

CITY OF OBERLIN, OHIO
FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council
City of Oberlin

We have reviewed the Independent Auditor's Report of the City of Oberlin, Lorain County, prepared by Watson, Rice & Company for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 8, 2000

CITY OF OBERLIN, OH

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INDEPENDENT AUDITORS' REPORT

Members of Council
CITY OF OBERLIN, OHIO

We have audited the accompanying general purpose financial statements of the City of Oberlin, Ohio (the City) as of and for the year ended December 31, 1999, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City at December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2000 on our consideration of the City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

Watson Rice & Co.

October 13, 2000

CITY OF OBERLIN, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL MEMORANDUM ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE NONEXPENDABLE TRUST & AGENCY			
ASSETS										
Cash and Cash Equivalents	\$360,677	\$289,077	\$375,238	\$648,821	\$5,794,166	(\$31,896)	\$1,502,168	\$0	\$0	\$8,938,251
Restricted Cash							165,136			165,136
Investments	2,031,110	122,018			4,544,117		4,857			6,702,102
Net Receivables	381,905	303,433	17,950	7,435	1,226,220		40,940			1,977,883
Due From Other Funds	295	165,525	40,563		177,397					383,780
Accrued Interest Receivable	27,016				30,335		80			57,431
Prepaid Expenses	35,150	323			33,169	1,052				69,694
Inventory at Cost					437,403	53,632				491,035
Property, Plant & Equipment					27,143,816	173,045		13,126,738		40,443,599
Less: Accumulated Depreciation					(11,994,583)	(155,518)				(12,150,101)
Amount Available in Debt Service Fund									356,660	356,660
Amount to be provided for Retirement of General Long-Term Obligations									1,510,129	1,510,129
TOTAL ASSETS	<u>\$2,836,153</u>	<u>\$880,376</u>	<u>\$433,751</u>	<u>\$656,256</u>	<u>\$27,392,040</u>	<u>\$40,315</u>	<u>\$1,713,181</u>	<u>\$13,126,738</u>	<u>\$1,866,789</u>	<u>\$48,945,599</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements

CITY OF OBERLIN, OHIO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		GENERAL LONG-TERM OBLIGATIONS	TOTAL MEMORANDUM ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE NONEXPENDABLE TRUST & AGENCY	GENERAL FIXED ASSETS		
LIABILITIES										
Accounts Payable	\$113,532	\$4,024	\$4,032	\$2,494	\$476,341	\$11,273	\$5,274	\$0	\$0	\$616,970
Accrued Wages and Benefits	72,817	11,157			87,832	2,633	49,118			223,557
Compensated Absences	142,402	12,550			161,260	8,163			142,878	467,253
Due To Other Funds	14,629		55,109		90,504		223,538			383,780
Due To Other Agencies	6,370									6,370
Amounts Held as Fiduciary							165,136			165,136
O.P.W.C. Loans Payable					47,884					47,884
O.W.D.A. Loans Payable					2,376,350					2,376,350
Deferred Revenues	343,183	145,435	17,950		1,979,390		40,412			2,526,370
Retainage Payable							10,203			10,203
Revenue Bonds Payable					2,220,000					2,220,000
General Obligation Bonds Payable					267,340				1,200,000	1,467,340
Computer Equipment Note Payable									15,083	15,083
Real Estate Acquisition Bond Payable									508,828	508,828
Deposits Payable							116,180			116,180
TOTAL LIABILITIES	\$692,933	\$173,166	\$77,091	\$2,494	\$7,706,901	\$22,069	\$609,861	\$0	\$1,866,789	\$11,151,304
FUND EQUITY										
Investment in General Fixed Assets								13,126,738		13,126,738
Retained Earnings - Unreserved					19,685,139	18,246	7,974			19,711,359
FUND BALANCE										
Reserve for Debt Service			356,660							356,660
Reserve for Encumbrances	124,603	144,239		30,070			658,089			957,001
Reserve of Endowments							24,700			24,700
Designated for Medical Benefits	38,761									38,761
Unreserved	1,979,856	562,971		623,692			412,557			3,579,076
TOTAL FUND EQUITY/BALANCE	2,143,220	707,210	356,660	653,762	19,685,139	18,246	1,103,320	13,126,738	0	37,794,295
TOTAL LIABILITIES & FUND EQUITY	\$2,836,153	\$880,376	\$433,751	\$656,256	\$27,392,040	\$40,315	\$1,713,181	\$13,126,738	\$1,866,789	\$48,945,599

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

CITY OF OBERLIN, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSE AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPES	TOTAL MEMORANDUM ONLY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	
REVENUE RECEIPTS:						
Property Taxes	\$377,620	\$157,171			\$153,154	\$687,945
Municipal Income Tax					3,292,362	3,292,362
Intergovernmental Receipts	1,142,794	574,391				1,717,185
Charges for Services	46,375	2,310				48,685
Interest Earnings	148,409	11,726			6,901	167,036
Special Assessments			\$34,031			34,031
Administrative Fees	487,452					487,452
Fines, Fees, Licenses and Permits	653,993			127,962	10,810	792,765
All Other Revenue	34,048	75,223			888	110,159
TOTAL REVENUE RECEIPTS	2,890,691	820,821	34,031	127,962	3,464,115	7,337,620
EXPENDITURE DISBURSEMENTS:						
Security of Persons and Property	1,542,398	50,405			188,688	1,781,491
Public Health and Welfare	89,078				1,237	90,315
Leisure Time Activity	245,004			48	1,090	246,142
Community Environment	293,100	210,651			5,430	509,181
Transportation		259,506				259,506
General Government	1,880,207	17,096		8,975	7,284	1,913,562
Other		156			1,229	1,385
Capital Outlays	41,819			4,494	684,288	730,601
Basic Utility Service		60,424				60,424
Debt Service:						
Bond Principal Retirement			238,094			238,094
Note Principal Retirement						
Interest and Fiscal Charges			28,053			28,053
Net Decrease in Fair Value of Investments	5,119				15	5,134
TOTAL EXPENDITURE DISBURSEMENTS	4,096,725	598,238	266,147	13,517	889,261	5,863,888
Total Revenue Receipts Over (Under) Expenditure Disbursements	(1,206,034)	222,583	(232,116)	114,445	2,574,854	1,473,732
OTHER FINANCING SOURCES (Uses):						
Operating Transfers - In	2,232,061	146,499	306,906	21,500	83,000	2,789,966
Operating Transfers - Out	(335,311)	(154,594)			(2,381,000)	(2,870,905)
TOTAL FINANCING SOURCES (USES)	1,896,750	(8,095)	306,906	21,500	(2,298,000)	(80,939)
EXCESS Of Receipts & Other Sources Over (Under) Disbursements & Other Uses	690,716	214,488	74,790	135,945	276,854	1,392,793
Fund Balance - January 1, 1999	1,452,504	492,722	281,870	517,817	894,639	3,639,552
Prior Year Audit Adjustment					(100,847)	(100,847)
Fund Balance - December 31, 1999	\$2,143,220	\$707,210	\$356,660	\$653,762	\$1,070,646	\$4,931,498

