decrease.
- Total Outstanding Debt decreased \$1,837,298 or 6.8 percent during 2002.

Using this Annual Financial Report

This report consists of a series of financial statements and notes to those statements. These statements are prepared and organized in a manner that allows the reader to look at the financial activities of the City of Orrville as a whole and also allows the reader to obtain a more detailed view of the City's operations, if they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2002 and how they effected the operations of the City as a whole.

Major Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of Orrville as a Whole

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities provide summary information concerning the financial position and operations of the City as an entity. They provide a good resource for an overall evaluation of the City's financial performance "on one page." These statements include all assets and all liabilities using the accrual basis of accounting. This method takes into account all revenues when they are earned and all expenses when they are incurred. These transactions are booked when they occur and not when the actual cash is received for revenues or when invoices are paid for expenses.

City of Orrville, Ohio
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These two statements report the City's net assets and changes in those assets. The change in net assets is important since it is an indication if the financial position of the City is improving or declining. However, to properly evaluate the operation of the City, certain non-cash items should be taken into consideration. These items would include the current economic situation as a whole, the current tax base for the City and the age and condition of the City buildings and infrastructure.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two major activities:

- **Governmental Activities** - Most of the City's programs and services are reported here including, general government, police, fire, transportation, public health and welfare and leisure time activities.
- **Business-Type Activities** - These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The City's business-type activities are sewer, electric, and water.

Reporting on the Most Significant Funds of the City of Orrville

Fund Financial Statements

The analysis of the City's major funds begins on page 8. Fund financial reports give a detailed report of the activities within the funds. The City currently has twenty-five funds, as presented in this report. These funds are in existence to provide a multitude of services to the citizens of Orrville. Some funds provide for safety forces, some provide for streets, some provide for electric service, some provide for water service, and some provide for sewer service. Some provide for purchase of capital assets and infrastructure. One even provides health care for the City's employees. Each fund is in some ways an entity unto itself. Each fund has a designated revenue stream and restricted uses for the monies within the fund.

In this report, the focus is on five major funds, the General Fund, the Capital Improvements Fund, the Sewer Fund, the Electric Fund, and the Water Fund.

Governmental Funds All of the City's major activities (excluding the Utility Department) are reported in the governmental funds. This report shows how monies flow into and out of these funds and also shows what balances are available for future expenditures. The accounting method used to report this activity is the modified accrual method. This method reports cash and like-cash items that can be converted into cash. This shows what level of financial resources is available or will be available to provide the services that the general government provides. These services include police and fire protection, as well as the improving and maintaining the City's streets, parks, cemeteries, and City hall. The relationship between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the government funds is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The City of Orrville as a Whole

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2002 as they compare to 2001.

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Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2001	2002	2001	2002	2001	2002
Assets						
Current and Other Assets	\$7,146,813	\$6,533,136	\$32,378,458	\$28,618,872	\$39,525,271	\$35,152,008
Capital Assets	41,940,339	41,621,016	49,664,351	49,239,249	91,604,690	90,860,265
Total Assets	49,087,152	48,154,152	82,042,809	77,858,121	131,129,961	126,012,273
Liabilities						
Other Liabilities	747,441	877,001	2,578,324	1,834,693	3,325,765	2,711,694
Long-Term Liabilities						
Due in One Year	135,958	173,525	2,231,832	2,429,119	2,367,790	2,602,644
Due in More Than One Year	316,698	289,883	26,112,498	24,184,351	26,429,196	24,474,234
Total Liabilities	1,200,097	1,340,409	30,922,654	28,448,163	32,122,751	29,788,572
Net Assets						
Invested in Capital Assets, Net of Related Debt	41,777,029	41,466,826	22,736,960	22,993,813	64,513,989	64,460,639
Restricted for:						
Capital Projects	2,446,493	2,253,537	0	0	2,446,493	2,253,537
Debt Service	106,176	108,155	0	0	106,176	108,155
Other Purposes	1,047,404	815,174	0	0	1,047,404	815,174
Replacement and Improvement	0	0	3,000,000	2,300,000	3,000,000	2,300,000
Unrestricted	2,509,953	2,170,051	25,383,195	24,116,145	27,893,148	26,286,196
Total Net Assets	\$47,887,055	\$46,813,743	\$51,120,155	\$49,409,958	\$99,007,210	\$96,223,701

Total assets decreased in 2002 by \$5,117,688. Total liabilities decreased by \$2,334,179. The decrease in assets is reflected primarily in the current assets where the decrease was \$4,373,263. This is a result of virtually all of our departments operating at a slight deficit during 2002. The revenue in all major areas was flat or decreased during the year. Expenditures were higher than 2001, thus the cash reserves in all areas were reduced.

The reduction of \$2,334,179 in total liabilities is primarily due to a reduction in long-term liabilities. Long-term liabilities decreased primarily as a result of the lower payments on the revenue bonds due to a refunding and a smaller amount outstanding on loans in the enterprise funds. All three utilities have long-term debt.

Total net assets decreased by \$2,783,509. This is a result of the current assets decreasing by a larger amount than liabilities, and is an indication of the fact that expenses exceeded the revenues.

The City also works hard to increase net assets through our investment program. Investment earnings for the City were \$618,937 in 2002. This is over a half million dollars less than 2001 and is a reflection of the interest rates in the overall economy and especially in the type of investments that municipalities are permitted to invest.

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Table 2 shows the changes in net assets for the year ended December 31, 2002, for both our Governmental Activities and our Business-Type activities as they compare to 2001.

Table 2
Change in Net Assets

	Governmental Activities		Business - Type Activities		Total	
	2001	2002	2001	2002	2001	2002
Revenues						
Program Revenues:						
Charges for Services	\$529,690	\$621,451	\$22,684,395	\$22,259,024	\$23,214,085	\$22,880,475
Operating Grants and Contributions	367,877	454,556	0	0	367,877	454,556
Capital Grants and Contributions	171,351	420,132	0	0	171,351	420,132
Total Program Revenues	1,068,918	1,496,139	22,684,395	22,259,024	23,753,313	23,755,163
General Revenues:						
Property Taxes	483,588	446,237	0	0	483,588	446,237
Income Taxes	2,588,695	2,293,233	0	0	2,588,695	2,293,233
Other Local Taxes	470,708	767,505	0	0	470,708	767,505
Grants and Entitlements	752,755	620,248	0	0	752,755	620,248
Investment Earnings	282,992	107,127	1,062,693	511,810	1,345,685	618,937
Miscellaneous	70,965	201,520	420,045	595,321	491,010	796,841
Total General Revenues	4,649,703	4,435,870	1,482,738	1,107,131	6,132,441	5,543,001
Total Revenues	5,718,621	5,932,009	24,167,133	23,366,155	29,885,754	29,298,164
Program Expenses						
General Government	849,687	945,989	0	0	849,687	945,989
Security of Persons and Property:						
Police	1,264,380	1,224,678	0	0	1,264,380	1,224,678
Fire	471,736	525,596	0	0	471,736	525,596
Transportation	1,999,708	2,672,156	0	0	1,999,708	2,672,156
Public Health and Welfare	129,335	170,233	0	0	129,335	170,233
Leisure Time Activities	356,011	389,710	0	0	356,011	389,710
Basic Utility Service	237,049	272,076	0	0	237,049	272,076
Interest and Fiscal Charges	12,175	11,557	0	0	12,175	11,557
Enterprise Operations	0	0	23,542,544	25,869,678	23,542,544	25,869,678
Total Program Expenses	5,320,081	6,211,995	23,542,544	25,869,678	28,862,625	32,081,673
Increase/(Decrease) in Net Assets						
Before Transfers	398,540	(279,986)	624,589	(2,503,523)	1,023,129	(2,783,509)
Transfers	(470,708)	(793,326)	470,708	793,326	0	0
Increase/(Decrease) in Net Assets	(\$72,168)	(\$1,073,312)	\$1,095,297	(\$1,710,197)	\$1,023,129	(\$2,783,509)

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Governmental Activities

The funding for the government activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services, and investment interest.

The City's income tax was established by ordinance to be effective January 1, 1961 at a rate of .6 percent. The rate was later increased by resolution to 1 percent effective October 1, 1970. The rate has remained at that level since then. Even though this rate is much lower than the State average for municipalities that have an income tax; there are no plans at this time to increase the rate. The income tax accounted for revenues of \$2,293,233 in 2002. These revenues were split between the General Fund and the Capital Improvements Fund with an allocation of 70 percent to the General Fund and 30 percent to the Capital Improvements Fund. This allocation percentage is set by resolution and historically has changed from time to time depending on the balances in the two aforementioned funds. The allocation has been 65 - 35 percent as well as 60 - 40 percent. This practice of putting a percentage of income tax revenue into the Capital Improvements Fund has been an excellent tool for the City in making capital improvements without the need to issue debt. In the last several years some major projects have been accomplished with monies from the Capital Improvements Fund, such as the renovation of the City pool, which cost in excess of \$1,000,000, the renovation of Fire Station # 2 at a cost of \$450,000, as well as several street improvement projects.

The level of revenue from the income tax (excluding refunds) has been relatively flat over the last four years. This is the result of company closings within the City that have offset the growth being experienced by the other industries.

Transportation represents the largest expense of the Governmental Activities. This expense of \$2,672,156 represents 43 percent of the total expenses. These funds are used to maintain the streets and the equipment used for the streets. The other major expense is police and fire. These two departments operate out of the general fund.

Our Fire department is a part time department with a full time Chief. The City is very committed to maintaining a very efficient department. Regular meetings, drills, and training sessions are held. There is a strong emphasis on equipment with a new pump truck and a new aerial truck having been purchased in the last several years as well as the renovation of Fire Station #2. The department's functions include firefighting, emergency medical service including paramedic service, fire prevention education, and investigation. The Fire Department expenses account for 8.5 percent of the Governmental Activities expenses. The department also contracts with surrounding townships to provide firefighting and emergency medical services. The revenues generated by these contracts are reported under the charges for services area.

Our Police department is also funded through the general fund. The department is a full-time 24-hour a day, 365-days a year department. Each patrol car is now equipped with a laptop computer to assist the officers in accessing information while on duty. The expenses for the department for the year 2002 were \$1,224,678. This accounts for 19.7 percent of the expenses for Governmental Activities.

Business-Type Activities

The City also operates a Utility Department that consists of three utilities. The largest from an asset and revenue standpoint is the electric utility. This utility consists of a coal fired generation plant and distribution system that serves the City and surrounding area with reliable and competitively priced power. In 2002, the

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electric utility sold 258,078,800 KWH of electricity to generate about \$18,000,000 in revenue. They burned 156,200 tons of coal at a cost of \$4,659,000.

The Water utility treats 1,600,000 gallons of water per day with a capacity to treat an additional 2,100,000 per day. The water plant is the newest of the utility facilities. It was put into service in 1996. The raw water is supplied from various wells. The plant currently serves 3,102 residential customers and 353 industrial and commercial customers.

The Sewer facility processed an average of 2,000,000 gallons per day during 2002, which is an 11 percent increase over 2001. This facility was last upgraded in 1990 and is designed to handle the estimated amount to be processed through 2010. A recent major capital project was a trunk sewer line to the northern part of the City. This line was put in place to accommodate future industrial and residential growth. In 2002, a South Trunk line was built to serve a newly annexed portion of the city that is being developed as a residential area.

The revenues and expenses for all three of these utilities are reported under the Business Type Activities on Table 2. Reviewing this table shows the majority of the City's revenues and expenses flow through the Utility Department. The revenues for the Utility Department come primarily from charges for service. In 2002 this amount of \$22,259,024 accounted for 93 percent of the revenues. The total expenses for the utilities were \$25,869,678, thus leaving a decrease in net assets of \$1,710,197 for the Business-Type Activities.

The City's Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$6,100,266 and expenditures of \$5,903,587. Although the revenues exceeded expenditures, some explanation is needed on each of the funds to understand why revenues were not sufficient to cover expenditures. The general fund shows an excess of revenues over expenditures, however part of the revenues, \$767,505 comes from collection of the kilowatt-hour tax. Due to allocation resolution, this money is transferred to the electric revenue fund and returned to customers. To get a realistic view of the general fund the change in fund balance shows a truer picture. This however is the result of \$427,727 transferred to other funds to cover their deficits, primarily to the gas tax motor vehicle license fund. The funds are monitored constantly and we were well aware that there would be a shortfall at year-end. The beginning balances in the governmental funds were such that we felt we could deal with the deficit through 2002. The one fund that did exceed our expectations for expenses was our employee health insurance fund. We are self insured for our medical and dental benefit plans. These costs in 2002 were higher than expected.

Information about the business-type funds starts on page 21. These funds are accounted for on an accrual basis. The sewer fund had operating revenues of \$1,944,671 which exceeded expenses of \$1,718,427. The electric fund had operating revenues of \$18,427,773 and expenses of \$19,436,669 and the water fund had operating revenues of \$2,362,828 and expenses of \$2,617,188.

Budgeting Highlights

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. The City of Orrville is somewhat different than many other Ohio cities because we own and operate an electric generating and distribution facility, therefore the General Fund is not our most significant fund. During 2002, we increased

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appropriations in the General Fund by \$80,000 and estimated revenues by \$477,425 due to the Kilowatt Hour Tax collected within the City to accommodate the transfer of the Kilowatt Hour Tax back to the Electric revenue Fund.

All recommendations for appropriation changes come to Council from the Finance Director. The Finance Committee of Council reviews them, and makes their recommendations to the Council as a whole.

Strong emphasis is placed on fund balances. The Finance Director reviews fund balances on a daily basis. Special attention is paid to the General fund which is one of the city's four major operating funds. Council also receives a monthly report showing beginning fund balance for all funds at the beginning of the year, the change in the balance thus far year to date, and the current fund balance.

Line item reports are reviewed regularly by the Finance Director to ensure spending is within the legal level of control. The managers and superintendents, as well as the Utility and Safety Service Directors, also monitor their appropriations and fund balances to insure the entire operation of the City operates within the appropriations.

Capital Assets and Debt Administration

Capital Assets

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2001	2002	2001	2002	2001	2002
Land	\$1,576,411	\$1,576,411	\$605,268	\$605,268	\$2,181,679	\$2,181,679
Buildings and Improvements	2,934,546	3,131,858	12,758,802	13,251,236	15,693,348	16,383,094
Furniture and Equipment	573,851	692,942	1,875,739	1,782,034	2,449,590	2,474,976
Vehicles	933,318	795,859	340,326	312,771	1,273,644	1,108,630
Electric - Generation/ Transmission/Distribution Infrastructure	0	0	22,329,693	21,980,137	22,329,693	21,980,137
	<u>35,922,213</u>	<u>35,423,946</u>	<u>11,754,523</u>	<u>11,307,803</u>	<u>47,676,736</u>	<u>46,731,749</u>
Totals	<u>\$41,940,339</u>	<u>\$41,621,016</u>	<u>\$49,664,351</u>	<u>\$49,239,249</u>	<u>\$91,604,690</u>	<u>\$90,860,265</u>

Total Capital Assets for the City of Orrville for the year ended December 31, 2002 was \$90,860,265, which reflects a slight decrease over the 2001 figure of \$91,604,690. There were several projects in 2002, but they did not offset the depreciation.

The most significant project completed in 2002 was the renovation and addition to Fire station #2 at a cost of \$450,000. The precipitator at the power plant was also completed at a cost of \$1,200,000. The water utility built covers over the recarbonization tanks and the clarifiers at a cost of about \$300,000. This was done for security reasons.

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The City has a formal capital asset policy, which outlines the procedures for purchasing, receiving, and disposing of capital assets. The policy also contains forms and includes a tagging process, which was instituted in 2001.

See Note 8 for additional information on capital asset activity during the 2002 year.

Debt

The outstanding debt for the City of Orrville as of December 31, 2002 was \$27,085,084. This balance reflected a reduction of \$1,837,298 from the previous year's balance of \$28,922,382, a reduction of 6.4 percent.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2001	2002	2001	2002	2001	2002
Special Assessment Bonds	\$163,310	\$154,190	\$0	\$0	\$163,310	\$154,190
Mortgage Revenue Bonds	0	0	14,701,720	13,503,434	14,701,720	13,503,434
Revenue Bonds	0	0	7,482,200	7,321,310	7,482,200	7,321,310
OWDA Loans	0	0	4,347,629	4,039,068	4,347,629	4,039,068
OPWC Loan	0	0	1,027,523	967,082	1,027,523	967,082
Notes Payable	0	0	1,200,000	1,100,000	1,200,000	1,100,000
Totals	<u>\$163,310</u>	<u>\$154,190</u>	<u>\$28,759,072</u>	<u>\$26,930,894</u>	<u>\$28,922,382</u>	<u>\$27,085,084</u>

As can be seen from the above table the Governmental activities have very little debt. The small amount of debt (\$154,190) is in Special Assessment Bonds, which were issued after our Downtown Improvement Project (Streetscape) was finished. The bonds cover the amount of property owner assessments that were not paid by cash. The payments on these bonds come from the assessments collected by the County Auditor from the semi-annual tax duplicates.

The Utility department carries the vast majority of the debt, the largest debt being that of the Electric Utility. Most of this debt is in Mortgage Revenue Bonds that were originally issued in the 1980's for major upgrades to the power plant. These bonds were refinanced in 1997. The Electric utility also has outstanding a bond anticipation general obligation note in the amount of \$1,100,000. This note, which is due in 2003, was issued in 2002 for the purpose of financing the precipitator improvement project, which was completed in 2002. The precipitator is part of the pollution control system at the power plant.

The Utility carries two kinds of debt. Water System Improvement Revenue Bonds were issued in 1994 for the construction of a new treatment plant and then refunded in 2002. They are scheduled to be paid off in 2018. The Water utility also has an interest free loan from the OPWC, which is also scheduled to be paid off in 2018.

The Sewer Utility has two loans from the Ohio Water Development Authority which were used to defease the original mortgage revenue bonds issued to construct the treatment plant. These loans will be paid off in 2012 and 2013.

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The total debt service obligation for the Electric Utility in 2002 was \$3,229,238. For the Sewer Utility it was \$542,767, and for the Water Utility \$595,798.

The administration and City Council are both very committed to controlling and managing the debt. Over the last seven years, we have been able to manage the cash balances of the City to a point that debt issuance is not necessary for capital improvement except in extreme cases or instances where it is fiscally better to issue debt rather than spend reserves.

For more information on City debt see note 10.

Current Financial Issues

The City of Orrville is financially strong. The year 2002 was not a year of strength, and we are approaching the point where some tough decisions will have to be made to curtail services or increase rates and taxes to increase revenues. Like any municipality that relies on revenues from services rendered by its utilities, and income tax from its business and industry, the recent downturn in the economy has had an impact. The strength of the City was evident during these times as the services to our citizens remained at the highest level. Our police and fire departments stayed at full force, our street department continued to repair and improve streets, as well as plow snow. Our park system was available on its normal schedule. All three utilities remained staffed at full levels and continued to provide quality service. There were no lay-offs of City employees in 2002.

The safety and services department operates under a comprehensive plan. This plan is updated every ten years and provides a structure as to the direction of development within the City. The Safety Service Director, the Mayor, and City Council spend a great deal of time working with a planning consultant and the citizens to develop the plan for the next ten years. The plan deals with Land Use, Economic Development, Transportation, and Community Facilities/Parks and Recreation.

Some of the items addressed in the plan have already been started. An additional park in the south end of town is under construction. The money for this project is already in the Capital Improvements Fund. The widening of North Main Street is a major project that will take place in 2003. Main Street is also State Route 57 and is our busiest street. This project will be funded in part with grant money and with the remaining amount to come from our Capital Improvements Fund. The City's portion of this money is already in the Capital Improvements Fund. Several years ago, the City put in place a sidewalk improvement plan that requires sidewalks on every street throughout the City. This plan has been very successful to this date and will continue into the future until every street within the City has sidewalks. The City also has a long-range street-paving plan, which will result in all streets within the City being either asphalt or concrete. This program will replace the chip and seal program that is currently in place.

The City also completed a preliminary feasibility study for a second industrial park. This park will allow for future controlled industrial growth. The current park is nearing full capacity.

The Utilities Department will also continue to grow and improve in the future. The Sewer utility has upgraded its control system, and installed a model wetlands project to eliminate toxicity.

The water utility is continuing in its upgrading of the distribution system. They are also in the process of refurbishing the downtown water tower.

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The Electric Utility will continue to upgrade the distribution system. The focus in the near future will be on the South end of the City as well as to some industrial customers just outside the City. This utility is also in the process of upgrading the control room equipment in the generating plant.

The Orrville Utility Department continues to look for other sources of revenue to supplement the existing utilities while providing our customers with low cost services. The electric utility's telecommunications system has proven to be such a service, and has been an exceptionally reliable service for industrial and commercial customers. Future expansion of this system to smaller commercial and residential customers will present many opportunities for those customers to save money due to lower rates created by competition. Orrville Utilities plans to continue deployment of the fiber optic system to the home so all residents can take advantage of competition between suppliers. We look forward to providing another infrastructure with the same reliability and service that our customer/owners of our electric, water, and sewer utilities have come to expect.

The Mayor, Directors, and Council work very hard to keep the City's debt low. All of the projects mentioned above, with the possible exception of the future water well fields, will be funded from cash balances. We watch our funds closely and make sure monies are budgeted to provide for proper maintenance of our equipment and facilities. Our superintendents, managers, and directors are all involved in our budget process. Our budget is developed from the bottom up with the emphasis of good stewardship of our ratepayers and taxpayers money.

Contacting the City's Finance Department

This report is intended to provide our citizens and anyone interested in the financial aspects of the City of Orrville a general overview of our financial operation. If there are questions, please contact the Finance Director James D. Leggett, City of Orrville, 207 North Main Street, P.O. Box 61, Orrville, Ohio 44667, telephone 330-684-5007 or website at www.orrville.com.

City of Orrville, Ohio

Statement of Net Assets

December 31, 2002

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,141,711	\$18,718,577	\$22,860,288
Cash Equivalents in Segregated Accounts	0	1,662,504	1,662,504
Investments in Segregated Accounts	0	1,391,877	1,391,877
Materials and Supplies Inventory	104,027	3,396,758	3,500,785
Accrued Interest Receivable	6,923	25,386	32,309
Accounts Receivable	89,794	2,956,223	3,046,017
Internal Balances	298,043	(298,043)	0
Intergovernmental Receivable	522,865	0	522,865
Prepaid Items	10,666	80,132	90,798
Unamortized Bond Issuance Costs	0	685,458	685,458
Income Taxes Receivable	706,388	0	706,388
Property Taxes Receivable	496,277	0	496,277
Special Assessments Receivable	156,442	0	156,442
Nondepreciable Capital Assets	1,576,411	605,268	2,181,679
Depreciable Capital Assets, Net	40,044,605	48,633,981	88,678,586
<i>Total Assets</i>	<u>48,154,152</u>	<u>77,858,121</u>	<u>126,012,273</u>
Liabilities			
Accounts Payable	180,732	63,757	244,489
Accrued Wages	97,293	140,623	237,916
Intergovernmental Payable	117,782	251,508	369,290
Accrued Interest Payable	819	158,509	159,328
Claims Payable	0	120,296	120,296
Deferred Revenue	480,375	0	480,375
Notes Payable	0	1,100,000	1,100,000
Long-Term Liabilities:			
Due Within One Year	173,525	2,429,119	2,602,644
Due In More Than One Year	289,883	24,184,351	24,474,234
<i>Total Liabilities</i>	<u>1,340,409</u>	<u>28,448,163</u>	<u>29,788,572</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	41,466,826	22,993,813	64,460,639
Restricted for:			
Capital Projects	2,253,537	0	2,253,537
Debt Service	108,155	0	108,155
Electric Replacement and Improvement	0	1,500,000	1,500,000
Water Replacement and Improvement	0	800,000	800,000
Other Purposes	815,174	0	815,174
Unrestricted	2,170,051	24,116,145	26,286,196
<i>Total Net Assets</i>	<u>\$46,813,743</u>	<u>\$49,409,958</u>	<u>\$96,223,701</u>

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Activities
For the Year Ended December 31, 2002

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government	\$945,989	\$117,682	\$0	\$0
Security of Persons and Property:				
Police	1,224,678	41,896	0	0
Fire	525,596	16,955	0	0
Transportation	2,672,156	0	445,010	420,132
Public Health and Welfare	170,233	119,624	0	0
Leisure Time Activities	389,710	83,495	9,546	0
Basic Utility Service	272,076	241,799	0	0
Interest and Fiscal Charges	11,557	0	0	0
<i>Total Governmental Activities</i>	<u>6,211,995</u>	<u>621,451</u>	<u>454,556</u>	<u>420,132</u>
Business-Type Activities:				
Sewer	1,951,178	1,937,219	0	0
Electric	20,841,038	17,964,859	0	0
Water	3,077,462	2,356,946	0	0
<i>Total Business-Type Activities</i>	<u>25,869,678</u>	<u>22,259,024</u>	<u>0</u>	<u>0</u>
<i>Total - Primary Government</i>	<u>\$32,081,673</u>	<u>\$22,880,475</u>	<u>\$454,556</u>	<u>\$420,132</u>

General Revenues

Property Taxes Levied for
 General Purposes
Kilowatt per Hour Taxes Levied for
 General Purposes
Income Tax Levied for:
 General Purposes
 Capital Outlay
Grants and Entitlements not Restricted to Specific Programs
Gain on Sale of Capital Assets
Investment Earnings
Other

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 16)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$828,307)	\$0	(\$828,307)
(1,182,782)	0	(1,182,782)
(508,641)	0	(508,641)
(1,807,014)	0	(1,807,014)
(50,609)	0	(50,609)
(296,669)	0	(296,669)
(30,277)	0	(30,277)
(11,557)	0	(11,557)
<u>(4,715,856)</u>	<u>0</u>	<u>(4,715,856)</u>
0	(13,959)	(13,959)
0	(2,876,179)	(2,876,179)
0	(720,516)	(720,516)
<u>0</u>	<u>(3,610,654)</u>	<u>(3,610,654)</u>
<u>(4,715,856)</u>	<u>(3,610,654)</u>	<u>(8,326,510)</u>
446,237	0	446,237
767,505	0	767,505
1,705,027	0	1,705,027
588,206	0	588,206
620,248	0	620,248
500	4,700	5,200
107,127	511,810	618,937
201,020	590,621	791,641
<u>4,435,870</u>	<u>1,107,131</u>	<u>5,543,001</u>
<u>(793,326)</u>	<u>793,326</u>	<u>0</u>
<u>(1,073,312)</u>	<u>(1,710,197)</u>	<u>(2,783,509)</u>
<u>47,887,055</u>	<u>51,120,155</u>	<u>99,007,210</u>
<u>\$46,813,743</u>	<u>\$49,409,958</u>	<u>\$96,223,701</u>

City of Orrville, Ohio

Balance Sheet

Governmental Funds

December 31, 2002

	<u>General</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,365,055	\$1,930,235	\$846,421	\$4,141,711
Materials and Supplies Inventory	104,027	0	0	104,027
Accrued Interest Receivable	6,399	0	524	6,923
Accounts Receivable	49,025	0	40,769	89,794
Intergovernmental Receivable	148,057	0	374,808	522,865
Prepaid Items	10,666	0	0	10,666
Income Taxes Receivable	494,471	211,917	0	706,388
Property Taxes Receivable	496,277	0	0	496,277
Special Assessments Receivable	0	0	156,442	156,442
<i>Total Assets</i>	<u>\$2,673,977</u>	<u>\$2,142,152</u>	<u>\$1,418,964</u>	<u>\$6,235,093</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$4,485	\$1,312	\$174,935	\$180,732
Accrued Wages	83,942	0	13,351	97,293
Intergovernmental Payable	27,745	24	5,891	33,660
Deferred Revenue	686,167	51,452	287,694	1,025,313
<i>Total Liabilities</i>	<u>802,339</u>	<u>52,788</u>	<u>481,871</u>	<u>1,336,998</u>
Fund Balances				
Reserved for Encumbrances	45,241	171,781	254,206	471,228
Unreserved, Undesignated (Deficit), Reported in:				
General Fund	1,826,397	0	0	1,826,397
Special Revenue Funds	0	0	706,209	706,209
Debt Service Funds	0	0	106,722	106,722
Capital Projects Funds	0	1,917,583	(130,044)	1,787,539
<i>Total Fund Balances</i>	<u>1,871,638</u>	<u>2,089,364</u>	<u>937,093</u>	<u>4,898,095</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,673,977</u>	<u>\$2,142,152</u>	<u>\$1,418,964</u>	<u>\$6,235,093</u>

See accompanying notes to the basic financial statements

City of Orrville, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2002*

Total Governmental Fund Balances	\$4,898,095
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	41,621,016
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	71,938
Income Taxes	120,054
Grants	195,918
Special Assessments	156,442
Charges for Services	<u>586</u>

Total	544,938
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The accumulated overpayments to the internal service fund.	298,043
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Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(84,122)
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Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(819)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Special Assessment Bonds	(154,190)
Compensated Absences	<u>(309,218)</u>

Total	<u>(463,408)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$46,813,743</u></u>
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See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002

	General	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$466,911	\$0	\$0	\$466,911
Income Taxes	1,733,011	638,037	0	2,371,048
Other Local Taxes	767,505	0	0	767,505
Special Assessments	0	0	16,977	16,977
Intergovernmental	746,609	0	783,703	1,530,312
Interest	97,392	0	9,735	107,127
Fines, Licenses and Permits	47,313	0	6,504	53,817
Rentals	31,700	0	0	31,700
Charges for Services	248,182	0	296,121	544,303
Contributions and Donations	5	0	9,541	9,546
Other	52,780	145,844	2,396	201,020
<i>Total Revenues</i>	<u>4,191,408</u>	<u>783,881</u>	<u>1,124,977</u>	<u>6,100,266</u>
Expenditures				
Current:				
General Government	838,937	0	0	838,937
Security of Persons and Property:				
Police	1,333,487	0	10,790	1,344,277
Fire	386,818	0	0	386,818
Transportation	380,625	0	839,933	1,220,558
Public Health and Welfare	146,883	0	6,512	153,395
Leisure Time Activities	308,331	0	10,586	318,917
Basic Utility Service	0	0	272,076	272,076
Capital Outlay	0	866,239	481,634	1,347,873
Debt Service:				
Principal Retirement	0	0	9,120	9,120
Interest and Fiscal Charges	0	0	11,616	11,616
<i>Total Expenditures</i>	<u>3,395,081</u>	<u>866,239</u>	<u>1,642,267</u>	<u>5,903,587</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>796,327</u>	<u>(82,358)</u>	<u>(517,290)</u>	<u>196,679</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	500	0	0	500
Transfers In	0	0	427,727	427,727
Transfers Out	(1,221,053)	0	0	(1,221,053)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,220,553)</u>	<u>0</u>	<u>427,727</u>	<u>(792,826)</u>
<i>Net Change in Fund Balances</i>	<u>(424,226)</u>	<u>(82,358)</u>	<u>(89,563)</u>	<u>(596,147)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,295,864</u>	<u>2,171,722</u>	<u>1,026,656</u>	<u>5,494,242</u>
<i>Fund Balances End of Year</i>	<u>\$1,871,638</u>	<u>\$2,089,364</u>	<u>\$937,093</u>	<u>\$4,898,095</u>

See accompanying notes to the basic financial statements

City of Orrville, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2002*

Net Change in Fund Balances - Total Governmental Funds (596,147)

***Amounts reported for governmental activities in the
statement of activities are different because***

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	866,243	
Current Year Depreciation	<u>(1,183,215)</u>	
Total		(316,972)

Governmental Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(2,351)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(20,674)	
Income Tax	(77,815)	
Grants	(44,922)	
Special Assessments	(7,857)	
Charges for Services	<u>(17,489)</u>	
Total		(168,757)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

9,120

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

59

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(19,872)	
Pension Obligation	<u>(8,059)</u>	
Total		(27,931)

The internal service funds used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Business-type expenses and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year.