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

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

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TRUST	TOTAL MEMORANDUM ONLY
	ENTERPRISE	INTERNAL SERVICE	NON EXPENDABLE TRUST	
OPERATING REVENUES:				
Charges for Services	\$10,136,919	\$206,292	\$0	\$10,343,211
Other Operating	194,493		189	194,682
Back Up-Dedicated Capacity Revenue	279,327			279,327
Income Tax Revenues	387,108			387,108
Personal Property and Real Estate Taxes	191,115			191,115
TOTAL OPERATING REVENUES	11,188,962	206,292	189	11,395,443
OPERATING EXPENSES:				
Operations	1,538,802	226,333	1,029	1,766,164
Maintenance	692,456			692,456
Purchased Power	4,535,229			4,535,229
Distribution	527,102			527,102
Administration	785,529			785,529
Depreciation & Amortization	1,399,134	12,204		1,411,338
TOTAL OPERATING EXPENSES	9,478,252	238,537	1,029	9,717,818
OPERATING INCOME (LOSS)	1,710,710	(32,245)	(840)	1,677,625
NONOPERATING REVENUES (EXPENSES)				
Interest Income	345,355			345,355
Interest Expenses & Fiscal Charges	(306,689)			(306,689)
Net Decrease in Fair Value of Investments	(5,750)			(5,750)
TOTAL NONOPERATING REVENUES (EXPENSES)	32,916	0	0	32,916
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,743,626	(32,245)	(840)	1,710,541
Operating Transfer - In	3,342,361			3,342,361
Operating Transfer - Out	(3,261,422)			(3,261,422)
NET INCOME (LOSS)	1,824,565	(32,245)	(840)	1,791,480
Retained Earnings - January 1, 1999	18,946,225	50,491	33,514	19,030,230
Prior Period Adjustments	(1,085,651)			(1,085,651)
RETAINED EARNINGS AT DECEMBER 31, 1999	\$19,685,139	\$18,246	\$32,674	\$19,736,059

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

CITY OF OBERLIN - LORAIN COUNTY
 COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES - BUDGET & ACTUAL
 NON-GAAP BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	GENERAL FUND			SPECIAL REVENUE FUND		
	BUDGET	ACTUAL RECEIPTS	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL RECEIPTS	VARIANCE FAVORABLE (UNFAVORABLE)
TOTAL RECEIPTS INCLUDING TRANSFERS	\$4,529,693	\$5,081,467	\$551,774	\$1,062,904	\$809,010	(\$253,894)
EXPENDITURES:						
		BUDGETARY ACTUAL EXPENSES		BUDGETARY ACTUAL EXPENSES		
Security of Persons & Property	\$1,542,510	\$1,574,915	(\$32,405)	\$53,200	\$53,200	\$0
Public Health & Welfare	338,135	77,965	260,170	63,539	0	63,539
Leisure Time Activities	0	272,652	(272,652)			
Community Environment	359,290	355,670	3,620	605,170	342,782	262,388
Transportation				281,523	268,117	13,406
General Government	2,096,967	1,880,384	216,583	16,300	17,095	(795)
Capital Outlays	205,035	31,765	173,270	2,500	0	2,500
Debt Service				120	156	(36)
Other						
Basic Utility Service				0	62,963	(62,963)
Other Expenses						
Operating Transfers Out	322,379	335,311	(12,932)	75,540	154,594	(79,054)
TOTAL EXPENDITURES	4,864,316	4,528,662	335,654	1,097,892	898,907	198,985
Excess of Receipts Over(Under) Expenditures	(\$334,623)	\$552,805	\$887,428	(\$34,988)	(\$89,897)	(\$54,909)

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

CITY OF OBERLIN - LORAIN COUNTY
 COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES - BUDGET & ACTUAL
 NON-GAAP BUDGETARY BASIS - ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

	CAPITAL PROJECTS FUND			EXPENDABLE TRUST FUND		
	BUDGET	ACTUAL RECEIPTS	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL RECEIPTS	VARIANCE FAVORABLE (UNFAVORABLE)
TOTAL RECEIPTS INCLUDING TRANSFERS	\$200,000	\$149,579	(\$50,421)	\$3,174,730	\$3,534,409	\$359,679
BUDGETARY EXPENDITURES:		<u>BUDGETARY ACTUAL EXPENSES</u>			<u>BUDGETARY ACTUAL EXPENSES</u>	
Security of Persons & Property				193,130	179,745	13,385
Public Health & Welfare				0	1,237	(1,237)
Leisure Time Activities	0	48	(48)	611	1,090	(479)
Community Environment				6,200	0	6,200
Transportation						
General Government	50	8,001	(7,951)	241,910	14,647	227,263
Capital Outlays	445,000	7,014	437,986	1,827,098	1,064,394	762,704
Debt Service				239,092	0	239,092
Basic Utility Services						
Operating Transfers Out				2,160,516	2,381,000	(220,484)
TOTAL EXPENDITURES	445,050	15,063	429,987	4,668,557	3,642,113	1,026,444
Excess of Receipts Over (Under) Expenditures	<u>(\$245,050)</u>	<u>\$134,516</u>	<u>\$379,566</u>	<u>(\$1,493,827)</u>	<u>(\$107,704)</u>	<u>\$1,386,123</u>

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

**CITY OF OBERLIN, OHIO
 COMBINED STATEMENT OF RECEIPTS AND EXPENDITURES - BUDGET & ACTUAL
 NON-GAAP BUDGETARY BASIS-ALL GOVERNMENT FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999**

	DEBT SERVICE FUND		
	BUDGET	ACTUAL RECEIPTS	VARIANCE FAVORABLE (UNFAVORABLE)
TOTAL RECEIPTS INCLUDING TRANSFERS	\$254,687	\$340,936	\$86,249
EXPENDITURES:		BUDGETARY ACTUAL EXPENSES	
Security of Persons & Property			
Public Health & Welfare			
Leisure Time Activities			
Community Environment			
Transportation			
General Government			
Capital Outlays			
Debt Service	\$261,000	\$262,742	(\$1,742)
Other			
Basic Utility Service			
Other Expenses			
Operating Transfers Out			
TOTAL EXPENDITURES	261,000	262,742	(1,742)
Excess of Receipts Over(Under) Expenditures	(\$6,313)	\$78,194	\$84,507