29,667

Change in Net Assets of Governmental Activities

(\$1,073,312)

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$413,302	\$473,200	\$466,911	(\$6,289)
Income Taxes	1,367,470	1,570,000	1,687,334	117,334
Other Local Taxes	628,862	720,000	793,623	73,623
Intergovernmental	550,139	629,868	695,003	65,135
Interest	269,886	309,000	101,166	(207,834)
Fines, Licenses and Permits	8,057	9,225	32,040	22,815
Rentals	26,203	30,000	31,700	1,700
Charges for Services	262	300	228,366	228,066
Contributions and Donations	87	100	5	(95)
Other	0	0	57,635	57,635
<i>Total Revenues</i>	3,264,268	3,741,693	4,093,783	352,090
Expenditures				
Current:				
General Government	1,038,326	1,039,279	869,911	169,368
Security of Persons and Property:				
Police	1,385,710	1,385,710	1,333,191	52,519
Fire	389,272	389,272	383,712	5,560
Transportation	444,007	444,007	396,180	47,827
Public Health and Welfare	158,600	158,600	145,391	13,209
Leisure Time Activities	313,728	313,728	308,753	4,975
<i>Total Expenditures</i>	3,729,643	3,730,596	3,437,138	293,458
<i>Excess of Revenues Over (Under) Expenditures</i>	(465,375)	11,097	656,645	645,548
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	500	500
Transfers Out	(1,224,000)	(1,304,000)	(1,221,053)	82,947
<i>Total Other Financing Sources (Uses)</i>	(1,224,000)	(1,304,000)	(1,220,553)	83,447
<i>Net Change in Fund Balance</i>	(1,689,375)	(1,292,903)	(563,908)	728,995
<i>Fund Balance Beginning of Year</i>	1,837,336	1,837,336	1,837,336	0
Prior Year Encumbrances Appropriated	41,901	41,901	41,901	0
<i>Fund Balance End of Year</i>	\$189,862	\$586,334	\$1,315,329	\$728,995

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2002

	Business-Type Activities				Business-Type Activity - Internal Service Fund
	Sewer	Electric	Water	Total	
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$4,321,384	\$9,781,879	\$1,487,894	\$15,591,157	\$827,420
<i>Receivables:</i>					
Accounts	259,387	2,445,696	250,780	2,955,863	360
Accrued Interest	5,630	15,501	3,125	24,256	1,130
Materials and Supplies Inventory	123,337	2,938,610	334,811	3,396,758	0
Prepaid Items	9,449	60,548	10,135	80,132	0
Deferred Charges	41,784	445,384	198,290	685,458	0
<i>Total Current Assets</i>	<u>4,760,971</u>	<u>15,687,618</u>	<u>2,285,035</u>	<u>22,733,624</u>	<u>828,910</u>
<i>Non-Current Assets:</i>					
<i>Restricted Assets:</i>					
Equity in Pooled Cash and Cash Equivalents Held by Trustee:	0	1,500,000	800,000	2,300,000	0
Cash Equivalents in Segregated Accounts	0	1,124,654	537,850	1,662,504	0
Investments in Segregated Accounts	0	1,120,146	271,731	1,391,877	0
Land	112,497	89,401	403,370	605,268	0
Depreciable Capital Assets, Net	8,537,892	25,503,385	14,592,704	48,633,981	0
<i>Total Non-Current Assets</i>	<u>8,650,389</u>	<u>29,337,586</u>	<u>16,605,655</u>	<u>54,593,630</u>	<u>0</u>
<i>Total Assets</i>	<u>13,411,360</u>	<u>45,025,204</u>	<u>18,890,690</u>	<u>77,327,254</u>	<u>828,910</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	911	57,823	5,023	63,757	0
Accrued Wages	16,649	106,683	17,291	140,623	0
Intergovernmental Payable	30,904	188,716	31,888	251,508	0
Compensated Absences Payable	32,653	197,477	59,606	289,736	0
Accrued Interest Payable	72,889	4,847	0	77,736	0
Loans Payable	383,940	0	60,443	444,383	0
Notes Payable	0	1,100,000	0	1,100,000	0
Claims Payable	0	0	0	0	120,296
<i>Total Current Liabilities</i>	<u>537,946</u>	<u>1,655,546</u>	<u>174,251</u>	<u>2,367,743</u>	<u>120,296</u>
<i>Current Liabilities Payable from Restricted Assets:</i>					
Revenue Bonds Payable	0	1,310,000	385,000	1,695,000	0
Accrued Interest Payable	0	54,800	25,973	80,773	0
<i>Total Current Liabilities Payable from Restricted Assets</i>	<u>0</u>	<u>1,364,800</u>	<u>410,973</u>	<u>1,775,773</u>	<u>0</u>
<i>Long-Term Liabilities:</i>					
Compensated Absences Payable (net of current portion)	106,379	321,301	65,160	492,840	0
Loans Payable (net of current portion)	3,655,128	0	906,639	4,561,767	0
Revenue Bonds Payable (net of current portion)	0	12,193,434	6,936,310	19,129,744	0
<i>Total Long-Term Liabilities</i>	<u>3,761,507</u>	<u>12,514,735</u>	<u>7,908,109</u>	<u>24,184,351</u>	<u>0</u>
<i>Total Liabilities</i>	<u>4,299,453</u>	<u>15,535,081</u>	<u>8,493,333</u>	<u>28,327,867</u>	<u>120,296</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt Restricted for Replacement and Improvement	0	1,500,000	800,000	2,300,000	0
Unrestricted	4,458,802	16,555,387	2,691,385	23,705,574	708,614
<i>Total Net Assets</i>	<u>\$9,111,907</u>	<u>\$29,490,123</u>	<u>\$10,397,357</u>	<u>48,999,387</u>	<u>\$708,614</u>

Some amounts reported for business-type activities in the statement of net assets are different because internal service fund assets and liabilities are included with business-type activities.

	410,571
Net assets of business-type activities	\$49,409,958

See accompanying notes to the basic financial statements

City of Orrville, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2002*

	Business-Type	
	Sewer	Electric
Operating Revenues		
Charges for Services	\$1,942,205	\$16,817,328
Electric/Water Charges Pledged as Security for Revenue Bonds	0	1,178,574
Other	2,466	431,871
<i>Total Operating Revenues</i>	<u>1,944,671</u>	<u>18,427,773</u>
Operating Expenses		
Personal Services	848,149	5,348,392
Purchased Services	122,495	2,215,132
Materials and Supplies	121,833	9,185,463
Utilities	98,571	792,608
Depreciation	527,389	1,869,836
Claims	0	0
Other	0	25,238
<i>Total Operating Expenses</i>	<u>1,718,437</u>	<u>19,436,669</u>
<i>Operating Income (Loss)</i>	<u>226,234</u>	<u>(1,008,896)</u>
Non-Operating Revenues (Expenses)		
Interest and Fiscal Charges	(218,800)	(1,328,434)
Gain on Sale of Capital Assets	3,300	1,400
Loss on Disposal of Capital Assets	(3,080)	(8,318)
Interest	85,200	317,634
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(133,380)</u>	<u>(1,017,718)</u>
Transfers In	0	793,326
<i>Change in Net Assets</i>	92,854	(1,233,288)
<i>Net Assets Beginning of Year (Restated - See Note 16)</i>	<u>9,019,053</u>	<u>30,723,411</u>
<i>Net Assets End of Year</i>	<u><u>\$9,111,907</u></u>	<u><u>\$29,490,123</u></u>

Some amounts reported for business-type activities in the statement of activities are different because the net expense of the internal service fund is reported with business-type activities.

Change in net assets of business-type activities

See accompanying notes to the basic financial statements

Activities		Business-Type Activity - Internal Service Fund
Water	Total	
\$1,839,394	\$20,598,927	\$1,335,412
523,276	1,701,850	0
158	434,495	156,126
<u>2,362,828</u>	<u>22,735,272</u>	<u>1,491,538</u>
939,831	7,136,372	0
415,544	2,753,171	90,945
424,429	9,731,725	0
151,333	1,042,512	0
686,051	3,083,276	0
0	0	1,347,498
0	25,238	0
<u>2,617,188</u>	<u>23,772,294</u>	<u>1,438,443</u>
<u>(254,360)</u>	<u>(1,037,022)</u>	<u>53,095</u>
(445,658)	(1,992,892)	0
0	4,700	0
(2,149)	(13,547)	0
91,585	494,419	17,391
<u>(356,222)</u>	<u>(1,507,320)</u>	<u>17,391</u>
0	793,326	0
(610,582)	(1,751,016)	70,486
<u>11,007,939</u>		<u>638,128</u>
<u>\$10,397,357</u>		<u>\$708,614</u>
	<u>40,819</u>	
	<u>(\$1,710,197)</u>	

City of Orrville, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002

	Business-Type Activities				Business-Type Activities - Internal Service Fund
	Sewer	Electric	Water	Total	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$1,934,121	\$17,716,303	\$2,400,390	\$22,050,814	\$0
Cash Received from Transactions with Other Funds	0	0	0	0	1,335,323
Other Cash Receipts	2,466	431,871	158	434,495	156,126
Cash Payments to Employees for Services	(864,041)	(5,296,813)	(925,358)	(7,086,212)	0
Cash Payments for Goods and Services	(348,895)	(12,886,706)	(1,028,339)	(14,263,940)	(90,945)
Cash Payments for Claims	0	0	0	0	(1,323,747)
Other Cash Payments	0	(26,952)	0	(26,952)	0
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>723,651</u>	<u>(62,297)</u>	<u>446,851</u>	<u>1,108,205</u>	<u>76,757</u>
Cash Flows from Noncapital Financing Activities					
Transfers In	0	793,326	0	793,326	0
Cash Flows from Capital and Related Financing Activities					
Proceeds from Sale of Notes	0	1,100,000	0	1,100,000	0
Principal Paid on Revenue Bonds	0	(1,260,000)	(263,294)	(1,523,294)	0
Interest Paid on Revenue Bonds	0	(740,121)	(272,061)	(1,012,182)	0
Principal Paid on OWDA Loans	(370,602)	0	0	(370,602)	0
Interest Paid on OWDA Loans	(172,165)	0	0	(172,165)	0
Principal Paid on OPWC Loan	0	0	(60,443)	(60,443)	0
Principal Paid on Notes	0	(1,200,000)	0	(1,200,000)	0
Interest Paid on Notes	0	(29,117)	0	(29,117)	0
Sale of Capital Assets	3,300	1,400	0	4,700	0
Payments for Capital Acquisitions	(415,480)	(1,648,438)	(607,803)	(2,671,721)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(954,947)</u>	<u>(3,776,276)</u>	<u>(1,203,601)</u>	<u>(5,934,824)</u>	<u>0</u>
Cash Flows from Investing Activities					
Interest on Investments	85,366	1,380,421	577,148	2,042,935	17,279
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(145,930)</u>	<u>(1,664,826)</u>	<u>(179,602)</u>	<u>(1,990,358)</u>	<u>94,036</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>4,467,314</u>	<u>14,071,359</u>	<u>3,005,346</u>	<u>21,544,019</u>	<u>733,384</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$4,321,384</u></u>	<u><u>\$12,406,533</u></u>	<u><u>\$2,825,744</u></u>	<u><u>\$19,553,661</u></u>	<u><u>\$827,420</u></u>

(continued)

City of Orrville, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2002

	Business-Type Activities				Business-Type Activities - Internal Service Fund
	Sewer	Electric	Water	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$226,234	(\$1,008,896)	(\$254,360)	(\$1,037,022)	\$53,095
Adjustments:					
Depreciation	527,389	1,869,836	686,051	3,083,276	0
(Increase) Decrease in Assets:					
Accounts Receivable	(8,084)	(279,599)	37,720	(249,963)	(89)
Prepaid Items	(4,021)	(19,873)	(4,068)	(27,962)	0
Materials and Supplies Inventory	(1,990)	5,571	(36,786)	(33,205)	0
Increase (Decrease) in Liabilities:					
Accounts Payable	(271)	(682,000)	3,629	(678,642)	0
Accrued Wages	2,533	15,260	3,389	21,182	0
Compensated Absences Payable	(22,604)	13,017	6,907	(2,680)	0
Intergovernmental Payable	4,465	24,387	4,369	33,221	0
Claims Payable	0	0	0	0	23,751
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$723,651</u>	<u>(\$62,297)</u>	<u>\$446,851</u>	<u>\$1,108,205</u>	<u>\$76,757</u>

Non Cash Transactions:

During 2002, the electric and water enterprise funds had a change in fair value of investments of \$1,106,865 and \$512,355, respectively.

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2002

	Private Purpose Trust	
	Cemetery Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,110	\$130,256
Accrued Interest Receivable	5	0
<i>Total Assets</i>	4,115	\$130,256
Liabilities		
Deposits Held and Due to Others	0	\$130,256
Net Assets		
Held in Trust for Cemetery	\$4,115	

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2002

	Private-Purpose Trust
	Cemetery Memorial
Additions	
Interest	\$80
Deductions	199
<i>Change in Net Assets</i>	(119)
<i>Net Assets Beginning of Year</i>	4,234
<i>Net Assets End of Year</i>	<u>\$4,115</u>

See accompanying notes to the basic financial statements

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 1 - Description of the City and Reporting Entity

The City of Orrville (the City) is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under its own Charter made effective January 1, 1976. The Charter, as amended, provides for a Council-Mayor form of government. Four council members are elected from wards for four year terms. The Mayor and three council members are elected by separate ballot from the municipality at large for four-year terms. The Mayor may veto any legislation passed by the Council. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operating of the City and for appointing the heads of the various City departments.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government provides the following services to its citizens: police and fire protection, parks and recreation, building inspection, street maintenance and repairs, water, electric, sewer and refuse collection. Council has direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Orrville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be 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 Charter of the City of Orrville and/or the general laws of Ohio.

Capital Improvements Fund The capital improvement fund accounts for that portion of municipal income tax designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer Fund The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Electric Fund The electric fund accounts for the provision of electric power service to the residents and commercial users located within the City.

Water Fund The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee medical benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust fund established to account for funds given by individuals with the interest specifically designated to be used for the decoration of individually named graves. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for utility line installation deposits and deposits held for the use of recreation facilities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as “equity in pooled cash and cash equivalents”.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost.

Following the Charter and Codified Ordinances of the City as well as Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is distributed to the general fund, gasoline tax motor vehicle license, state highway and performing arts special revenue funds, the special assessment bond retirement debt service fund, the employee self-insurance internal service fund, the cemetery private-purpose trust fund, and the sewer, electric, and water enterprise funds. Interest revenue credited to the general fund during 2002 amounted to \$97,392 which includes \$34,270 assigned from other City funds.

The City utilizes a fiscal agent to hold monies set aside for current and future debt service payments under the provisions of the bond indenture. The balances in these accounts are presented on the statement of fund net assets as, “restricted assets – investments in segregated accounts” or “restricted assets – cash equivalents in segregated accounts.”

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of fixed assets originally acquired with bond proceeds, and providing sufficient resources to cover operating costs for one month.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15-40 years	20-45 years
Equipment	5-10 years	6-20 years
Vehicles	10 years	5 years
Electric - Generation/Transmission/Distribution	-	30-65 years
Infrastructure	60 years	30-65 years

The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines.

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future (those employees who will be eligible to receive termination payments within the next ten years). The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Fund Balance Reserves

Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include the street construction, maintenance and repair, the cemetery and the medical equipment service.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, sewer treatment and water services and self-insurance programs. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Q. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the personal services and other object level within each fund. For the personal service object level the Finance Director has been authorized to allocate and maintain appropriations within each department. For the other object level the Finance Director has been authorized to allocate appropriations within each department and any object level which he maintains on his books, other than personal services. Budgetary statements are presented beyond that legal level of control for informational purposes only.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 3 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$424,226)
Net Adjustment for Revenue Accruals	(97,625)
Net Adjustment for Expenditure Accruals	7,669
Encumbrances	<u>(49,726)</u>
Budget Basis	<u><u>(\$563,908)</u></u>

Note 4 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and,
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

City of Orrville, Ohio
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The following information classifies deposits and investments by categories or risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Cash on Hand At year end, the City had \$91,057 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents."

Deposits At year-end, the carrying amount of the City's deposits was \$17,067,397 and the bank balance was \$24,656,250. Of the bank balance:

1. \$400,000 was covered by federal depository insurance.
2. \$24,256,250 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments The City's investments are required to be categorized to give an indication of the level or risk assumed by the City at year end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Carrying Value	Fair Value
Repurchase Agreement		\$1,133,068	\$1,133,068	\$1,133,068
U.S. Treasury Bills		213,813	213,813	213,813
U.S. Treasury Notes		1,178,064	1,178,064	1,178,064
STAROhio			6,211,446	6,211,446
Investment in Orrville				
City Manuscript Bonds	\$154,190		154,190	154,190
Total Investments	<u>\$154,190</u>	<u>\$2,524,945</u>	<u>\$8,890,581</u>	<u>\$8,890,581</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

City of Orrville, Ohio
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	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$24,657,158	\$1,391,877
Cash On Hand	(91,057)	0
Investments of the Cash Management Pool:		
Repurchase Agreement	(1,133,068)	1,133,068
STAROhio	(6,211,446)	6,211,446
Manuscript Bonds	(154,190)	154,190
GASB Statement No. 3	\$17,067,397	\$8,890,581

Note 5 - Receivables

Receivables at December 31, 2002, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investments and accounts (billings for utility service). All allowances for uncollectibles represent estimates of uncollectible receivables in the accounts receivable classification. Taxes, intergovernmental, special assessments and interest receivable are deemed collectible in full.

	Accounts Receivable	Allowance for Uncollectibles	Net Accounts Receivable
Governmental	\$89,794	\$0	\$89,794
Business-Type	3,053,021	96,798	2,956,223

Special assessments expected to be collected in more than one year amount to \$143,790 in the Special Assessment Bond Retirement Fund.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of the 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes which became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2002, was \$2.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	\$132,460,900
Tangible Personal Property	51,504,020
Public Utility Property	<u>2,168,600</u>
Total	<u><u>\$186,133,520</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Orrville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002 and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2002 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified basis the revenue is deferred.

B. Income Taxes

The City levies a one percent income tax on substantially all income earned within the City. In addition, City residents employed in municipalities having an income tax less than one percent must pay the difference to the City of Orrville. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

The City's income tax ordinance requires forty percent of the income tax revenues to be used to finance governmental and business-type capital improvements. As a result, this portion of the revenue is transferred into the capital improvement capital projects fund each year. The remaining income tax proceeds are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. In 2002, the proceeds were allocated to the general fund and the capital improvements fund.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amount
Governmental Activities	
Issue II Grant	\$202,632
Gasoline Tax	170,726
Local Government	93,363
Estate Tax	27,035
Homestead and Rollback	20,132
Recycle Grant	7,327
Permissive Motor Vehicle License Tax	1,450
Immobilization Fees	200
Total	\$522,865

Note 6 - 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. During 2002, the City contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Deductible	Coverage
Travelers	Commercial Property	\$50,000	\$113,304,226
Westfield Insurance	Auto Liability	250	1,000,000
	Auto Liability	500	1,000,000
Lexington Insurance	General Liability	25,000	1,000,000
	Umbrella Liability	10,000	10,000,000
Zurich American	Public Officials Liability	10,000	2,000,000
Travelers	Boiler and Machinery	200,000	25,000,000
Scottsdale Insurance	Police Professional Liability	5,000	1,000,000
	Public Officials Liability	3,500	2,000,000
Selective Insurance	Commercial Property	500	9,200,000

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the state based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either

City of Orrville, Ohio
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For the Year Ended December 31, 2002

receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities than can meet the OML’s selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic health, vision and dental coverage through AultCare. A specific excess loss coverage insurance (stop-loss) insurance policy covers claims in excess of \$50,000 per employee, per year. The family/single premiums were \$29.00/\$8.00 for dental, and \$26.00/\$9.00 for vision, respectively. AultCare charges the City a medical administration fee of \$9.75 per employee per month, a dental administration fee of \$2.00 per employee per month and a vision administration fee of \$1.00 per employee per month.

The claims liability of \$120,296, reported in the self-insurance fund at December 31, 2002, is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred by not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the internal services funds’ claims liability amounts in the last two years follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$116,829	\$1,247,428	\$1,267,712	\$96,545
2002	96,545	1,347,498	1,323,747	120,296

Note 7 - Compensated Absences

City employees earn vacation leave at varying rates based upon length of service, from two to five weeks per year. Vacation is required to be taken within one year of the date it is earned, except for certain administrators and supervisors who are allowed to carry over vacation leave beyond one year. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

City employees earn sick leave at the rate of eight hours per each month worked. Sick leave accrual is continuous, without limit. In the case of death or retirement, employees (or the employees’ estates) are paid a maximum of 960 hours of accumulated, unused sick leave.

From time to time, employees may need, with prior approval from their supervisors, to work overtime. These overtime hours will usually be paid at the appropriate overtime rate; however, with permission of the supervisor, an employee may have the option of taking the overtime in compensatory time at one and one half times the amount of hours worked. In the event of termination of employment, death, or retirement, employees (or their estates) are paid for unused compensatory time.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2002, was as follows:

	Balance 12/31/01	Additions	Deductions	Balance 12/31/02
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$1,576,411	\$0	\$0	\$1,576,411
Capital Assets, being Depreciated				
Buildings and Improvements	5,089,564	371,090	0	5,460,654
Equipment	1,587,463	232,956	(7,712)	1,812,707
Vehicles	1,890,284	0	(3,500)	1,886,784
Infrastructure	45,677,695	262,197	0	45,939,892
Total Capital Assets, being Depreciated	<u>54,245,006</u>	<u>866,243</u>	<u>(11,212)</u>	<u>55,100,037</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,155,018)	(173,778)	0	(2,328,796)
Equipment	(1,013,612)	(111,514)	5,369	(1,119,757)
Vehicles	(956,966)	(137,459)	3,500	(1,090,925)
Infrastructure	<u>(9,755,482)</u>	<u>(760,464)</u>	<u>0</u>	<u>(10,515,946)</u>
Total Accumulated Depreciation	<u>(13,881,078)</u>	<u>(1,183,215) *</u>	<u>8,869</u>	<u>(15,055,424)</u>
Total Capital Assets, being Depreciated, net	<u>40,363,928</u>	<u>(316,972)</u>	<u>(2,343)</u>	<u>40,044,613</u>
Governmental Activities Capital Assets, Net	<u>\$41,940,339</u>	<u>(\$316,972)</u>	<u>(\$2,343)</u>	<u>\$41,621,024</u>
Business-Type Activities				
Capital Assets, not being depreciated	\$605,268	\$0	\$0	\$605,268
Capital Assets, being Depreciated				
Buildings and Improvements	18,251,464	679,310	0	18,930,774
Equipment	4,243,470	196,347	(209,122)	4,230,695
Vehicles	1,502,062	64,423	(27,801)	1,538,684
Electric - Generation/Transmission/Distribution	56,426,597	1,140,595	0	57,567,192
Infrastructure	<u>21,453,885</u>	<u>591,046</u>	<u>0</u>	<u>22,044,931</u>
Total Capital Assets, being Depreciated	<u>101,877,478</u>	<u>2,671,721</u>	<u>(236,923)</u>	<u>104,312,276</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(5,492,663)	(186,875)	0	(5,679,538)
Equipment	(2,367,732)	(276,504)	195,575	(2,448,661)
Vehicles	(1,161,735)	(91,979)	27,801	(1,225,913)
Electric - Generation/Transmission/Distribution	(34,096,904)	(1,490,151)	0	(35,587,055)
Infrastructure	<u>(9,699,361)</u>	<u>(1,037,767)</u>	<u>0</u>	<u>(10,737,128)</u>
Total Accumulated Depreciation	<u>(52,818,395)</u>	<u>(3,083,276)</u>	<u>223,376</u>	<u>(55,678,295)</u>
Total Capital Assets, being Depreciated, net	<u>49,059,083</u>	<u>(411,555)</u>	<u>(13,547)</u>	<u>48,633,981</u>
Business-Type Activities Capital Assets, Net	<u>\$49,664,351</u>	<u>(\$411,555)</u>	<u>(\$13,547)</u>	<u>\$49,239,249</u>

City of Orrville, Ohio
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For the Year Ended December 31, 2002

* Depreciation expense was charged to governmental activities as follows:

General Government	\$100,578
Public Safety:	
Police	28,788
Fire	137,848
Public Health and Welfare	14,935
Leisure Time Activities	69,433
Transportation	831,633
Total Depreciation Expense	<u>\$1,183,215</u>

Note 9 - Notes Payable

A summary of the note transactions for the year ended December 31, 2002, follows:

	Outstanding 12/31/01	Issued	Retired	Outstanding 12/31/02
Enterprise Funds:				
2.44% Electric Improvement Notes	\$1,200,000	\$0	\$1,200,000	\$0
6.00% Electric Improvement Notes	0	1,100,000	0	1,100,000
Total	<u>\$1,200,000</u>	<u>\$1,100,000</u>	<u>\$1,200,000</u>	<u>\$1,100,000</u>

In 2002, the City issued \$1,100,000 in Electric Improvement Notes to refinance the precipitator improvement project, which is scheduled for completion in 2003.

All of the notes are bond anticipation notes, are backed by the full faith and credit of the City, and mature October 2, 2003. The note liability is reflected in the fund which received the proceeds and will repay the debt.

Note 10 - Long-Term Debt

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
Street Improvement Special Assessment - 1996	5.60%	\$93,242	December 1, 2011
Street Improvement Special Assessment - 2000	6.75	95,170	December 1, 2015
Business-Type Activities			
OPWC Water System Improvement Loan - 1998	0.00	1,208,853	July 1, 2018
OWDA Water Pollution Control Loan - 1993	3.54	7,185,000	July 1, 2012
OWDA Sewer Improvement Loan - 1972	5.50	157,361	July 1, 2013
Water System Refunding Revenue Bonds - 2002	1.90-4.75	8,135,000	December 1, 2018
Electric System Mortgage Revenue Refunding and Improvement Bonds - 1997	3.75-5.10	15,230,000	December 1, 2017

City of Orrville, Ohio
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A schedule of changes in bonds and other long-term obligations of the City during 2002 follows:

	Amount Outstanding 12/31/01	Additions	Deletions	Amount Outstanding 12/31/02	Amounts Due in One Year
Governmental Activities					
<u>Special Assessment Bonds</u>					
1996 Street Improvement	\$72,000	\$0	\$5,000	\$67,000	\$6,000
2000 Street Improvement	91,310	0	4,120	87,190	4,400
Total Special Assessment Bonds	163,310	0	9,120	154,190	10,400
Compensated Absences	289,346	25,197	5,325	309,218	163,125
Total Governmental Activities	<u>\$452,656</u>	<u>\$25,197</u>	<u>\$14,445</u>	<u>\$463,408</u>	<u>\$173,525</u>
Business-Type Activities					
<u>OPWC Water System</u>					
Improvement Loan	\$1,027,525	\$0	\$60,443	\$967,082	\$60,443
OWDA Water Pollution Control Loan	4,818,700	0	365,275	4,453,425	378,320
Unamortized Accounting Loss	(558,369)	62,041	0	(496,328)	0
Net OWDA Water Pollution Control Loan	4,260,331	62,041	365,275	3,957,097	378,320
OWDA Sewer Improvement Loan	87,298	0	5,327	81,971	5,620
<u>Mortgage Revenue Bonds</u>					
Mortgage Revenue Bonds	7,575,000	0	7,575,000	0	0
Unamortized Discount	(92,800)	92,800	0	0	0
Water System Refunding Bonds	0	8,135,000	155,000	7,980,000	385,000
Unamortized Accounting Loss	0	(699,858)	(41,168)	(658,690)	0
Net Water System Refunding Revenue Bonds	7,482,200	7,527,942	7,688,832	7,321,310	385,000
<u>Electric System Mortgage Revenue</u>					
Refunding and Improvement Bonds	15,165,000	0	1,260,000	13,905,000	1,310,000
Unamortized Discount	(54,945)	3,381	0	(51,564)	0
Unamortized Accounting Loss	(408,335)	58,333	0	(350,002)	0
Net Electric System Mortgage Revenue Refunding and Improvement Bonds	14,701,720	61,714	1,260,000	13,503,434	1,310,000
Compensated Absences	785,256	76,573	79,253	782,576	289,736
Total Business-Type Activities	<u>\$28,344,330</u>	<u>\$7,728,270</u>	<u>\$9,459,130</u>	<u>\$26,613,470</u>	<u>\$2,429,119</u>

The Special Assessment Street Improvement Bonds will be paid with special assessment revenue. The Special Assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt.

Compensated absences will be paid from the general fund, the gas tax special revenue fund, and the sewer, electric and water enterprise funds.

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Mortgage Revenue Bonds

Mortgage Revenue Bonds are special obligations of the City secured by a mortgage upon all assets of the respective system. These bonds are payable solely from the gross revenues of the electric systems after provisions for reasonable operating and maintenance expenses. The bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers be in sufficient amounts to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemptions of principal, and maintenance of properties.

In 1997, the City issued \$15,230,000 in Electric System Mortgage Revenue Refunding and Improvement Bonds with a discount of \$71,850 to advance refund \$11,805,000 of outstanding electric system mortgage revenue bonds. The \$11,805,000 bonds have been completely repaid. The bonds include serial and term bonds. The term bonds mature on December 1, 2013 and December 1, 2017 in the amounts of \$500,000 and \$1,060,000, respectively, at a redemption price equal to 100 percent of the principal plus accrued interest to the redemption date. The bonds maturing after December 1, 2010 are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2007, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2007 through November 30, 2008	101 percent
December 1, 2008 through November 30, 2009	100 ½ percent
December 1, 2009 and thereafter	100 percent

Restricted assets relating to the electric mortgage revenue bonds at December 31, 2002, were as follows:

Restricted Assets Held by City	
Replacement and Improvement	\$1,500,000
Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$2,244,800

Revenue Bonds

In 2002, the City issued \$8,135,000 in Water System Refunding Revenue Bonds. The serial bonds were issued with interest rates varying from 1.90 percent to 4.75 percent. The bonds maturing after December 1, 2013 are subject to early redemption, at the sole option of the City, either in whole on any date or in part on any interest payment date, on or after December 1, 2012, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2012 through November 30, 2013	101 percent
December 1, 2013 and thereafter	100 percent

Proceeds from the water system refunding revenue bonds, series 2002, were used to advance refund \$7,575,000 of outstanding Water System Improvement Revenue Bonds, series 1994, with interest rates varying from 3.50 to 4.35 percent. The net proceeds of \$7,924,317 (after payment of \$210,683 in issuance costs) were used to purchase U.S Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1994 bonds. As a result, the Series 1994 bonds are considered to be defeased and the liability for those bonds

City of Orrville, Ohio
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has been removed from the water system fund. On December 31, 2002, \$7,300,000 of outstanding refunded water system bonds are considered defeased by assets of \$7,588,661 held in the irrevocable trust.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$699,858. This difference, being reported as a deferral in the accompanying financial statements, is being charged to operations through the year 2018 using the straight-line method. The City completed the advance refunding to reduce its total debt service payments over the next 16 years by \$410,681 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$641,754.

Restricted assets relating to the water revenue bonds at December 31, 2002, were as follows:

Restricted Assets Held by City	
Replacement and Improvement	\$800,000
Restricted Assets Held by the Trustee	
Mortgage Revenue Bond Current Debt Service	\$809,581

As of December 31, 2002, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$18,444,020 and the unvoted legal debt margin was \$9,137,344. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2002 are as follows:

Year Ending December 31	Governmental Activities	
	Special	
	Assessment Bonds	
	Principal	Interest
2003	\$10,400	\$10,910
2004	10,700	10,163
2005	11,010	9,396
2006	12,350	8,608
2007	12,710	7,722
2008-2012	69,900	22,169
2013-2015	27,120	3,741
Total	\$154,190	\$72,709

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Year Ending December 31	Business-Type Activities				
	Ohio Public Works Commission	OWDA Water Pollution Control		OWDA Sewer Improvement Loan	
	Principal	Principal	Interest	Principal	Interest
2003	\$60,443	\$378,320	\$154,318	\$5,620	\$4,508
2004	60,443	391,831	140,807	5,929	4,199
2005	60,443	405,825	127,813	6,256	3,873
2006	60,443	420,318	112,320	6,600	3,531
2007	60,443	435,329	97,310	6,963	3,166
2008-2012	302,215	2,421,802	241,812	40,996	9,648
2013-2017	302,215	0	0	9,607	522
2018	60,437	0	0	0	0
Total	\$967,082	\$4,453,425	\$874,380	\$81,971	\$29,447

Year Ending December 31	Business-Type Activities			
	Water System Refunding Revenue Bonds		Electric System Mortgage Revenue Refunding and Improvement Bonds	
	Principal	Interest	Principal	Interest
2003	\$385,000	\$311,680	\$1,310,000	657,594
2004	395,000	303,980	1,375,000	600,744
2005	400,000	294,500	1,440,000	539,699
2006	415,000	283,500	1,495,000	474,885
2007	425,000	271,050	1,560,000	406,820
2008-2012	2,380,000	1,103,593	5,555,000	900,348
2013-2017	2,915,000	563,915	1,170,000	185,210
2018-2020	665,000	31,587	0	0
Total	\$7,980,000	\$3,163,805	\$13,905,000	\$3,765,300

Industrial Revenue Bonds

The City authorized the issuance of industrial development revenue bonds to four commercial entities in the aggregate outstanding principal amount of \$3,131,245 at December 31, 2002. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

Note 11 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, reduced from 9.25 percent in 2001. Contributions are authorized by State statute. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$591,481, \$699,126, and \$417,105, respectively. The full amount has been contributed for 2001 and 2000. 75.86 percent has been contributed for 2002 with the remainder being reported as an "intergovernmental payable" in the governmental activities column of the statement of net assets.

B. Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$85,605 and \$8,938 for the year ended December 31, 2002, \$84,398 and \$8,672 for the year ended December 31, 2001, and \$43,363 and \$3,534 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 68.32 percent and 56.40 percent, respectively, have been contributed for 2002, with the remainder being reported as an "intergovernmental payable" in the governmental activities column of the statement of net assets.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$345,896. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001 the percent used to fund healthcare was 7.50 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$56,463 for police and \$4,263 for fire. The OP&F's total health care expense for the year ended December 31, 2001, (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, (the latest information available) was 13,174 for police and 10,239 for firefighters.