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

CITY OF OBERLIN, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	TOTAL MEMORANDUM ONLY
	ENTERPRISE	INTERNAL SERVICE	NON EXPENDABLE TRUST	
Operating Activities				
Charges for Services	\$10,000,955	\$206,292		\$10,207,247
Operating Expenses	(8,032,120)	(241,915)	(\$1,029)	(8,275,064)
Other Operating Receipts	1,238,643		189	1,238,832
Other Operating Payments	(379,088)		6,631	(372,457)
Total Cash Provided From Operations	2,828,390	(35,623)	5,791	2,798,558
Non-Capital Financing Activities:				
Operating Transfers In	3,260,449			
Operating Transfers Out	(3,191,572)			(3,191,572)
Total Cash Provided(Used) From Non-Capital Financing Activities	68,877	0	0	(3,191,572)
Investing Activities:				
Purchase of Investments	(112,781)			
Interest Income Earned on Investments	334,191			334,191
Total Cash (Used) by Investing Activities	221,410	0	0	221,410
Capital and Related Financing Activities:				
Purchase of Fixed Assets	(1,036,747)	(8,592)		(1,045,339)
Retirement of Bond & Loan Principal	(515,913)			(515,913)
Interest Expense on Bonds & Loans Payable	(306,689)			(306,689)
Total Cash Provided From Financing Activities	(1,859,349)	(8,592)		(1,867,941)
Net Increase (Decrease) in Cash & Cash Equivalents	1,259,328	(44,215)	5,791	1,220,904
Cash & Cash Equivalents - Beginning of Year	4,534,838	12,319	143,062	
Cash Balance - December 31, 1999	\$5,794,166	(\$31,896)	\$148,853	\$5,911,123
Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities:				
Operating Income(Loss)	\$1,710,708	(\$32,245)	(\$840)	\$1,926,679
Adjustments to Reconcile Change in Retained Earnings to Net Cash Provided from Operations:				
Depreciation Expense	1,399,134	12,204		1,411,338
(Increase) Decrease in Due From Other Funds	(379,088)			(379,088)
(Increase) Decrease in Prepaid Expenses	(28,708)	(990)		(29,698)
(Increase) Decrease in Accounts Receivable	(135,962)			(135,962)
Increase (Decrease) in Accounts Payable	77,346	5,906		83,252
Increase (Decrease) in Accrued Wages	(31,101)	(2,919)		(34,020)
Increase (Decrease) in Compensated Absences	12,518	1,780		14,298
Increase (Decrease) in Due to Other Funds	465,927			465,927
Increase (Decrease) in Deferred Revenue - Current Portion	(279,237)			(279,237)
(Increase) Decrease in Inventory	16,853	(19,359)		(2,506)
Increase (Decrease) in Deposits Held in Trust			6,631	6,631
Total Adjustments	1,117,682	(3,378)	6,631	
Net Cash Provided by Operating Activities	\$2,828,390	(\$35,623)	\$5,791	\$3,047,614

Note: (A) Non-Cash Transactions - The City purchased land with a cost of \$235,340 and incurred General Obligation Debt of the same amount in 1999 as part of a non-cash transaction in the Enterprise Fund.

(B) Non-Cash transfers out & transfers in of \$81,912 and \$69,850, respectively, related to fixed assets transferred from the equipment replacement reserve fund to other funds are not included in this schedule.

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

CITY OF OBERLIN - Lorain County
Notes to Financial Statements
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

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

B. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized when they become measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term obligations, which is recognized when due. Accordingly, the assets and related liabilities are

CITY OF OBERLIN - Lorain County
Notes to Financial Statements - (Continued)
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

recognized when the assets become both measurable and available. Agency assets and liabilities are recognized on the modified accrual basis and do not involve a measurement focus.

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

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

C. Fund Accounting

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

Governmental Funds

General Fund

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

Special Revenue Funds

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

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds (Continued)

- Street Construction Maintenance and Repair
- State Highway Improvements
- Library Levy
- CDBG Business
- County Recycling
- State Recycling
- D.A.R.E. Grant
- CDBG - Community Housing Improvement Program
- Ohio Department of Natural Resources Grant
- C.O.P. Grant
- Fire Training Fund
- CDBG Housing Rehabilitation Revolving Loan Program
- Vacation/Sick Leave Fund
- After School Program Fund

Debt Service Funds

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

- General Obligation Debt
- Councilmatic Debt
- Special Assessments Debt

Capital Projects Funds

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

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

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Enterprise Funds

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

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

Internal Service Funds

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

- Central Garage
- Office Inventory
- General Plant Supplies

Fiduciary Funds

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

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trust Funds

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

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

Agency Funds

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

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Funds (Continued)

Oberlin Municipal Court
Utility Escrow / Underground Utilities
Water Escrow - Central
Walter Jones Escrow
Akil Construction Fund
Fox Excavating Escrow
Northbay Escrow
Erie Blacktop Escrow

Account Groups

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

D. Cash and Cash Equivalents

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

E. Investments

The City uses an internal investment pool for most of its investments. Each fund's principal investment amount is shown as an investment in that fund. All internal investment pool investments except the City's \$1,000,000 - Federal Home Loan Mortgage Corporation (FHLMC)-CL are reported in the financial statements at amortized cost because the investments had a remaining maturity value of one year or less at the time of purchase by the City and therefore qualified as market investments. The FHLMC-CL investment had a remaining maturity value of two years at the date of the City's purchase. The City recognized a \$10,884 loss on the fair market value of this investment between 1999 and 1998. This basis is allocated among funds based on each fund's principal prorata share of this investment.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments – (Continued)

The City of Oberlin also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999.

F. Inventories

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

G. Fixed Assets

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

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

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

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

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

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

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

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Intergovernmental Revenues

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

I. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets, and service debt. The accompanying combined financial statements generally reflect such transactions as operating transfers. To the extent that certain transactions between funds had not been paid or received as of December 31, 1999, interfund amounts due from or due to have been recorded.

J. Accounting and Financial Reporting for Proprietary Funds

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

K. Total Columns on Combined Statements

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

Note 2 LEGAL COMPLIANCE - BUDGETS

Budget and Budgetary Accounting

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

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 2 LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Tax Budget

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

Estimated Resources

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

Appropriation

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

Encumbrances

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

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

Budget Basis of Accounting

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

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 2 LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Budgetary Reporting

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

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

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

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

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow.

Excess of Revenue and Other Sources
Over (Under) Expenditures and Other Uses -
Reconciliation of GAAP Basis to Budget Basis

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Expendable Trust Funds</u>
Budget Basis Surplus (Deficit)	\$552,805	\$(89,897)	\$78,194	\$134,516	\$ (107,704)
Revenue Accruals Adjustments	41,285	158,310	0	(117)	12,706
Expenditure Accruals	96,626	146,075	(3,406)	1,546	371,852
Adjustments					
GAAP Basis, As Reported	<u>\$690,716</u>	<u>\$214,488</u>	<u>\$74,790</u>	<u>\$ 135,945</u>	<u>\$ 276,854</u>

Note 3 PROPERTY TAX

The City's real property tax is levied each January 1st on the assessed value of the property on October 1st of the previous year. Assessed values are established by the County Auditor at 35% of current market value, and reappraisal of all property is required every six years with triennial update. The last reappraisal was completed for tax year 1994. The assessed values per category applicable to 1999 and 1998 collections are as follows:

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 3 PROPERTY TAX (CONTINUED)

	<u>Collection Year 1999</u>	<u>Tax Valuation Year 1998</u>
<u>Real Property</u>		
Real Estate		\$50,967,020
Personal Property		<u>25,350,080</u>
Sub-Total Real Property		<u>\$76,317,100</u>
 <u>Tangible Personal Property</u>		
General		\$18,158,793
Public Utilities		<u>2,482,190</u>
Total Valuation		<u>\$96,958,083</u>

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

The tax rate levied to finance the City's services and debt service obligations for the year ended December 31, 1999, was \$11.23 per \$1,000 of real estate and personal property valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was 7.220829 per \$1,000 of assessed valuation for real property classified residential/agriculture and 7.300386 per \$1,000 assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

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

A receivable totaling \$711,985 and corresponding deferred revenue have been recorded in the various funds of the City, including \$36,320 for the portion of the taxes levied prior to December 31, 1999 which are delinquent, and \$675,665 which was levied on January 1, 1999 on the assessed value of property on October 1, 1999. This amount is measurable, but not available in the current period.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 4 CITY INCOME TAX

The City Income tax is applied to the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. The tax rate was 1.7% of earnings for 1999. Employees within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individuals are required to estimate these taxes quarterly and file a declaration annually.

Note 5 INTERFUND TRANSACTIONS

During the course of normal operations, the City had numerous transactions between funds, most of which are in the form of transfers of resources to provide services or to service debt. The accompanying financial statements generally reflect such transactions as operating transfers. To the extent that certain transactions between funds had not been paid or received as of December 31, 1999, interfund amounts receivable or payable have been recorded. Individual fund interfund receivable and payable balances at December 31, 1999 are as follows:

<u>Fund</u>	<u>Due from Other Funds or Interfund Receivables</u>	<u>Due to Other Funds or Interfund Payables</u>
General Fund	\$ 295	\$ 14,629
Special Revenue Funds:		
- Library Funds	14,546	
- Issue II Fund	137,045	
- State Highway	1,115	
-Street Maintenance & Repair	12,819	
Debt Service Funds:		
-Debt		55,109
-Special Assessment Debt	40,563	
Expendable Trust Fund:		
- Fire Pension Fund		4,847
- Income Tax Fund		137,045
- Claim Fund		75,376
Enterprise Funds:		
- Joint Facilities Fund	90,504	
- Sewer Fund	695	
- Electric Fund	75,376	90,504
- Refuse Fund	4,847	
- Water Reserve Fund	<u>5,975</u>	<u> </u>

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 5 INTERFUND TRANSACTIONS (CONTINUED)

	<u>Due from Other Funds or Interfund Receivable</u>	<u>Due to Other Funds or Interfund Payables</u>
Agency Funds:		
- Williams Brothers Escrow		295
- Central Escrow		<u>5,975</u>
Total Current Interfund/Receivables/ Payables at 12/31/99	<u>\$383,780</u>	<u>\$383,780</u>

Note 6 CHANGES IN GENERAL FIXED ASSET GROUP OF ACCOUNTS

<u>Balance 01-01-99</u>	<u>1999 Additions</u>	<u>1999 Disposals</u>	<u>Balance 12-31-99</u>
<u>\$11,881,276</u>	<u>\$1,315,462</u>	<u>\$ -0-</u>	<u>\$13,126,738</u>

Note 7 FIXED ASSETS & RELATED DEPRECIATION – PROPRIETARY FUNDS

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

<u>Asset Class</u>	<u>Balance 12-31-99</u>	<u>Depreciation Method</u>	<u>Useful Life</u>
<u>Enterprise Funds</u>			
Land	\$ 819,140	N/A	N/A
Buildings	3,471,033	Straight Line	20 to 45 yrs.
Furniture & Equipment	1,631,745	Straight Line	5 to 7 yrs.
Electric Generator/Engine	1,557,298	Straight Line	10 yrs.
Vehicles	1,327,135	Straight Line	7 yrs.
System Improvement	18,257,603	Straight Line	20 yrs.
Computer Equipment	<u>79,862</u>		
Total	<u>\$ 27,143,816</u>		

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 7 FIXED ASSETS & RELATED DEPRECIATION – PROPRIETARY FUNDS
(CONTINUED)

	<u>Balance</u> <u>12-31-99</u>	<u>Depreciation</u> <u>Method</u>	<u>Useful Life</u>
Less Accumulated Depreciation	\$ (11,994,858)		
Net Fixed Assets-Enterprise Fund	\$ 15,148,958		
<u>Internal Service Funds</u>			
Buildings	\$ 51,100	Straight Line	25 yrs.
Furniture & Equipment	121,945	Straight Line	7 yrs.
Sub-Total	\$ 173,045		
Less Accumulated Depreciation	\$ (155,518)		
Net Fixed Assets – Internal Service Funds	\$ 17,527		

Note 8 PENSION PLAN OBLIGATIONS

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

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City of Oberlin's contributions to PFDPF for the years ending December 31, 1999, 1998 and 1997 were \$184,882, \$169,533, and \$155,658, respectively, equal to the required contributions for each year.

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

CITY OF OBERLIIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 8 PENSION PLAN OBLIGATIONS (CONTINUED)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% for employees other than law enforcement. All City of Oberlin employees contribute to PERS at the employee contribution rate of 8.5%. The 1999 employer contribution rate for the City of Oberlin was 13.55% of covered salary. The City of Oberlin's contribution to PERS for the years ending December 31, 1999, 1998 and 1997 were \$452,436, \$425,730 and \$380,921 respectively, equal to the required contributions for each year.

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

Note 9 COMPENSATED ABSENCES

In accordance with Governmental Accounting Standards' Board (GASB) Statement 16, the City has accrued a liability for compensated absences (vacation and sick leave) at December 31, 1999, along with any salary-related payments associated with the payment of compensated absences. For governmental and similar trust funds, the City recognized the current portion of this liability at December 31, 1999, that is expected to be liquidated with expendable available financial resources. The remainder of the compensated absences liability for governmental and similar trust funds is reported in the general long term debt account group. Proprietary funds report the entire liability for compensated absences calculated at December 31, 1999.