Note 13 - Contractual Commitments

As of December 31, 2002, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Rovisys, Inc	PowerHouse Controls Upgrade	\$392,603

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 14 - Contingent Liabilities

A. Litigation

The City management is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

The City participates in several federal and state assisted programs. These programs are subject to financial and compliance audits by the grantor or their representative. As of December 31, 2002, the audits of certain of these programs have not been completed. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

Note 15 - Interfund Balances and Transfers

Interfund transfers for the year ended December 31, 2002, consisted of the following:

<u>Transfer to</u>	<u>Transfer From</u>
	<u>General</u>
Nonmajor funds	\$427,727
Electric fund	793,326
	<u>\$1,221,053</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

\$400,000 was transferred from the general fund to the gas tax motor vehicle license fund to supplement the funds available for maintaining City streets. \$27,727 was transferred from the general fund to the solid waste service fund to provide a discount on sanitation service for the City's senior citizens. \$793,326 was transferred from the general fund, giving the electric fund the kilowatt per hour taxes.

City of Orrville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2002

Note 16 – Restatement of Prior Year Net Assets

During the implementation of GASB 34, within fiscal year 2001, accumulated depreciation was improperly calculated by the City’s previous capital asset accounting system resulting in the overstatement of approximately \$2.2 million in the beginning accumulated depreciation balance.

In addition, during fiscal year 1995 an improper inclusion of insurance proceeds from a fire were reported as a fixed asset addition within the City’s previous capital asset accounting system resulting in an overstatement of approximately \$1.1 million dollars.

Therefore, the capital assets for business-type activities as of December 31, 2001 were understated by \$822,718. A restatement of the prior year net assets from \$50,297,437 to \$51,120,155 for the business-type activities as previously reported had the following changes:

	Sewer Fund	Electric Fund	Water Fund	Internal Service	Total
Net Assets, December 31, 2001	\$9,481,815	\$29,598,664	\$10,847,206	\$369,752	\$50,297,437
Capital Assets	(462,762)	1,124,747	160,733	0	822,718
Net Assets, December 31, 2001	<u>\$9,019,053</u>	<u>\$30,723,411</u>	<u>\$11,007,939</u>	<u>\$369,752</u>	<u>\$51,120,155</u>

**Combining Statements and
Individual Fund Schedules**

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

To account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specific purposes.

Gas Tax Motor Vehicle License Fund - Required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

State Highway Fund - Required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of State highways within the City.

Permissive Motor Vehicle License Fund - To account for the City's share of the motor vehicle license tax levied by the City.

Parking Meter Fund - To account for parking fees collected from City parking meters.

Solid Waste Fund - To account for revenues received from citizens for the City's solid waste collection service.

Law Enforcement Fund - To account for monies received from the sale or disposition of seized contraband. Expenditures from this fund are made for law enforcement purposes.

Enforcement and Education Fund - To account for fines imposed under Section 4511.99 (A) of the Ohio Revised Code. These monies are used to pay costs incurred in enforcing Section 4511.19 of the Ohio Revised Code, and to educate the public about the laws against and the dangers of operating a motor vehicle while under the influence of alcohol.

Cemetery Maintenance Fund - To account for monies received for cemetery services and used for the upkeep and beautification of the cemetery.

Permissive Fund - To account for the permissive tax revenue collected by the City.

Emergency Medical Service Equipment Fund - To account for revenue received from EMS transportation services and used for the purchase of EMS equipment.

Downtown Improvement Fund - To account for the improvement of the City's downtown area.

Performing Arts Fund - To account for donations to be used for performing arts activities in the City.

Combining Statements – Nonmajor Governmental Funds (continued)

Nonmajor Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and special assessment principal, interest, and related costs.

General Obligation Bond Retirement Fund - To account for tax levies that are utilized for the repayment of general obligation bonds of the City.

Special Assessment Bond Retirement Fund - To account for the collection of special assessments levied against benefited properties for the payment of special assessment bonds and related interest.

Nonmajor Capital Projects Funds

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

Park Improvement Fund - To account for monies designated for the purpose of improving existing park and recreation facilities.

Recreation and Park Fund - To account for monies used for new capital facilities built within the City's parks and recreation facilities.

Grants Fund - To account for grant monies received from the Ohio Public Works Commission plus City matching funds. Expenditures are restricted to specific street projects within the City.

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2002

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$655,625	\$106,576	\$84,220	\$846,421
Accrued Interest Receivable	378	146	0	524
Accounts Receivable	40,769	0	0	40,769
Intergovernmental Receivable	172,176	0	202,632	374,808
Special Assessments Receivable	0	156,442	0	156,442
<i>Total Assets</i>	<u>\$868,948</u>	<u>\$263,164</u>	<u>\$286,852</u>	<u>\$1,418,964</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$3,634	\$0	\$171,301	\$174,935
Accrued Wages	13,351	0	0	13,351
Intergovernmental Payable	5,867	0	24	5,891
Deferred Revenue	131,252	156,442	0	287,694
<i>Total Liabilities</i>	<u>154,104</u>	<u>156,442</u>	<u>171,325</u>	<u>481,871</u>
Fund Balances				
Reserved for Encumbrances	8,635	0	245,571	254,206
Unreserved, Undesignated (Deficit), Reported in:				
Special Revenue Funds	706,209	0	0	706,209
Debt Service Funds	0	106,722	0	106,722
Capital Projects Funds	0	0	(130,044)	(130,044)
<i>Total Fund Balances</i>	<u>714,844</u>	<u>106,722</u>	<u>115,527</u>	<u>937,093</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$868,948</u>	<u>\$263,164</u>	<u>\$286,852</u>	<u>\$1,418,964</u>

City of Orrville, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2002

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Special Assessments	\$0	\$16,977	\$0	\$16,977
Intergovernmental	363,571	0	420,132	783,703
Interest	5,319	4,416	0	9,735
Fines, Licenses and Permits	5,554	0	950	6,504
Charges for Services	296,121	0	0	296,121
Contributions and Donations	9,541	0	0	9,541
Other	2,396	0	0	2,396
<i>Total Revenues</i>	<u>682,502</u>	<u>21,393</u>	<u>421,082</u>	<u>1,124,977</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police	10,790	0	0	10,790
Transportation	839,933	0	0	839,933
Public Health and Welfare	6,512	0	0	6,512
Leisure Time Activities	10,586	0	0	10,586
Basic Utility Service	272,076	0	0	272,076
Capital Outlay	0	0	481,634	481,634
Debt Service:				
Principal Retirement	0	9,120	0	9,120
Interest and Fiscal Charges	0	11,616	0	11,616
<i>Total Expenditures</i>	<u>1,139,897</u>	<u>20,736</u>	<u>481,634</u>	<u>1,642,267</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(457,395)	657	(60,552)	(517,290)
Other Financing Sources				
Transfers In	427,727	0	0	427,727
<i>Net Change in Fund Balances</i>	(29,668)	657	(60,552)	(89,563)
<i>Fund Balances Beginning of Year</i>	<u>744,512</u>	<u>106,065</u>	<u>176,079</u>	<u>1,026,656</u>
<i>Fund Balances End of Year</i>	<u><u>\$714,844</u></u>	<u><u>\$106,722</u></u>	<u><u>\$115,527</u></u>	<u><u>\$937,093</u></u>

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002

	Gas Tax Motor Vehicle License	State Highway	Permissive Motor Vehicle License
Assets			
Equity in Pooled Cash and Cash Equivalents	\$62,734	\$179,131	\$18,923
Accrued Interest Receivable	126	236	0
Accounts Receivable	0	0	500
Intergovernmental Receivable	157,921	12,805	0
<i>Total Assets</i>	<u>\$220,781</u>	<u>\$192,172</u>	<u>\$19,423</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$0	\$3,634	\$0
Accrued Wages	13,351	0	0
Intergovernmental Payable	5,867	0	0
Deferred Revenue	120,866	9,800	0
<i>Total Liabilities</i>	<u>140,084</u>	<u>13,434</u>	<u>0</u>
Fund Balances			
Reserved for Encumbrances	3,183	749	4,103
Unreserved, Undesignated	77,514	177,989	15,320
<i>Total Fund Balances</i>	<u>80,697</u>	<u>178,738</u>	<u>19,423</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$220,781</u>	<u>\$192,172</u>	<u>\$19,423</u>

<u>Parking Meter</u>	<u>Solid Waste</u>	<u>Law Enforcement</u>	<u>Enforcement and Education</u>
\$27,517	\$5,920	\$17,137	\$4,512
0	0	0	0
0	34,081	56	124
0	0	0	0
<u>\$27,517</u>	<u>\$40,001</u>	<u>\$17,193</u>	<u>\$4,636</u>
\$0	\$0	\$0	\$0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0
0	0	0	0
<u>27,517</u>	<u>40,001</u>	<u>17,193</u>	<u>4,636</u>
<u>27,517</u>	<u>40,001</u>	<u>17,193</u>	<u>4,636</u>
<u>\$27,517</u>	<u>\$40,001</u>	<u>\$17,193</u>	<u>\$4,636</u>

(continued)

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
December 31, 2002

	Cemetery Maintenance	Permissive	Emergency Medical Service Equipment
Assets			
Equity in Pooled Cash and Cash Equivalents	\$150,293	\$58,695	\$118,974
Accrued Interest Receivable	0	0	0
Accounts Receivable	1,635	0	4,373
Intergovernmental Receivable	0	1,450	0
<i>Total Assets</i>	<u>\$151,928</u>	<u>\$60,145</u>	<u>\$123,347</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$0	\$0	\$0
Accrued Wages	0	0	0
Intergovernmental Payable	0	0	0
Deferred Revenue	586	0	0
<i>Total Liabilities</i>	<u>586</u>	<u>0</u>	<u>0</u>
Fund Balances			
Reserved for Encumbrances	0	600	0
Unreserved, Undesignated	151,342	59,545	123,347
<i>Total Fund Balances</i>	<u>151,342</u>	<u>60,145</u>	<u>123,347</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$151,928</u>	<u>\$60,145</u>	<u>\$123,347</u>

Performing Arts	Total Nonmajor Special Revenue Funds
\$11,789	\$655,625
16	378
0	40,769
0	172,176
<u>\$11,805</u>	<u>\$868,948</u>
\$0	\$3,634
0	13,351
0	5,867
<u>0</u>	<u>131,252</u>
<u>0</u>	<u>154,104</u>
0	8,635
<u>11,805</u>	<u>706,209</u>
<u>11,805</u>	<u>714,844</u>
<u>\$11,805</u>	<u>\$868,948</u>

City of Orrville, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2002

	Gas Tax Motor Vehicle License	State Highway	Permissive Motor Vehicle License
Revenues			
Intergovernmental	\$289,429	\$23,415	\$29,575
Interest	1,606	3,407	0
Fines, Licenses and Permits	0	0	0
Charges for Services	0	0	0
Contributions and Donations	0	0	0
Other	2,396	0	0
<i>Total Revenues</i>	<u>293,431</u>	<u>26,822</u>	<u>29,575</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	0	0	0
Transportation	688,532	13,862	28,010
Public Health and Welfare	0	0	0
Leisure Time Activities	0	0	0
Basic Utility Service	0	0	0
<i>Total Expenditures</i>	<u>688,532</u>	<u>13,862</u>	<u>28,010</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(395,101)	12,960	1,565
Other Financing Sources			
Transfers In	<u>400,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	4,899	12,960	1,565
<i>Fund Balances Beginning of Year</i>	<u>75,798</u>	<u>165,778</u>	<u>17,858</u>
<i>Fund Balances End of Year</i>	<u><u>\$80,697</u></u>	<u><u>\$178,738</u></u>	<u><u>\$19,423</u></u>

Parking Meter	Solid Waste	Law Enforcement	Enforcement and Education
\$0	\$0	\$0	\$0
0	0	0	0
0	0	4,743	811
0	241,799	0	0
0	0	0	0
0	0	0	0
0	241,799	4,743	811
0	0	5,697	5,093
930	0	0	0
0	0	0	0
0	0	0	0
0	272,076	0	0
930	272,076	5,697	5,093
(930)	(30,277)	(954)	(4,282)
0	27,727	0	0
(930)	(2,550)	(954)	(4,282)
28,447	42,551	18,147	8,918
\$27,517	\$40,001	\$17,193	\$4,636

(continued)

City of Orrville, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Year Ended December 31, 2002

	Cemetery Maintenance	Permissive	Emergency Medical Service Equipment
Revenues			
Intergovernmental	\$0	\$21,152	\$0
Interest	0	0	0
Fines, Licenses and Permits	0	0	0
Charges for Services	27,267	0	27,055
Contributions and Donations	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>27,267</u>	<u>21,152</u>	<u>27,055</u>
Expenditures			
Current:			
Security of Persons and Property:			
Police	0	0	0
Transportation	0	22,004	0
Public Health and Welfare	0	0	6,512
Leisure Time Activities	0	0	0
Basic Utility Service	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>22,004</u>	<u>6,512</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	27,267	(852)	20,543
Other Financing Sources			
Transfers In	0	0	0
<i>Net Change in Fund Balances</i>	27,267	(852)	20,543
<i>Fund Balances Beginning of Year</i>	<u>124,075</u>	<u>60,997</u>	<u>102,804</u>
<i>Fund Balances End of Year</i>	<u><u>\$151,342</u></u>	<u><u>\$60,145</u></u>	<u><u>\$123,347</u></u>

Downtown Improvement	Performing Arts	Total Nonmajor Special Revenue Funds
\$0	\$0	\$363,571
0	306	5,319
0	0	5,554
0	0	296,121
0	9,541	9,541
0	0	2,396
0	9,847	682,502
0	0	10,790
86,595	0	839,933
0	0	6,512
0	10,586	10,586
0	0	272,076
86,595	10,586	1,139,897
(86,595)	(739)	(457,395)
0	0	427,727
(86,595)	(739)	(29,668)
86,595	12,544	744,512
\$0	\$11,805	\$714,844

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2002

	General Obligation Bond Retirement	Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,152	\$102,424	\$106,576
Accrued Interest Receivable	0	146	146
Special Assessments Receivable	0	156,442	156,442
<i>Total Assets</i>	<u>\$4,152</u>	<u>\$259,012</u>	<u>\$263,164</u>
Liabilities and Fund Balances			
Liabilities			
Deferred Revenue	\$0	\$156,442	\$156,442
Fund Balances			
Unreserved, Undesignated	4,152	102,570	106,722
<i>Total Liabilities and Fund Balances</i>	<u>\$4,152</u>	<u>\$259,012</u>	<u>\$263,164</u>

City of Orrville, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2002

	General Obligation Bond Retirement	Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Revenues			
Special Assessments	\$0	\$16,977	\$16,977
Interest	0	4,416	4,416
<i>Total Revenues</i>	<u>0</u>	<u>21,393</u>	<u>21,393</u>
Expenditures			
Debt Service:			
Principal Retirement	0	9,120	9,120
Interest and Fiscal Charges	0	11,616	11,616
<i>Total Expenditures</i>	<u>0</u>	<u>20,736</u>	<u>20,736</u>
<i>Net Change in Fund Balances</i>	0	657	657
<i>Fund Balances Beginning of Year</i>	<u>4,152</u>	<u>101,913</u>	<u>106,065</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,152</u></u>	<u><u>\$102,570</u></u>	<u><u>\$106,722</u></u>

City of Orrville, Ohio
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2002

	<u>Park Improvement</u>	<u>Recreation and Park</u>	<u>Grants</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,692	\$18,985	\$62,543	\$84,220
Intergovernmental Receivable	<u>0</u>	<u>0</u>	<u>202,632</u>	<u>202,632</u>
<i>Total Assets</i>	<u><u>\$2,692</u></u>	<u><u>\$18,985</u></u>	<u><u>\$265,175</u></u>	<u><u>\$286,852</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$171,301	\$171,301
Intergovernmental Payable	<u>0</u>	<u>0</u>	<u>24</u>	<u>24</u>
Fund Balances				
Reserved for Encumbrances	0	0	245,571	245,571
Unreserved, Undesignated (Deficit)	<u>2,692</u>	<u>18,985</u>	<u>(151,721)</u>	<u>(130,044)</u>
<i>Total Fund Balances</i>	<u><u>2,692</u></u>	<u><u>18,985</u></u>	<u><u>93,850</u></u>	<u><u>115,527</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$2,692</u></u>	<u><u>\$18,985</u></u>	<u><u>\$265,175</u></u>	<u><u>\$286,852</u></u>

City of Orrville, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2002

	Park Improvement	Recreation and Park	Grants	Total Nonmajor Capital Projects Funds
Revenues				
Intergovernmental	\$0	\$0	\$420,132	\$420,132
Fines, Licenses and Permits	0	950	0	950
<i>Total Revenues</i>	0	950	420,132	421,082
Expenditures				
Capital Outlay	0	0	481,634	481,634
<i>Net Change in Fund Balances</i>	0	950	(61,502)	(60,552)
<i>Fund Balances Beginning of Year</i>	2,692	18,035	155,352	176,079
<i>Fund Balances End of Year</i>	<u>\$2,692</u>	<u>\$18,985</u>	<u>\$93,850</u>	<u>\$115,527</u>

Combining Statements - Fiduciary Funds

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is the cemetery memorial private-purpose trust. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Private-Purpose Trust Fund

Cemetery Memorial Fund - This fund accounts for resources given by individuals with the interest specifically designated to be used for the decoration of individually named graves.