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

All full-time employees earn sick leave at the rate of 4.6 hours for each pay period worked. Employees who work a 35 hour work week can accumulate a maximum of 210 hours of accrued sick time. Employees working a 37.5 hour work week accumulate a maximum sick pay accrual of 225 hours and employees working a 40 hour work week can accumulate a maximum accumulated sick leave balance of 240 hours. As of December 31, 1999, the total estimated liability for all unpaid compensated absences was \$467,253 for all funds and account groups.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 10 DEBT OBLIGATIONS

Debt outstanding at December 31, 1999 consists of the following:

General Obligation -Library Bonds - General Long-Term Debt Group of Accounts		
Principal Outstanding	\$1,020,000	
Interest Rate		6.875%
General Obligation - Downtown Improvement Bonds General Long Term Debt Group of Accounts		
Principal Outstanding	\$ 84,183	
Interest Rate		8.750%
General Obligation - Computer System Acquisition Bond		
Principal Outstanding	\$ 15,083	
Interest Rate		3.5%
General Obligation – Real Estate Acquisition Bonds Recreation Facility	\$ 508,828	5.5%
General Obligation Bonds - Enterprise Fund Noncouncilmatic:		
Principal Outstanding	\$ 32,000	
Interest Rate		3.625%
Mortgage Revenue Bonds – Enterprise Fund		
Principal Outstanding	\$2,220,000	
Interest Rate		4.20% to 7.10%
Special Assessment Bonds - General Long- Term Debt Group of Accounts		
Principal Outstanding	\$ 95,857	
Interest Rate		8.750%
Real Estate Acquisition Bond - For Joint Facilities Building Enterprise Fund		
Principal Outstanding	\$ 235,340	
Interest Rate		3%

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 10 DEBT OBLIGATIONS (CONTINUED)

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

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

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

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

The annual requirements to amortize all bonded debt outstanding as of December 31, 1999, including interest payments of \$1,317,018 are as follows:

Year Ending <u>December 31</u>	General Obligation <u>Bonds</u>	Mortgage Revenue <u>Bonds</u>	Special Assessment <u>Bonds</u>	Real Estate Acquisition <u>Bonds</u>
2000	\$ 195,631	\$ 313,080	\$24,364	\$299,504
2001	176,762	314,060	22,966	59,575
2002	164,088	309,385	21,568	57,710
2003	162,017	314,265	20,170	55,844
2004	159,603	313,220	18,772	53,978
2005	161,845	311,460	17,374	52,112
2006	144,375	313,965		50,247
2007	146,812	310,195		48,381
2008	148,563	310,635		46,515
2009	149,625			44,650
2010-2014				<u>195,263</u>
Total	<u>\$1,609,321</u>	<u>\$2,810,265</u>	<u>\$125,214</u>	<u>\$963,779</u>

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 10 DEBT OBLIGATIONS (CONTINUED)

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

	Balance	1999	1999	Balance
	<u>01-01-99</u>	<u>Liquidation</u>	<u>New Issues</u>	<u>12-31-99</u>
<u>General Obligation Bonds</u>				
City Hall Complex	\$ 35,000	\$ (35,000)	\$ 0	\$ 0
Fire Station	20,000	(20,000)	0	0
Library	1,085,000	65,000	0	1,020,000
Downtown Improvement	98,167	(14,024)	0	84,143
Sub-Total	<u>\$1,238,167</u>	<u>\$134,024</u>	<u>\$ 0</u>	<u>\$1,104,143</u>
<u>Special Assessment</u>				
Downtown Improvement	\$ 111,833	\$ (15,976)	\$ 0	\$ 95,857
Total General Obligation Debt	1,350,000	150,000	0	1,200,000
Computer Equipment Bond	<u>28,552</u>	<u>(13,469)</u>	<u>0</u>	<u>15,083</u>
<u>Real Estate Acquisition</u>				
<u>Bonds</u>				
Recreation				
Total General Long-Term Debt	<u>\$1,378,552</u>	<u>\$163,469</u>	<u>\$508,828</u>	<u>\$1,723,911</u>
Group of Accounts				

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

	Balance	1999	1999	Balance
	<u>01/01/99</u>	<u>Liquidation</u>	<u>New Issues</u>	<u>12/31/99</u>
<u>General Obligation Bonds</u>				
Water Bonds	\$ 48,000	\$(16,000)		\$ 32,000
<u>Mortgage Revenue Bonds</u>				
1988 Issue – Sewer	165,000	(165,000)		0
1993 Issue – Sewer	2,250,000	(30,000)		2,220,000
<u>Real Estate Acquisition</u>				
Joint Facility Debt	<u>0</u>	<u>(120,000)</u>	<u>\$356,250</u>	<u>235,340</u>
Total Enterprise Bond Debt	<u>\$2,463,000</u>	<u>\$(331,910)</u>	<u>\$356,250</u>	<u>\$2,487,340</u>

Note 11 LONG TERM FINANCIAL OBLIGATIONS OTHER THAN BONDS AND NOTES

The City has entered into loan agreements with the Ohio Water Development Authority (OWDA) pursuant to which OWDA provided funds to the City for improving the municipal sewage collection and treatment facilities and water line replacement. The City's outstanding obligations for OWDA debt at December 31, 1999 were \$2,376,350. This requires combined annual principal and interest payments, in the approximate amount of \$346,364 through 2005 and \$173,058 through 2016. The final OWDA principal and interest payment are due on 2016.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 11 LONG TERM FINANCIAL OBLIGATIONS OTHER THAN BOND AND NOTES (CONTINUED)

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

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

The City has also entered into loan agreements with the Ohio Public Works Commission (OPWC) pursuant to which OPWC provided funds to the City for water treatment and sewer collection improvements. The City's annual obligations under the two aforementioned loans are \$7,391 and \$8,806 respectively with the final payments due 2003 and 2002 respectively for these loans. The total outstanding principal balance on the OWDA debt at December 31, 1999 was \$47,884.

Note 12 DEPOSITS - Ohio law requires that deposits be placed in eligible banks or building and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate face value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation.

At year-end the carrying amount of the City's deposits, was \$8,938,251 and the bank balance was \$9,767,060. Deposits of \$200,000 were collateralized by FDIC insurance, \$8,523,228 were collateralized by a pool pursuant to Section 135.181, Revised Code, on which the City has a proportionate interest and \$1,043,832 were not collateralized.

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

The City's investments included a \$15,083 internal investment in City of Oberlin Computer Bonds, investments of \$3,839,344 in the State Investment Pool (STAR-Ohio), investments of \$394,408 held by a trust department in the name of the City to be used

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 12 DEPOSITS (CONTINUED)

for the retirement of outstanding sewer debt and \$2,453,267 of investments in federal securities. A detailed listing of these investments is disclosed below.

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

<u>Type of Investment</u>	<u>Credit Risk Category</u>	<u>Carrying Value</u>	<u>Market Value</u>
U. S. Treasury Bills	2	\$ 394,408	\$ 397,851
City of Oberlin Bonds	1	15,083	15,083
State Treasurer's Investment Pool – Star Ohio	3	3,839,344	3,839,344
Federal Home Loan Bank Consolidated Discount Note	2	487,095	497,960
FFCB	2	499,490	499,090
Federal Home Loan Mortgage Corporation	2	989,814	989,814
Federal National Mortgage Association – Discount Note	2	476,868	487,254
		<hr/>	<hr/>
TOTAL INVESTMENT AT 12/31/99		<u>\$6,702,102</u>	<u>\$6,726,396</u>

Additional Legal Requirements - Statues further require the classification of monies held by the City into three categories. Category 1 consists of "Active" Monies, those monies required to be kept in the "cash" or "near cash" status for immediate use by the City. Deposits of \$8,438,251 fall within this classification.

Category 2 consist of "inactive" monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Inactive deposits may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories. The City had \$500,000 of inactive Certificate of Deposits at December 31, 1999 with Provident Bank.

Category 3 consists of "interim" monies, those monies which are not needed for immediate use, and will not be needed before the end of the current period of depositories. At December 31, 1999, interim monies of \$6,702,102 were invested by the City, including \$2,847,675 of U.S. Government Securities and \$3,839,344 in the State Treasurer's Investment Pool. An additional \$15,083 was invested in City of Oberlin Bonds.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 13 OPERATING TRANSFERS

The City's Combined Statement of Revenues, Expenditures, and Changes in Fund Equity for all governmental fund types and expendable trust funds and the Statement of Revenues, Expenses, and Changes in Retained Earnings for all proprietary fund types display the total of operating transfers in an out for the fiscal year ended December 31, 1999. A reconciliation of these operating transfers is detailed as follows:

<u>Fund</u>	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
General Fund	<u>\$2,232,061</u>	<u>\$ 335,311</u>
Special Revenue Funds:		
Library	\$ 1,799	
Street Maintenance & Repair	65,000	139,594
C.O.P Grant	40,000	
County Recycling	30,000	15,000
Dare Grant	<u>9,700</u>	
Total Special Revenue Funds	<u>\$ 146,499</u>	<u>\$ 154,594</u>
Debt Service Funds:		
Councilmatic Debt	\$ 113,231	
General Obligation Debt	154,094	
Special Assessment Debt	<u>39,581</u>	
Total Debt Service Funds	<u>\$ 306,906</u>	
Capital Projects		
Fire Truck Construction Fund	\$ 15,000	
Computer Construction Fund	<u>6,500</u>	
Total Capital Project Funds	<u>\$ 21,500</u>	
Expendable Trust:		
Income Tax Fund	\$	\$2,347,000
Unemployment Compensation	5,000	
Police Pension	74,000	
Fire Pension	4,000	
Permanent Police Levy		<u>34,000</u>
Total Expendable Trust Funds	<u>\$ 8,300</u>	<u>\$2,381,000</u>

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 13 OPERATING TRANSFERS (CONTINUED)

Enterprise Funds:		
Equipment Replacement Fund	\$ 84,519	\$ 81,912
Solid Waste Fund	69,850	60,000
Sanitary Sewer Funds	838,172	735,921
Water Funds	250,000	280,000
Electric Funds	<u>2,099,820</u>	<u>2,102,820</u>
Total Enterprise Funds	\$3,342,361	\$3,261,422
TOTAL ALL FUNDS	<u>\$6,132,327</u>	<u>\$6,132,327</u>

Note 14 RISK ASSESSMENT

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

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

Upon withdrawal from BORMA, a participant is responsible for the payment of all liabilities occurring as a result of withdrawal from the respective program.

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

Note 15 OTHER POST EMPLOYMENT BENEFITS

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

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 15

OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

PERS

The Public Employees Retirement System provides post retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retiree. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered another Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides the statutory authority for employer contributions. The 1999 employer contribution rate was 13.31% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1999.

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

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

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

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998 employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. The health care expenses paid by the City for 1999 was \$142,766 out of total employer PERS payments of \$452,434. Under the prior method, accrued liabilities and normal cost rates were determined for retirement health care coverage.

CITY OF OBERLIN - Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 15

OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

OHIO POLICE & FIRE PENSION FUND (OP&F)

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

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

Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The Board defined allocation was 6.5% and 7.0% of covered payroll in 1998 and 1999, respectively. The allocation is 7.25% in 2000.

The number of participants eligible to receive health care benefits as of December 31, 1998 are 11,424 for Police and 9,186 for Firefighters. The portion of the employers' contributions that was used to pay post retirement benefits was \$47,182 for police and \$13,517 for firefighters for the year ending December 31, 1999. The fund's total health care expense for the year ending December 31, 1998 was \$78,596,790.

Note 16

PRIOR PERIOD AUDIT ADJUSTMENTS

A. Decrease of Beginning Retained Earnings – Electric Fund \$1,186,499

The City of Oberlin (City) entered an agreement with American Municipal Power – Ohio, Inc. – (AMP-Ohio) in 1993 to assist AMP-Ohio in constructing a hydroelectric plant called the Bellville Hydroelectric Project. As part of the City's agreement with AMP-Ohio, the City was required to defease its outstanding electric fund mortgage revenue bonds. AMP-Ohio in behalf of the City defeased these bonds and paid the City about \$800,000 cash. The total value of the defeasance plus cash payment was \$3,045,707. This \$3,045,707 amount was shown as deferred revenue on the City's 1993 financial statements.

CITY OF OBERLIN – Lorain County
Notes to Financial Statements (Continued)
December 31, 1999

Note 16 PRIOR PERIOD AUDIT ADJUSTMENTS (CONTINUED)

A. Decrease of Beginning Retained Earnings – Electric Fund (Continued)

The City was required to provide backup dedicated power to AMP-Ohio for a period of 13 years from June 1996 through May 2009 to retire the deferred revenue amount. Prior year financial statements misreported the amortization of the deferred revenue resulting in the over-recovery of deferred revenue in prior year by \$1,186,499. This prior period audit adjustment increases deferred revenue by \$1,186,499 and decreases beginning retained earnings by the same amount according to the amortization agreement between the City and AMP-Ohio.