Agency Fund

Deposits in Escrow Fund - To account for deposits from businesses or individuals for the estimated cost of additional utility line installation. When work is completed, any money not used to cover the cost of the project is returned. This fund also accounts for deposits collected for the use of the City's recreational facilities. If there is no damage to the facilities, the money is returned.

City of Orrville, Ohio
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended December 31, 2002

	Beginning Balance <u>12/31/01</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/02</u>
Deposits in Escrow				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$28,382</u>	<u>\$110,124</u>	<u>\$8,250</u>	<u>\$130,256</u>
Liabilities				
Deposits Held and Due to Others	<u>\$28,382</u>	<u>\$110,124</u>	<u>\$8,250</u>	<u>\$130,256</u>

**Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balances/Fund Equity - Budget (Non-GAAP Basis) and Actual**

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$413,302	\$473,200	\$466,911	(\$6,289)
Income Taxes	1,367,470	1,570,000	1,687,334	117,334
Other Local Taxes	628,862	720,000	793,623	73,623
Intergovernmental	550,139	629,868	695,003	65,135
Interest	269,886	309,000	101,166	(207,834)
Fees, Licenses and Permits	8,057	9,225	32,040	22,815
Rentals	26,203	30,000	31,700	1,700
Charges for Services	262	300	228,366	228,066
Contributions and Donations	87	100	5	(95)
Other	0	0	57,635	57,635
<i>Total Revenues</i>	<u>3,264,268</u>	<u>3,741,693</u>	<u>4,093,783</u>	<u>352,090</u>
Expenditures				
Current:				
General Government:				
City Council:				
Personal Services	25,500	25,500	28,154	(2,654)
City Hall:				
Personal Services	129,600	129,600	120,890	8,710
Purchased Services	19,800	19,800	19,825	(25)
Materials and Supplies	15,069	15,069	7,240	7,829
Total City Hall	<u>164,469</u>	<u>164,469</u>	<u>147,955</u>	<u>16,514</u>
Finance Department:				
Personal Services	64,200	64,200	60,997	3,203
Purchased Services	40,500	41,453	30,902	10,551
Materials and Supplies	1,500	1,500	1,204	296
Total Finance Department	<u>106,200</u>	<u>107,153</u>	<u>93,103</u>	<u>14,050</u>
Data Processing:				
Personal Services	17,850	17,850	18,856	(1,006)
Purchased Services	32,600	32,600	17,413	15,187
Materials and Supplies	19,765	19,765	16,911	2,854
Total Data Processing	<u>\$70,215</u>	<u>\$70,215</u>	<u>\$53,180</u>	<u>\$17,035</u>

(continued)

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Income Tax:				
Personal Services	\$50,650	\$50,650	\$50,209	\$441
Purchased Services	325	325	1,096	(771)
Materials and Supplies	12,373	12,373	9,654	2,719
Total Income Tax	<u>63,348</u>	<u>63,348</u>	<u>60,959</u>	<u>2,389</u>
Law Department:				
Personal Services	16,700	16,700	16,201	499
Purchased Services	24,724	24,724	29,406	(4,682)
Total Law Department	<u>41,424</u>	<u>41,424</u>	<u>45,607</u>	<u>(4,183)</u>
Mayor's Office:				
Personal Services	15,750	15,750	15,387	363
Administrative:				
Personal Services	222,450	222,450	224,454	(2,004)
Purchased Services	257,100	257,100	154,558	102,542
Materials and Supplies	71,870	71,870	46,554	25,316
Total Administrative	<u>551,420</u>	<u>551,420</u>	<u>425,566</u>	<u>125,854</u>
Total General Government	<u>1,038,326</u>	<u>1,039,279</u>	<u>869,911</u>	<u>169,368</u>
Security of Persons and Property:				
Police:				
Law Enforcement:				
Personal Services	1,266,350	1,266,350	1,238,897	27,453
Purchased Services	64,200	64,200	54,652	9,548
Materials and Supplies	55,160	55,160	39,642	15,518
Total Police	<u>1,385,710</u>	<u>1,385,710</u>	<u>1,333,191</u>	<u>52,519</u>
Fire:				
Fire Department:				
Personal Services	275,700	275,700	289,571	(13,871)
Purchased Services	57,000	57,000	45,496	11,504
Materials and Supplies	56,572	56,572	48,645	7,927
Total Fire	<u>389,272</u>	<u>389,272</u>	<u>383,712</u>	<u>5,560</u>
Total Security of Persons and Property	<u>\$1,774,982</u>	<u>\$1,774,982</u>	<u>\$1,716,903</u>	<u>\$58,079</u> (continued)

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Transportation:				
Street:				
Personal Services	\$332,200	\$332,200	\$298,123	\$34,077
Purchased Services	12,040	12,040	29,085	(17,045)
Materials and Supplies	99,767	99,767	68,972	30,795
Total Transportation	444,007	444,007	396,180	47,827
Public Health and Welfare:				
Animal Control:				
Purchased Services	500	500	142	358
Materials and Supplies	17,200	17,200	15,138	2,062
Total Animal Control	17,700	17,700	15,280	2,420
Cemetery:				
Personal Services	117,200	117,200	112,499	4,701
Purchased Services	8,500	8,500	6,735	1,765
Materials and Supplies	15,200	15,200	10,877	4,323
Total Cemetery	140,900	140,900	130,111	10,789
Total Public Health and Welfare	158,600	158,600	145,391	13,209
Leisure Time Activities:				
Park:				
Personal Services	155,100	155,100	154,342	758
Purchased Services	11,320	11,320	11,508	(188)
Materials and Supplies	28,088	28,088	28,172	(84)
Total Park	194,508	194,508	194,022	486
Pool:				
Personal Services	78,800	78,800	78,461	339
Purchased Services	12,420	12,420	8,461	3,959
Materials and Supplies	16,200	16,200	17,607	(1,407)
Total Pool	107,420	107,420	104,529	2,891
Recreation:				
Personal Services	8,000	8,000	7,102	898
Materials and Supplies	3,800	3,800	3,100	700
Total Recreation	11,800	11,800	10,202	1,598
Total Leisure Time Activities	313,728	313,728	308,753	4,975
<i>Total Expenditures</i>	<i>\$3,729,643</i>	<i>\$3,730,596</i>	<i>\$3,437,138</i>	<i>\$293,458</i>

(continued)

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Year Ended December 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Excess of Revenues Over (Under) Expenditures</i>	(\$465,375)	\$11,097	\$656,645	\$645,548
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	500	500
Transfers Out	(1,224,000)	(1,304,000)	(1,221,053)	82,947
<i>Total Other Financing Sources (Uses)</i>	(1,224,000)	(1,304,000)	(1,220,553)	83,447
<i>Net Change in Fund Balance</i>	(1,689,375)	(1,292,903)	(563,908)	728,995
<i>Fund Balance Beginning of Year</i>	1,837,336	1,837,336	1,837,336	0
Prior Year Encumbrances Appropriated	41,901	41,901	41,901	0
<i>Fund Balance End of Year</i>	\$189,862	\$586,334	\$1,315,329	\$728,995

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Income Taxes	\$1,000,000	\$1,000,000	\$696,732	(\$303,268)
Other	<u>0</u>	<u>0</u>	<u>145,844</u>	<u>145,844</u>
<i>Total Revenues</i>	1,000,000	1,000,000	842,576	(157,424)
Expenditures				
Capital Outlay	<u>1,727,780</u>	<u>1,791,530</u>	<u>1,109,816</u>	<u>681,714</u>
<i>Excess of Revenues Under Expenditures</i>	(727,780)	(791,530)	(267,240)	524,290
Other Financing Uses				
Transfers Out	<u>(55,000)</u>	<u>(55,000)</u>	<u>0</u>	<u>55,000</u>
<i>Net Change in Fund Balance</i>	(782,780)	(846,530)	(267,240)	579,290
<i>Fund Balance Beginning of Year</i>	1,743,502	1,743,502	1,743,502	0
Prior Year Encumbrances Appropriated	<u>280,880</u>	<u>280,880</u>	<u>280,880</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,241,602</u>	<u>\$1,177,852</u>	<u>\$1,757,142</u>	<u>\$579,290</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$153,700	\$153,700	\$85,366	(\$68,334)
Charges for Services	2,078,600	2,078,600	1,934,121	(144,479)
Other	0	0	2,466	2,466
<i>Total Revenues</i>	<u>2,232,300</u>	<u>2,232,300</u>	<u>2,021,953</u>	<u>(210,347)</u>
Expenses				
Personal Services	916,400	936,400	864,041	72,359
Purchased Services	435,481	432,162	350,698	81,464
Materials and Supplies	211,878	208,796	197,294	11,502
Utilities	129,689	127,101	98,903	28,198
Capital Outlay	546,484	535,472	415,480	119,992
Debt Service:				
Principal Retirement	371,000	371,000	370,602	398
Interest and Fiscal Charges	175,000	175,000	172,165	2,835
<i>Total Expenses</i>	<u>2,785,932</u>	<u>2,785,931</u>	<u>2,469,183</u>	<u>316,748</u>
<i>Excess of Revenues Under Expenses</i>	(553,632)	(553,631)	(447,230)	106,401
Sale of Capital Assets	1,000	1,000	3,300	2,300
Transfers In	105,327	105,327	0	(105,327)
Transfers Out	(19,327)	(19,327)	0	19,327
<i>Net Change in Fund Equity</i>	(466,632)	(466,631)	(443,930)	22,701
<i>Fund Equity Beginning of Year</i>	4,146,089	4,146,089	4,146,089	0
Prior Year Encumbrances Appropriated	321,225	321,225	321,225	0
<i>Fund Equity End of Year</i>	<u>\$4,000,682</u>	<u>\$4,000,683</u>	<u>\$4,023,384</u>	<u>\$22,701</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Electric Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$809,806	\$728,500	\$244,439	(\$484,061)
Charges for Services	20,400,214	18,352,000	17,716,303	(635,697)
Other	227,879	205,000	431,871	226,871
<i>Total Revenues</i>	<u>21,437,899</u>	<u>19,285,500</u>	<u>18,392,613</u>	<u>(892,887)</u>
Expenses				
Personal Services	5,551,300	5,551,300	5,296,813	254,487
Purchased Services	4,181,675	4,181,675	3,606,067	575,608
Materials and Supplies	11,166,431	11,174,797	10,782,886	391,911
Utilities	896,545	896,545	794,367	102,178
Capital Outlay	1,950,314	1,950,314	1,648,438	301,876
Other	30,419	30,419	26,952	3,467
Debt Service:				
Principal Retirement	2,500,833	2,500,833	2,460,000	40,833
Interest and Fiscal Charges	740,121	740,121	740,121	0
<i>Total Expenses</i>	<u>27,017,638</u>	<u>27,026,004</u>	<u>25,355,644</u>	<u>1,670,360</u>
<i>Excess of Revenues Under Expenses</i>	(5,579,739)	(7,740,504)	(6,963,031)	777,473
Sale of Capital Assets	555	500	1,400	900
Notes Issued	133,929	1,200,000	1,100,000	(100,000)
Transfers In	55,250	0	793,326	793,326
<i>Net Change in Fund Equity</i>	(5,390,005)	(6,540,004)	(5,068,305)	1,471,699
<i>Fund Equity Beginning of Year</i>	12,293,566	12,293,566	12,293,566	0
Prior Year Encumbrances Appropriated	1,760,004	1,760,004	1,760,004	0
<i>Fund Equity End of Year</i>	<u>\$8,663,565</u>	<u>\$7,513,566</u>	<u>\$8,985,265</u>	<u>\$1,471,699</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$301,928	\$226,000	\$53,393	(\$172,607)
Charges for Services	3,777,114	2,827,256	2,400,390	(426,866)
Other	33,734	25,250	11,558	(13,692)
<i>Total Revenues</i>	<u>4,112,776</u>	<u>3,078,506</u>	<u>2,465,341</u>	<u>(613,165)</u>
Expenses				
Personal Services	1,063,500	1,063,500	925,358	138,142
Purchased Services	700,092	700,092	699,994	98
Materials and Supplies	712,249	712,249	456,743	255,506
Utilities	197,220	197,220	151,864	45,356
Capital Outlay	859,032	859,032	607,803	251,229
Debt Service:				
Principal Retirement	432,769	483,500	323,737	159,763
Interest and Fiscal Charges	271,900	271,900	272,061	(161)
<i>Total Expenses</i>	<u>4,236,762</u>	<u>4,287,493</u>	<u>3,437,560</u>	<u>849,933</u>
<i>Net Change in Fund Equity</i>	(123,986)	(1,208,987)	(972,219)	236,768
<i>Fund Equity Beginning of Year</i>	2,636,058	2,636,058	2,636,058	0
Prior Year Encumbrances Appropriated	343,793	343,793	343,793	0
<i>Fund Equity End of Year</i>	<u>\$2,855,865</u>	<u>\$1,770,864</u>	<u>\$2,007,632</u>	<u>\$236,768</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Gas Tax Motor Vehicle License Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$280,000	\$280,000	\$281,244	\$1,244
Interest	0	0	1,538	1,538
Other	300	300	2,396	2,096
<i>Total Revenues</i>	<u>280,300</u>	<u>280,300</u>	<u>285,178</u>	<u>4,878</u>
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Personal Services	617,700	617,700	617,557	143
Purchased Services	30,519	30,519	21,832	8,687
Materials and Supplies	66,784	66,784	47,897	18,887
<i>Total Expenditures</i>	<u>715,003</u>	<u>715,003</u>	<u>687,286</u>	<u>27,717</u>
<i>Excess of Revenues Under Expenditures</i>	(434,703)	(434,703)	(402,108)	32,595
Other Financing Uses				
Transfers In	500,000	500,000	400,000	(100,000)
<i>Net Change in Fund Balance</i>	65,297	65,297	(2,108)	(67,405)
<i>Fund Balance Beginning of Year</i>	60,756	60,756	60,756	0
Prior Year Encumbrances Appropriated	903	903	903	0
<i>Fund Balance End of Year</i>	<u>\$126,956</u>	<u>\$126,956</u>	<u>\$59,551</u>	<u>(\$67,405)</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$22,000	\$22,000	\$22,751	\$751
Interest	0	0	3,384	3,384
<i>Total Revenues</i>	<u>22,000</u>	<u>22,000</u>	<u>26,135</u>	<u>4,135</u>
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	103,000	103,000	363	102,637
Materials and Supplies	26,660	26,660	15,489	11,171
<i>Total Expenditures</i>	<u>129,660</u>	<u>129,660</u>	<u>15,852</u>	<u>113,808</u>
<i>Net Change in Fund Balance</i>	(107,660)	(107,660)	10,283	117,943
<i>Fund Balance Beginning of Year</i>	162,905	162,905	162,905	0
Prior Year Encumbrances Appropriated	1,560	1,560	1,560	0
<i>Fund Balance End of Year</i>	<u>\$56,805</u>	<u>\$56,805</u>	<u>\$174,748</u>	<u>\$117,943</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Motor Vehicle License Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$64,000	\$64,000	\$34,236	(\$29,764)
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	20,103	20,103	8,103	12,000
Materials and Supplies	47,200	47,200	24,010	23,190
<i>Total Expenditures</i>	<u>67,303</u>	<u>67,303</u>	<u>32,113</u>	<u>35,190</u>
<i>Net Change in Fund Balance</i>	(3,303)	(3,303)	2,123	5,426
<i>Fund Balance Beginning of Year</i>	8,594	8,594	8,594	0
Prior Year Encumbrances Appropriated	4,103	4,103	4,103	0
<i>Fund Balance End of Year</i>	<u>\$9,394</u>	<u>\$9,394</u>	<u>\$14,820</u>	<u>\$5,426</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Parking Meter Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	2,500	2,500	1,430	1,070
<i>Net Change in Fund Balance</i>	(2,500)	(2,500)	(1,430)	1,070
<i>Fund Balance Beginning of Year</i>	28,947	28,947	28,947	0
<i>Fund Balance End of Year</i>	<u>\$26,447</u>	<u>\$26,447</u>	<u>\$27,517</u>	<u>\$1,070</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Solid Waste Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$245,273	\$245,273	\$248,923	\$3,650
Expenditures				
Current:				
Basic Utility Service:				
Solid Waste Services:				
Purchased Services	<u>273,000</u>	<u>273,000</u>	<u>272,076</u>	<u>924</u>
<i>Excess of Revenues Under Expenditures</i>	(27,727)	(27,727)	(23,153)	4,574
Other Financing Sources				
Transfers In	<u>27,727</u>	<u>27,727</u>	<u>27,727</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	4,574	4,574
<i>Fund Balance Beginning of Year</i>	<u>1,346</u>	<u>1,346</u>	<u>1,346</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,346</u>	<u>\$1,346</u>	<u>\$5,920</u>	<u>\$4,574</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines, Licenses and Permits	<u>\$4,000</u>	<u>\$4,000</u>	<u>\$4,687</u>	<u>\$687</u>
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Law Enforcement:				
Personal Services	2,380	2,380	0	2,380
Materials and Supplies	<u>8,063</u>	<u>8,063</u>	<u>5,697</u>	<u>2,366</u>
<i>Total Expenditures</i>	<u>10,443</u>	<u>10,443</u>	<u>5,697</u>	<u>4,746</u>
<i>Net Change in Fund Balance</i>	(6,443)	(6,443)	(1,010)	5,433
<i>Fund Balance Beginning of Year</i>	16,284	16,284	16,284	0
Prior Year Encumbrances Appropriated	<u>1,863</u>	<u>1,863</u>	<u>1,863</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$11,704</u>	<u>\$11,704</u>	<u>\$17,137</u>	<u>\$5,433</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Enforcement and Education Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines, Licenses and Permits	\$1,000	\$1,000	\$772	(\$228)
Expenditures				
Current:				
Security of Persons and Property:				
Police:				
Law Enforcement:				
Personal Services	3,000	3,000	216	2,784
Purchased Services	0	0	421	(421)
Materials and Supplies	5,000	5,000	4,456	544
<i>Total Expenditures</i>	<u>8,000</u>	<u>8,000</u>	<u>5,093</u>	<u>2,907</u>
<i>Net Change in Fund Balance</i>	(7,000)	(7,000)	(4,321)	2,679
<i>Fund Balance Beginning of Year</i>	<u>8,833</u>	<u>8,833</u>	<u>8,833</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,833</u>	<u>\$1,833</u>	<u>\$4,512</u>	<u>\$2,679</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Cemetery Maintenance Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$20,000	\$20,000	\$28,168	\$8,168
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	20,000	20,000	28,168	8,168
<i>Fund Balance Beginning of Year</i>	<u>122,125</u>	<u>122,125</u>	<u>122,125</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$142,125</u>	<u>\$142,125</u>	<u>\$150,293</u>	<u>\$8,168</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$25,000	\$25,000	\$22,625	(\$2,375)
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	10,000	10,000	1,241	8,759
Materials and Supplies	21,694	21,694	22,604	(910)
<i>Total Expenditures</i>	<u>31,694</u>	<u>31,694</u>	<u>23,845</u>	<u>7,849</u>
<i>Net Change in Fund Balance</i>	(6,694)	(6,694)	(1,220)	5,474
<i>Fund Balance Beginning of Year</i>	57,621	57,621	57,621	0
Prior Year Encumbrances Appropriated	<u>1,694</u>	<u>1,694</u>	<u>1,694</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$52,621</u>	<u>\$52,621</u>	<u>\$58,095</u>	<u>\$5,474</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Emergency Medical Service Equipment Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Charges for Services	\$15,000	\$15,000	\$26,106	\$11,106
Expenditures				
Current:				
Public Health and Welfare:				
Emergency Medical Service:				
Materials and Supplies	<u>15,000</u>	<u>15,000</u>	<u>6,512</u>	<u>8,488</u>
<i>Net Change in Fund Balance</i>	0	0	19,594	19,594
<i>Fund Balance Beginning of Year</i>	<u>99,380</u>	<u>99,380</u>	<u>99,380</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$99,380</u></u>	<u><u>\$99,380</u></u>	<u><u>\$118,974</u></u>	<u><u>\$19,594</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Downtown Improvement Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Contributions and Donations	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Transportation:				
Street Repair and Maintenance:				
Purchased Services	<u>86,595</u>	<u>86,595</u>	<u>86,595</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(86,595)	(86,595)	(86,595)	0
<i>Fund Balance Beginning of Year</i>	<u>86,595</u>	<u>86,595</u>	<u>86,595</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Performing Arts Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$0	\$0	\$307	\$307
Contributions and Donations	8,800	8,800	9,541	741
<i>Total Revenues</i>	<u>8,800</u>	<u>8,800</u>	<u>9,848</u>	<u>1,048</u>
Expenditures				
Current:				
Leisure Time Activities:				
Performing Arts:				
Purchased Services	10,500	10,500	9,950	550
Materials and Supplies	500	500	636	(136)
<i>Total Expenditures</i>	<u>11,000</u>	<u>11,000</u>	<u>10,586</u>	<u>414</u>
<i>Net Change in Fund Balance</i>	(2,200)	(2,200)	(738)	1,462
<i>Fund Balance Beginning of Year</i>	<u>12,527</u>	<u>12,527</u>	<u>12,527</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$10,327</u>	<u>\$10,327</u>	<u>\$11,789</u>	<u>\$1,462</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Obligation Bond Retirement Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$0	\$0	\$0	\$0
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>4,152</u>	<u>4,152</u>	<u>4,152</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,152</u></u>	<u><u>\$4,152</u></u>	<u><u>\$4,152</u></u>	<u><u>\$0</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Assessment Bond Retirement Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$13,500	\$13,500	\$19,228	\$5,728
Interest	0	0	2,155	2,155
<i>Total Revenues</i>	<u>13,500</u>	<u>13,500</u>	<u>21,383</u>	<u>7,883</u>
Expenditures				
Debt Service:				
Principal Retirement	9,200	9,200	9,120	80
Interest and Fiscal Charges	11,800	11,800	11,616	184
<i>Total Expenditures</i>	<u>21,000</u>	<u>21,000</u>	<u>20,736</u>	<u>264</u>
<i>Net Change in Fund Balance</i>	(7,500)	(7,500)	647	8,147
<i>Fund Balance Beginning of Year</i>	<u>101,777</u>	<u>101,777</u>	<u>101,777</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$94,277</u>	<u>\$94,277</u>	<u>\$102,424</u>	<u>\$8,147</u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Park Improvement Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues	\$0	\$0	\$0	\$0
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>2,692</u>	<u>2,692</u>	<u>2,692</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,692</u></u>	<u><u>\$2,692</u></u>	<u><u>\$2,692</u></u>	<u><u>\$0</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Recreation and Park Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines, Licenses and Permits	\$1,500	\$1,500	\$950	(\$550)
Expenditures				
Capital Outlay	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	1,000	1,000	950	(50)
<i>Fund Balance Beginning of Year</i>	<u>18,035</u>	<u>18,035</u>	<u>18,035</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$19,035</u></u>	<u><u>\$19,035</u></u>	<u><u>\$18,985</u></u>	<u><u>(\$50)</u></u>

City of Orrville, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Grants Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$471,879	\$471,879	\$217,500	(\$254,379)
Expenditures				
Capital Outlay	<u>664,849</u>	<u>664,849</u>	<u>555,880</u>	<u>108,969</u>
<i>Excess of Revenues Under Expenditures</i>	(192,970)	(192,970)	(338,380)	(145,410)
Other Financing Sources				
Transfers In	<u>50,753</u>	<u>50,753</u>	<u>0</u>	<u>(50,753)</u>
<i>Net Change in Fund Balance</i>	(142,217)	(142,217)	(338,380)	(196,163)
<i>Fund Balance (Deficit) Beginning of Year</i>	(98,997)	(98,997)	(98,997)	0
Prior Year Encumbrances Appropriated	<u>254,349</u>	<u>254,349</u>	<u>254,349</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$13,135</u>	<u>\$13,135</u>	<u>(\$183,028)</u>	<u>(\$196,163)</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Employee Health Insurance Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$55,000	\$55,000	\$17,279	(\$37,721)
Charges for Services	1,022,986	1,068,386	1,335,323	\$266,937
Other	168,214	168,214	156,126	(12,088)
<i>Total Revenues</i>	1,246,200	1,291,600	1,508,728	217,128
Expenses				
Contractual Services	1,364,700	1,610,100	1,414,692	195,408
<i>Net Change in Fund Equity</i>	(118,500)	(318,500)	94,036	412,536
<i>Fund Equity Beginning of Year</i>	733,384	733,384	733,384	0
<i>Fund Equity End of Year</i>	<u>\$614,884</u>	<u>\$414,884</u>	<u>\$827,420</u>	<u>\$412,536</u>

City of Orrville, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Cemetery Memorial Fund
For the Year Ended December 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest	\$150	\$150	\$80	(\$70)
Expenses				
Current:				
Cemetery:				
Other	296	296	199	97
<i>Net Change in Fund Balance</i>	(146)	(146)	(119)	27
<i>Fund Balance Beginning of Year</i>	4,083	4,083	4,083	0
Prior Year Encumbrances Appropriated	146	146	146	0
<i>Fund Balance End of Year</i>	<u>\$4,083</u>	<u>\$4,083</u>	<u>\$4,110</u>	<u>\$27</u>

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Statistical Section

City of Orrville, Ohio
*Governmental Activities Revenues by Source
and Expenses by Function
Last Two Years (1)*

	<u>2002</u>	<u>2001</u>
Program Revenues		
Charges for Services	\$621,451	\$529,690
Operating Grants and Contributions	454,556	367,877
Capital Grants and Contributions	420,132	171,351
General Revenues		
Property Taxes	\$446,237	\$483,588
Income Taxes	2,293,233	2,588,695
Other Local Taxes	767,505	470,708
Intergovernmental	620,248	752,755
Interest	107,127	282,992
Other	201,520	70,965
Total	<u>\$5,932,009</u>	<u>\$5,718,621</u>
Expenses		
General Government	\$945,989	\$849,687
Security of Persons and Property:		
Police	1,224,678	1,264,380
Fire	525,596	471,736
Transportation	2,672,156	1,999,708
Public Health and Welfare	170,233	129,335
Leisure Time Activities	389,710	356,011
Basic Utility Services	272,076	237,049
Debt Service		
Interest and Fiscal Charges	11,557	12,175
Total	<u>\$6,211,995</u>	<u>\$5,320,081</u>

Source: City financial records

(1) The City first began reporting on a full accrual basis in 2001.

City of Orrville, Ohio
General Governmental Revenues by Source
and Expenditures by Function
Last Ten Years

	2002	2001	2000	1999
Revenues				
Property Taxes	\$466,911	\$471,047	\$431,700	\$1,070,738
Income Taxes	2,371,048	2,594,930	2,637,057	2,626,006
Other Local Taxes	767,505	470,708	0	0
Special Assessments	16,977	8,860	78,968	70,328
Intergovernmental	1,530,312	1,208,110	1,317,306	600,413
Interest	107,127	282,992	363,909	213,160
Fines, Licenses, and Permits	53,817	22,623	16,760	41,074
Rentals	31,700	32,828	0	0
Charges for Services	544,303	479,129	503,888	476,046
Contributions and Donations	9,546	13,510	17,810	0
Other	201,020	70,965	405,497	109,971
Total	\$6,100,266	\$5,655,702	\$5,772,895	\$5,207,736
Expenditures				
General Government	\$838,937	\$844,855	\$1,480,689	\$1,532,689
Security of Persons and Property:			1,359,979	1,125,793
Police	1,344,277	1,213,840	N/A	N/A
Fire	386,818	383,512	N/A	N/A
Transportation	1,220,558	1,129,278	1,109,183	975,683
Public Health and Welfare	153,395	146,672	124,620	113,483
Community Development	0	0	0	84,683
Leisure Time Activities	318,917	296,834	248,407	180,858
Basic Utility Services	272,076	237,049	247,849	184,866
Capital Outlay	1,347,873	1,254,462	1,421,262	649,360
Debt Service				
Principal Retirement	9,120	8,860	255,000	265,000
Interest and Fiscal Charges	11,616	12,221	24,538	20,738
Total	\$5,903,587	\$5,527,583	\$6,271,527	\$5,133,153

Source: City financial records

1998	1997	1996	1995	1994	1993
\$1,053,839	\$827,876	\$797,928	\$1,042,347	\$1,067,624	\$1,155,977
2,667,839	2,464,708	2,460,140	2,686,250	2,568,841	2,218,636
0	0	0	0	0	0
22,449	32,205	0	0	0	0
745,648	819,624	440,284	88,474	50,445	232,196
259,664	188,666	145,479	224,099	223,069	200,845
30,071	36,697	51,071	28,830	29,925	23,357
0	0	0	0	0	0
424,050	386,799	316,294	322,984	340,249	339,808
0	0	0	0	0	0
265,947	141,581	277,185	188,032	100,457	118,921
<u>\$5,469,507</u>	<u>\$4,898,156</u>	<u>\$4,488,381</u>	<u>\$4,581,016</u>	<u>\$4,380,610</u>	<u>\$4,289,740</u>
\$1,411,851	\$1,385,603	\$1,592,922	\$1,483,807	\$1,376,705	\$1,320,340
1,439,599	1,084,348	1,122,375	1,263,592	1,101,652	1,106,066
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
1,383,089	1,209,195	781,303	732,200	769,827	703,832
200	102,386	125,526	1,629	111,424	117,141
20,412	37,976	11,815	22,144	24,283	14,914
182,038	165,168	175,732	175,227	169,160	168,340
326,764	272,951	241,415	239,499	261,098	286,472
484,479	228,259	1,569,546	1,931,072	2,159,489	1,664,935
21,000	19,242	316,000	41,100	40,100	40,097
8,866	12,617	20,998	8,514	11,087	13,662
<u>\$5,278,298</u>	<u>\$4,517,745</u>	<u>\$5,957,632</u>	<u>\$5,898,784</u>	<u>\$6,024,825</u>	<u>\$5,435,799</u>

City of Orrville, Ohio
Property Tax Levies and Collections - Real and Public Utility Taxes
Last Ten Years

Year	Total Tax Levy (1) (2)	Current Tax Collections	Percentage of Current Tax Collections to Total Tax Levy	Delinquent Tax Collections	Total Tax Collections
2002	\$384,801	\$342,266	112.43%	\$18,662	\$360,928
2001	351,743	335,214	104.93	9,840	345,054
2000	347,639	333,723	104.17	10,850	344,573
1999	332,783	310,792	107.08	5,654	316,446
1998	330,279	306,915	107.61	6,936	313,851
1997	310,660	299,638	103.68	6,554	306,192
1996	251,370	N/A	N/A	N/A	N/A
1995	268,749	N/A	N/A	N/A	N/A
1994	245,922	N/A	N/A	N/A	N/A
1993	240,969	N/A	N/A	N/A	N/A

Source: Wayne County Auditor

(1) State Reimbursement of Rollback and Homestead Exemptions are included.

(2) Amounts listed include penalties and interest.

<u>Percentage of Total Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes (2)</u>	<u>Percentage of Outstanding Delinquent Taxes to Total Tax Levy</u>
93.80%	\$26,873	6.98%
98.10	6,689	1.90
99.12	2,186	0.63
95.09	6,719	2.02
95.03	8,976	2.72
98.56	8,102	2.61
N/A	4,725	1.88
N/A	11,015	4.10
N/A	7,506	3.05
N/A	20,455	8.49

City of Orrville, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 Assessed Value)
Last Ten Years

Year	City of Orrville	Wayne County	Orrville City Schools	Wayne County Joint Vocational School	Townships	Other (a)	Total
2002	\$2.80	\$8.75	\$46.60	\$4.10	\$0.40	\$1.75	\$64.40
2001	2.80	8.75	46.60	4.10	0.40	1.75	64.40
2000	2.80	8.75	46.60	4.10	0.40	1.75	64.40
1999	2.80	8.75	46.60	4.10	0.40	1.75	64.40
1998	2.80	8.35	46.66	4.10	0.40	1.75	64.06
1997	2.80	8.35	48.06	4.10	0.40	1.75	65.46
1996	2.80	8.35	46.80	4.10	0.40	1.75	64.20
1995	2.80	8.35	46.80	4.10	0.40	1.75	64.20
1994	2.80	8.35	42.00	4.10	0.40	1.00	58.65
1993	2.80	7.35	42.00	4.10	0.40	1.00	57.65

(a) Includes Wayne Holmes Mental Health 1 mill levy in all years and Orrville Library .75 mill levy 1995-2002.