B. Misclassification of Revenue & Expense Activity Between
Claim Fund (Expendable Trust Fund) and Electric Fund - \$100,847

The City of Oberlin had a fire in one of its electric fund owned buildings in 1997 which damaged the building and destroyed some equipment inside. The insurance proceeds as well as expenses and costs incurred to repair the building and replace the equipment were processed by the City in its expendable trust fund called the claim fund. Proper accounting treatment would be to process all this activity in the electric fund. This prior period audit adjustment reclasses all the activity from the claim fund to the electric fund resulting in a decrease in beginning fund balance for the claim fund by \$100,847 and increasing the beginning retained earnings of the electric fund by the same amount.

Note 17 ALLEGED EMPLOYER THEFT

A former Oberlin Municipal Court (Court) employee has been indicated for the alleged theft of court funds of about \$1,700. The Court intends to pursue this matter through the legal process. Recovery is expected either from the former employee or if this is unsuccessful, through the Court's insurance carrier. The alleged theft is not material to either the City of Oberlin or the Oberlin Municipal Court operations.

CITY OF OBERLIN, OHIO
 SEGMENT INFORMATION - ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>ELECTRIC</u>	<u>SEWER</u>	<u>WATER</u>	<u>SOLID WASTE</u>	<u>CABLE PROGRAMMING</u>	<u>EQUIPMENT REPLACEMENT</u>	<u>TOTAL ENTERPRISE FUNDS</u>
OPERATING STATEMENT:							
Operating Revenues	\$7,714,820	\$1,802,726	\$1,230,952	\$410,361	\$30,103	\$0	\$11,188,962
OPERATING EXPENSES:							
Operations	458,795	438,982	348,802	292,223			1,538,802
Maintenance	580,387	7,732	39,063	10,000		55,274	692,456
Purchased Power	4,535,229						4,535,229
Distributions	185,959	128,048	213,095				527,102
Administration	538,362	96,186	146,532	4,411		38	785,529
Depreciation & Amortization	543,803	493,022	307,657	52,272	2,380		1,399,134
							0
Total Operating Expenses	6,842,535	1,163,970	1,055,149	358,906	2,380	55,312	9,478,252
OPERATING INCOME (LOSS)	872,285	638,756	175,803	51,455	27,723	(55,312)	1,710,710
Non-Operating Revenues (Expenses)	169,276	(204,407)	(34,966)			103,013	32,916
Net Transfers	(3,000)	102,251	(30,769)	9,850		2,607	80,939
NET INCOME (LOSS)	\$1,038,561	\$536,600	\$110,068	\$61,305	\$27,723	\$50,308	\$1,824,565
OTHER INFORMATION:							
Net Working Capital	5,694,559	2,293,203	1,428,513	96,442	24,535	1,171,248	10,708,500
Fixed Assets: Net of Allowable	5,884,421	5,416,804	3,577,383	255,149	15,476	0	15,149,233
Total Assets	12,270,951	8,041,801	5,255,834	549,651	40,011	1,233,792	27,392,040
Bonds & OWDA Loan Payable	235,340	3,840,144	836,090				4,911,574
Total Equity	9,666,300	4,140,536	4,315,452	351,592	40,011	1,171,248	19,685,139

WATSON RICE & CO

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

Members of City Council
City of Oberlin, Ohio

We have audited the financial statements of the City of Oberlin, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated October 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated October 13, 2000.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions on page 38 and are identified as items 99-1 through 99-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions 99-1, 99-4 and 99-7 to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated October 13, 2000.

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

Watson Rice & Co.

October 13, 2000

CITY OF OBERLIN
Summary of Reportable Conditions
December 31, 1999

99-1 Bank Reconciliations Not Completed Time

The City made some improvement in reconciling its bank reconciliations during 1999. Some of the larger bank reconciliations that were not reconciled timely in 1998 were reconciled during 1999. However, the City's General Checking, the City's largest checking account was not reconciled timely. The City's STAR investment account also was not reconciled in a timely manner. Effective cash flow analysis, overall financial planning and the preparation of reliable internally generated financial data and financial statements is potentially compromised when bank reconciliations and any necessary adjustments to the accounting records are not properly performed in a timely manner.

Generally accepted accounting principles require that bank reconciliations be performed in a timely manner and necessary adjustments reflected in the accounting records.

Recommendation

The City should reconcile its bank accounts in a more timely manner and reflect any changes noted in this reconciliation in its accounting system.

Management's Response

The City intends to have bank reconciliations performed in a timely manner for the year ending December 31, 2000.

99-2 Inadequate Planning and Execution of Appropriated Transfers

The City made numerous transfers for the year ending December 31, 1999 in late December 1999. Several of these transfers transactions did not balance (transfers in did not equal transfers out because transfers were recorded backwards in the general ledger). These errors not only caused problems in reconciling transfer activities but also caused related difficulties in completing bank reconciliations for some of the larger city checking accounts.

Most of these transfers were authorized and approved by the City council prior to late 1999. By not reflecting these transfers in a more timely manner, the respective funds financial results could not be compared to budgeted amounts efficiently or effectively. Additionally, by not making these transfers until late 1999, the City was effectively denied the possibility of issuing an amended Certificate of Estimated resources or amended appropriation measure that more closely reconciled to its general ledger.

CITY OF OBERLIN
Summary of Reportable Conditions (Continued)
December 31, 1999

99-2 Inadequate Planning and Execution of Appropriated Transfers (Continued)

Recommendation

The City should develop better planning procedures for making properly authorized and appropriated transfers. Whenever sufficient cash balances exist in a particular fund to make a transfer out, the transfer transaction should be executed. The City should also reconcile transfer transactions in its general ledger every month. The timely execution of transfers will not only improve the accuracy of financial statements and make bank reconciliation easier, it will also allow the City to develop more accurate "Amended Certifications of Estimated Resources" and more accurate final amended appropriation measures.

Management Response

The City will make all transfers in 2000 in a more timely manner and reconcile these transfers in the City's general ledger.

99-3 Excessive Distribution from Equipment Replacement Reserve Fund to Fire Truck Construction Fund

The City of Oberlin has established an equipment replacement reserve fund for the express purpose of receiving transfers in from other funds and then making capital purchase for these funds. When the purchases are completed, the fixed assets are transferred out to either the general fixed asset group of accounts or to the appropriate enterprise or internal service fund. A basic requirement of this fund is that purchases or transfers out can not be made in behalf of a specific fund unless that fund's prorata cash share of total equipment replacement reserve fund cash balance exceeds the cost of future fixed asset purchases for that fund. The Fire Truck Construction Fund (a Capital Projects Fund) has received transfers in of \$140,000 more from the Equipment Replacement Reserve Fund (reserve fund) than transfers out it made to the reserve fund. This means that other funds which have contributed to the Equipment Replacement Reserve Fund are subsidizing the Fire Truck Construction Fund.