Source: Wayne County, Ohio; County Auditor

City of Orrville, Ohio
Special Assessment Collections (1)
Last Ten Years

Year	Total Assessments Due	Current Collections (2)	Ratio of Collections to Amount Due
2002	\$24,663	\$16,977	69 %
2001	8,860	8,860	100
2000	12,728	11,785	93
1999	24,570	23,409	95
1998	24,910	23,140	93
1997	33,064	32,205	97
1996	21,380	20,389	95
1995	24,367	23,789	98
1994	24,007	23,048	96
1993	23,985	23,477	98

Source: Wayne County, Ohio; County Auditor

- (1) Represents special assessments collected by the County for the retirement of debt.
- (2) Includes the amounts billed and collected for City special assessments for recent tax collection years. "Billed" includes current charges. "Collected" includes collections of current "billed" and delinquencies.

City of Orrville, Ohio
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Year (1)	Real Property		Public Utility Property	
	Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value (2)
2002	\$132,460,900	\$378,459,714	\$2,168,600	\$2,464,318
2001	121,989,850	348,542,429	3,632,920	4,128,318
2000	121,356,540	346,732,971	2,811,990	3,195,443
1999	116,613,000	333,180,000	3,319,780	3,772,477
1998	112,608,720	321,739,200	3,437,800	3,906,591
1997	107,586,730	307,390,657	3,438,850	3,907,784
1996	87,671,500	250,490,000	3,404,320	3,868,545
1995	83,931,710	239,804,886	3,726,970	4,235,193
1994	81,504,470	232,869,914	3,714,150	4,220,625
1993	75,062,960	214,465,600	3,668,030	4,168,216

Source: Wayne County, Ohio; County Auditor

- (1) The year represents collection year.
- (2) The percentages for 2002 were 35% for real property, 35% for public utility real, 88% for public utility tangible, 25% for capital assets and 24% for inventory for tangible personal.

Tangible Personal Property		Total		
Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value	Ratio
\$51,504,020	\$206,016,080	\$186,133,520	\$586,940,112	31.71%
47,813,902	191,255,608	173,436,672	543,926,355	31.89
45,578,894	182,315,576	169,747,424	532,243,990	31.89
41,889,730	167,558,920	161,822,510	504,511,397	32.08
45,293,320	181,173,280	161,339,840	506,819,071	31.83
39,044,288	156,177,152	150,069,868	467,475,593	32.10
34,653,755	138,615,020	125,729,575	392,973,565	31.99
38,670,088	154,680,352	126,328,768	398,720,431	31.68
39,723,131	158,892,524	124,941,751	395,983,063	31.55
39,828,257	159,313,028	118,559,247	377,946,844	31.37

City of Orrville, Ohio
*Ratio of Annual Debt Service Expenditures For
 General Bonded Debt to Total General Governmental Expenditures
 Last Ten Years*

Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service To Total General Governmental Expenditures
1997-2002 (1)	N/A	N/A	N/A	N/A	N/A
1996	25,000	1,469	26,469	5,957,632	0.44
1995	25,000	2,938	27,938	5,898,784	0.47
1994	25,000	4,406	29,406	6,024,825	0.49
1993	25,000	6,875	31,875	5,435,799	0.59

Source: City financial records

(1) General obligation debt was retired in 1996.

City of Orrville, Ohio
Revenue Bond Coverage
Last Ten Years

Fund/Year	Operating Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements (2)			Coverage
				Principal	Interest	Total	
Electric Fund:							
1993	\$15,397,970	\$11,754,959	\$3,643,011	\$555,000	\$1,414,678	\$1,969,678	1.85
1994	16,229,419	12,578,970	3,650,449	590,000	1,374,383	1,964,383	1.86
1995	15,859,085	12,070,051	3,789,034	630,000	1,335,378	1,965,378	1.93
1996	16,188,414	12,437,163	3,751,251	670,000	1,291,278	1,961,278	1.91
1997	16,554,437	12,036,514	4,517,923	930,000	1,156,644	2,086,644	2.17
1998	17,689,972	12,533,335	5,156,637	1,020,000	1,069,939	2,089,939	2.47
1999	17,636,132	13,995,474	3,640,658	1,130,000	871,517	2,001,517	1.82
2000	17,574,117	14,533,866	3,040,251	1,165,000	808,294	1,973,294	1.54
2001	18,587,224	15,781,278	2,805,946	1,215,000	761,289	1,976,289	1.42
2002	18,427,773	17,566,833	860,940	1,260,000	740,121	2,000,121	0.43
Water Fund:							
1993	\$1,921,904	\$978,579	\$943,325	\$65,000	\$3,575	\$68,575	13.76
1994	2,009,043	1,077,145	931,898	195,000	264,766	459,766	2.03
1995	2,078,934	1,058,443	1,020,491	200,000	522,804	722,804	1.41
1996	2,179,181	1,179,560	999,621	210,000	515,204	725,204	1.38
1997	2,535,039	1,230,510	1,304,529	220,000	506,279	726,279	1.80
1998	2,564,567	1,113,054	1,451,513	230,000	496,379	726,379	2.00
1999	2,543,489	1,207,619	1,335,870	240,000	485,684	725,684	1.84
2000	2,480,785	1,335,435	1,145,350	250,000	474,284	724,284	1.58
2001	2,452,066	1,536,782	915,284	265,000	492,380	757,380	1.21
2002	2,362,828	1,931,137	431,691	263,294	272,061	535,355	0.81
Sewer Fund:							
1993	\$2,006,638	\$999,721	\$1,006,917	\$165,000	\$555,424	\$720,424	1.40
1994	2,016,047	1,074,013	942,034	175,000	545,936	720,936	1.31

Source: City Financial Records

(1) Total operating expenses exclusive of depreciation.

(2) Includes principal and interest of revenue bonds only.

City of Orrville, Ohio
Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2002

	General Obligation Debt Outstanding	Percentage Applicable to City (1)	Amount Applicable to City of Orrville
City of Orrville	\$0	100.00 %	\$0
Wayne County	12,630,000	9.68	1,222,584
Orrville City Schools	3,279,450	82.49	2,705,218
Total Overlapping Debt	15,909,450		3,927,802
Total Direct and Overlapping Debt	\$15,909,450		\$3,927,802

Source: Wayne County, Ohio; County Auditor

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the assessed valuation of the political subdivision.

City of Orrville, Ohio
*Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita
Last Ten Years*

Year	Net General Bonded Debt	Assessed Value	Population	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996-2002 (1)	N/A	N/A	N/A	N/A	N/A
1995	\$25,000	\$126,328,768	8,127	0.02%	3.08
1994	50,000	124,941,751	8,034	0.04	6.22
1993	75,000	118,559,247	7,955	0.06	9.43

Source: Wayne County, Ohio; County Auditor

(1) General obligation debt was retired in 1995.

City of Orrville, Ohio
Computation of Legal Debt Margin
December 31, 2002

Assessed Value		\$186,133,520
Legal Debt Margin:		
Debt Limitation - 10.5% of Assessed Value		19,544,020
Debt Applicable to Limitation:		
Special Assessment Bonds	\$154,190	
Notes	1,100,000	
OPWC Loan	967,082	
OWDA Loans	4,535,396	
Revenue Bonds	7,980,000	
Mortgage Revenue Bonds	<u>13,905,000</u>	
Gross Indebtedness		
(Total Voted and Unvoted Debt)	<u>28,641,668</u>	
Less: Debt Outside Limitations:		
Special Assessments Bonds	154,190	
OPWC Loan	967,082	
OWDA Loans	4,535,396	
Revenue Bonds	7,980,000	
Mortgage Revenue Bonds	<u>13,905,000</u>	
Total Debt Outside Limitations	<u>27,541,668</u>	
Total Debt Applicable to Limitation - Within 10.5% Limitations	1,100,000	
Less: Amount Available in Debt Service Fund to pay debt applicable to limitation	<u>0</u>	
Net Debt Within 10.5% Limitation		<u>1,100,000</u>
Overall Debt Margin Within 10.5% Limitation		<u><u>\$18,444,020</u></u>

Unvoted Debt Limitation - 5.5% of Assessed Valuation		\$10,237,344
Gross Indebtedness Authorized by Council	<u>\$28,641,668</u>	
Less: Debt Outside Limitations:		
Total Debt Outside Limitations	<u>27,541,668</u>	
Debt Within 5.5% Limitations	1,100,000	
Less Amount Available in Debt Service Fund	<u>0</u>	
Net Debt Within 5.5% Limitation		<u>1,100,000</u>
Unvoted Debt Margin Within 5.5% Limitation		<u><u>\$9,137,344</u></u>

Source: City Financial Records

City of Orrville, Ohio
Demographic Statistics
Last Five Censuses

<u>Year</u>	<u>Population</u>
2000	8,551
1990	7,712
1980	7,511
1970	7,408
1960	6,511

2000 Census Information:

Sex:	
Male	4,143
Female	4,408
Median Age	35.50
Total Households	3,305
Persons per Household	2.55
Median Income	\$36,500
Median Dollar Value of Housing Units	\$99,500

Source: U.S. Bureau of the Census

City of Orrville, Ohio
Property Value, Construction and Bank Deposits
Last Ten Years

Year	Property Value (2)	Real Property Value			Residential	
		Number of Units	Industrial	Total Value	Number of Units	Construction Value (2)
2002	\$186,133,520	26	\$0	\$186,133,520	21	\$1,832,500
2001	173,436,672	24	18,000	173,454,672	21	2,758,768
2000	169,747,424	26	800,000	170,547,424	23	4,199,766
1999	161,822,510	21	1,500,000	163,322,510	18	2,950,793
1998	161,339,840	27	150,000	161,489,840	26	4,167,556
1997	150,069,868	29	0	150,069,868	29	4,942,274
1996	125,729,575	33	0	125,729,575	29	5,270,594
1995	126,328,768	44	6,000,000	132,328,768	38	4,159,750
1994	124,941,751	36	850,000	268,032,450	31	3,267,470
1993	118,559,247	44	0	118,559,247	43	3,523,300

Sources:

- (1) City building permit reports
- (2) Represents total assessed value

Commercial (1)		Domestic Bank Deposits in County (3)
Number of Units	Construction Value (2)	
5	\$0	\$1,188,627
2	18,000	1,027,953
2	800,000	916,326
2	1,500,000	1,598,818
0	150,000	1,833,954
1	0	1,785,711
4	0	856,765
5	6,000,000	935,634
3	850,000	961,594
1	0	786,000

City of Orrville, Ohio

Principal Employers

December 31, 2002

<u>Employer</u>	<u>Nature of Business or Activity</u>	<u>Approximate Number of Employees</u>
J.M. Smucker Company	Processing of Jams, Jellies and Preserves	600
Quality Castings Company	Manufacturer of Castings	350
Smith Dairy Products Company	Processing of Dairy Products	350
Contours, Incorporated	Fabrication of Formed Wire Products	250
Will-Burt Company, Incorporated	Manufacturer of Heating Equipment	200
University of Akron/Wayne College	Higher Education	200
Rosemont Analytical	Manufacturer of Pnuematic Devices	186
Dunlap Hospital	Health Care	175
Orrville City Schools	Education	170
City of Orrville/Orrville Utilities	Local Government/Public Utilities	156

Source: Wayne County, Ohio; County Auditor

City of Orrville, Ohio

Principal Taxpayers

December 31, 2002

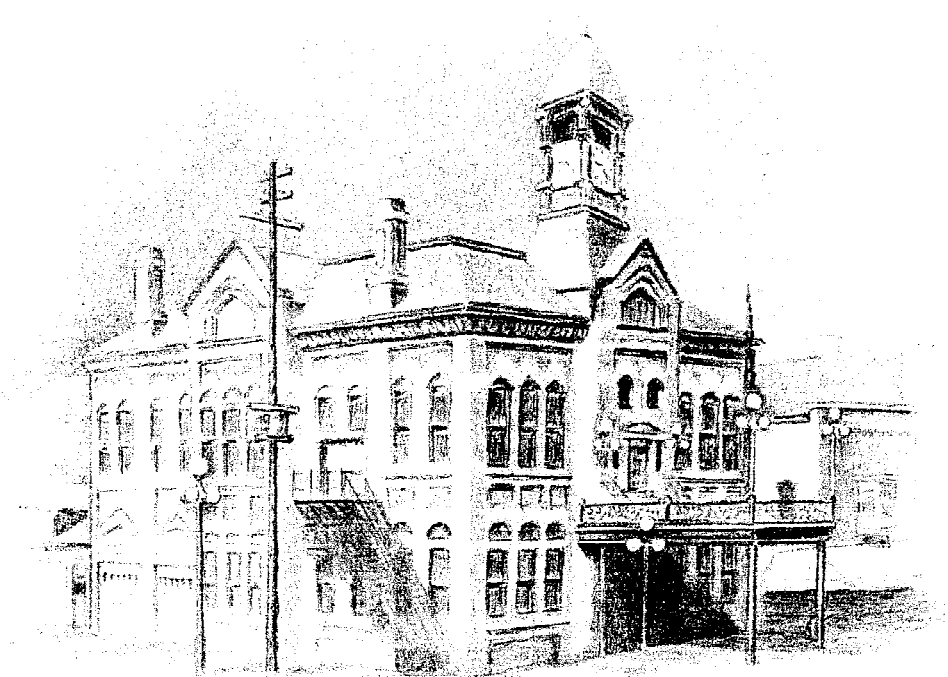
<u>Taxpayer</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
J.M. Smucker Company	\$4,893,110	2.63 %
Smith Dairy Products Company	1,943,490	1.04
Orvilla Inc	1,746,720	0.94
Gradall	1,742,930	0.94
Contours	1,671,780	0.90
Elden Properties	1,526,690	0.82
TS Acquisition	1,262,790	0.67
Renner Family Partnership	1,256,820	0.67
United Telephone	1,094,060	0.59
Will-Burt Company, Incorporated	<u>1,035,790</u>	<u>0.56</u>
Totals	<u>\$18,174,180</u>	<u>9.76 %</u>
Total Assessed Valuation	<u>\$186,133,520</u>	

Source: Wayne County, Ohio; County Auditor

City of Orrville, Ohio
Miscellaneous Statistics
December 31, 2002

Date of Incorporation	October 5, 1951
Form of Government	Charter (Mayor/Council)
Area	3705 acres
Miles of Streets	45
Miles of Storm Sewers	150
Number of Traffic Lights	11
Hospital	1
Employees:	
(Not including Police and Fire)	
Full-Time	141
Part-Time	2
Fire Protection:	
Number of Stations	2
Number of Firefighters and Officers	40
Police Protection:	
Number of Stations	1
Number of Police Officers	
Full-Time	15
Part-Time	3
Building Permits Issued:	
(Including Additions to	
Previously Constructed Buildings)	165
Recreation and Culture:	
Number of Parks	5
Number of Libraries	1
Number of Swimming Pools	1
Number of Tennis Courts	6
Number of Baseball and Softball Diamonds	7
Municipal Utilities:	
Miles of Water Mains	57
Miles of Electric Lines	260
Miles of Sanitary Sewer	42
Number of Consumers:	
Water	
Residential	3,102
Commercial	353
Electric	
Residential	5,843
Commercial	735
Industrial	12
Sewer	
Residential	2,949
Commercial	292

Source: City Records



ORRVILLE CITY HALL EARLY 1900's

Handwritten signature or initials, possibly 'R. H. Myers'.

The first significant structure to serve the government functions of Orrville was constructed on the present site in 1882. The Orrville Town Hall and Opera House was in use until condemned in 1928 because of structural problems. W. H. Myers & Son of Fort Wayne, Indiana, was the general contractor on the building, which cost \$10,000. This building replaced a small wooden structure on the same site, which housed the steam fire engine, lockup and village office.

CITY OF ORRVILLE

**MAYOR
DENNIS STEINER**

**CITY COUNCIL PRESIDENT
DAVID HANDWERK**

CITY COUNCIL MEMBERS

TOM PURDY	RON BRILLHART
DENNIS LANDAW	PHIL KAMP
BOB WEAVER	RICH COREMAN
DEBORAH GARRETT	

**PUBLIC UTILITY BOARD PRESIDENT
ROBERT MAGLIO**

PUBLIC UTILITY BOARD MEMEBERS

JAMES RITCHIE	KEN STUTER
WILLIAM SAMPSON	PHYLLIS GYPE





**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF ORRVILLE

WAYNE 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
JULY 17, 2003**