Recommendation

The Fire Truck Construction Fund should reimburse the Equipment Replacement Reserve Fund \$140,000 for the excess transfers made out of the reserve fund to the construction fund. In addition, detailed subsidiary schedules should be maintained of each fund's cumulative cash balance share of the total reserve fund and purchases that cost in excess of a specific funds cash balance should not be made in behalf of that fund unless and until sufficient cash is received from that fund to support the capital expenditure. This procedure will eliminate the possibility of some funds subsidizing capital purchases for other funds.

Management Response

General governmental funds available for capital improvements were included in the balance of the Equipment Replacement Reserve Fund and were used for this fire truck purchase. The City feels no transfer is necessary.

CITY OF OBLERIN
Summary of Reportable Conditions (Continued)
December 31, 1999

99-4 Inadequate Support for Expensed Charged to Enterprise Funds

The City's finance department performs numerous accounting services for the Enterprise funds (Electric, Water, Sewer and Refuse funds). These services include all customer billings, cash collecting, maintenance of customer account balances, processing and paying invoices, payroll processing for enterprise fund employees, procurement and contracting services for these funds and general accounting services such as banking, bank reconciliations and similar items. For these services, the enterprise funds are charged monthly administrative service charge which recognized as expenses for these funds and general fund revenue. The City could not provide supporting documentation for how the monthly administrative charge was determined or whether the charges were reasonable, equitable and supportable for the services render.

Recommendation

The City needs to develop, maintain and retain written support for the charges assigned to the enterprise funds. This support would probably require time studies of finance department work as it relates to enterprise fund's work to total time worked. The City may also use any allocation methodology which is reasonable and results in the equitable and consistent allocation of costs between city funds.

Management's Response

A reasonable allocation methodology is currently being developed.

99-5 City's General Ledger and Unaudited Financial Statements Do Not Differentiate Capital Items and Expense Items

The City has established a \$1,000 unit cost threshold for determining whether an item should be capitalized or expensed. Unit costs of items costing less than \$1,000 per item are required to be expensed according to City policies. Many items with unit costs of less than \$1,000 per item were included in the City's general ledger capital accounts. Other large dollar repair and expense items were also incorrectly included in general ledger capital account. To a lesser extent, some capital items are included in other expense categories in the general ledger .

The inability to determine current year fixed asset additions by reviewing and classifying fixed asset additions by type from the capital expense account in the general ledger and instead having to review all current year activity in the capital expense account and certain maintenance and other general government expense accounts not only significantly increases the time and effort involved in determining current year fixed asset additions but also significantly increases the likelihood that fixed assets may not be fairly stated for the year. In addition, the cumulative effect of any errors that might occur as the result of the miscoding of capital additions in the general ledger, may result in significant audit adjustments when the physical observation of fixed assets is reconciled to the City's detailed listing of fixed assets.

CITY OF OBERLIN
Summary of Reportable Conditions (Continued)
December 31, 1999

99-5 City's General Ledger and Unaudited Financial Statements Do Not Differentiate Capital Items and Expense Items – (Continued)

Recommendation

The City needs to take greater care in coding cash disbursement activity between capital outlays (fixed asset additions) and expenses. Items with a unit cost of less than \$1,000 per item must be expensed. Maintenance and repair items need to be expensed regardless of cost. In some cases, finance department personnel will need to discuss certain items with requisitionary departments to determine whether an item should be capitalized or expensed.

The City may also have to amend some funds appropriation measures so that capital outlays and other expense categories are consistent with actual operating results.

Management's Response

The City intends to comply with its capitalization policy in 2000 which will correct this weakness.

99-6 Internal Control Weaknesses – Oberlin Municipal Court

There were several internal control weaknesses over cash receipts in the Oberlin Municipal Court (Court) in 1999. These weaknesses included the lack of details of deposits to the bank, access to unused tickets and unauthorized access to case files after normal work hours in the Court during late 1998 and early 1999. These weaknesses resulted in the alleged theft of Court funds by a former employee of the Court of about \$1,700.

The Court detected the alleged theft in 1999 and instituted the following corrective procedures:

1. Copies of all checks and money orders are made when received. A cash receipts journal is run for each batch. When a batch is deposited, copies of the checks and money orders are attached. The cash receipts journal and deposit slip are compared for totals and separate items.
2. Unnumbered tickets are locked in a file cabinet at night and the key deposited with the Oberlin Police Department overnight. During the day when the Deputy Clerk is working on new tickets, they are kept in her drawer.
3. No overtime without permission.

CITY OF OBERLIN
Summary of Reportable Conditions (Continued)
December 31, 1999

99-6 Internal Control Weaknesses – Oberlin Municipal Court (Continued)

Recommendation

The Court's revised procedures are adequate to correct the internal control weaknesses that resulted in the alleged employee theft. Continued supervision and oversight by the appropriate Court employee and officials to ensure that the prescribed policies and procedures are being followed and adhered to by all Court employees is necessary to ensure that future weaknesses do not occur.

Court's Response

The Court is rigorously reviewing and monitoring its internal controls over cash receipts to ensure that effective controls exist and are being adhered to by all employees.

99-7 Physical Fixed Assets Observations Not Reconciled with Audited Fixed Asset Amounts

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

The City maintains a summary schedule of its fixed assets for the general fixed asset accounts group. Each year additions and deletions are added (subtracted) to the cumulative total from the previous year. The total does not distinguish fixed assets by type (i.e., - land, equipment, furniture and fixtures, etc.). Such a classification of fixed assets by type is a required disclosure for fixed assets for governmental entities.

Recommendation

The City needs to reconcile its physically observed fixed assets to its audited fixed assets for the General Fixed Asset Account Group and fixed assets for the Enterprise and Internal Service Funds. Differences should be investigated and posted to the general ledger so that the detailed schedules agree to the City's audited financial statements.

Additionally, the City needs to compile its General Fixed Group of Accounts of fixed assets by category (land, buildings, equipment, furniture and fixtures, etc.).

Management's Response

The City began the process of completing its fixed assets observation in 1999 and intends to complete the entire reconciliation of fixed assets to its general ledger within two years.

CITY OF OBERLIN
Status of Prior Year Reportable Conditions
December 31, 1999

98-1 Unrecorded Revenues and Expenses in the General Ledger – Corrected

98-2 Bank Reconciliations Not Completed Timely – Only partially corrected. Finding Reissued as 99-1.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF OBERLIN

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 19, 2000**