

**CITY OF OBERLIN, OHIO**  
**FINANCIAL AUDIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of City 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, 2001 through December 31, 2001. 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.

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

JIM PETRO  
Auditor of State

August 16, 2002

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CITY OF OBERLIN, OH

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REPORT TO MANAGEMENT (UNDER SEPARATE COVER)

# WATSON RICE&CO

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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, 2001, 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 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 opinion.

The City reclassified several funds in 2001 to coincide with changes in purposes of these funds. The City reconciled last year's ending fund balance/ retained earnings to the restated beginning fund balance/retained earnings for the funds in footnote 18 to the audited financial statements.

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, 2001 and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2002 on our consideration of the City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

*Watson, Rice & Co.*

June 21, 2002

CITY OF OBERLIN, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE NONEXPENDABLE TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL MEMORANDUM ONLY
<b>ASSETS</b>										
Cash and Cash Equivalents	\$3,225,797	\$767,742	\$371,796	\$1,392,012	\$7,826,397	\$26,138	\$313,283			\$13,923,165
Restricted Cash							163,771			163,771
Restricted Investments					418,661					418,661
Investments	935,878	2,000		529,100	2,317,100					3,784,078
Net Receivables	664,136	177,692		8,310	1,525,885					2,376,023
Due From Other Funds	8,346	22,984		101,463	20,422	977	408			154,600
Accrued Interest Receivable	38,665	5,631		3,093						47,389
Prepaid Expenses	47,354	3,642			42,751	1,315				95,062
Inventory at Cost					447,486	55,579				503,065
Property, Plant & Equipment					35,724,720	178,382		17,178,163		53,081,265
Less: Accumulated Depreciation					(14,959,064)	(163,610)				(15,122,674)
Notes Receivable		50,000								50,000
Amount to be provided for Retirement of General Long-Term Obligations									2,957,093	2,957,093
<b>TOTAL ASSETS</b>	<u>\$4,920,176</u>	<u>\$1,029,691</u>	<u>\$371,796</u>	<u>\$2,033,978</u>	<u>\$33,364,358</u>	<u>\$98,781</u>	<u>\$477,462</u>	<u>\$17,178,163</u>	<u>\$2,957,093</u>	<u>\$62,431,498</u>



CITY OF OBERLIN, OHIO  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE NONEXPENDABLE TRUST & AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL MEMORANDUM ONLY
<b>LIABILITIES</b>										
Accounts Payable	\$61,940	\$16,032		\$100,537	\$609,721	\$18,952				\$807,182
Accrued Wages and Benefits	91,958	61,539			86,938	4,719				245,154
Compensated Absences	159,919	15,303			207,247	7,587		213,109		603,165
Due To Other Funds	30,474	14,317			109,809					154,600
Amounts Held as Fiduciary							163,771			163,771
O.P.W.C. Loans Payable					15,490					15,490
O.W.D.A. Loans Payable					3,866,161					3,866,161
Deferred Revenues	566,816	117,919			1,544,574					2,229,309
Revenue Bonds Payable					1,800,000					1,800,000
General Obligation Bonds Payable								1,643,000		1,643,000
Municipal Complex Improvement Note Payable								660,000		660,000
Bond Anticipation in Notes Payable					2,500,000					2,500,000
Real Estate Acquisition Bond Payable								440,984		440,984
Recreational Facility Improvement Bond										0
Deposits Payable							287,716			287,716
<b>TOTAL LIABILITIES</b>	<b>\$911,107</b>	<b>\$225,110</b>	<b>\$0</b>	<b>\$100,537</b>	<b>\$10,739,940</b>	<b>\$31,258</b>	<b>\$451,487</b>	<b>\$0</b>	<b>\$2,957,093</b>	<b>\$15,416,532</b>
<b>FUND EQUITY</b>										
Investment in General Fixed Assets								17,178,163		17,178,163
Retained Earnings - Unreserved					22,624,418	67,523				22,691,941
<b>FUND BALANCE</b>										
Reserve for Debt Service			371,796							371,796
Reserve for Encumbrances	109,236	44,617		151,627						305,480
Reserve of Endowments							25,700			25,700
Unreserved	3,899,833	759,964		1,781,814			275			6,441,886
<b>TOTAL FUND/ EQUITY BALANCE</b>	<b>4,009,069</b>	<b>804,581</b>	<b>371,796</b>	<b>1,933,441</b>	<b>22,624,418</b>	<b>67,523</b>	<b>25,975</b>	<b>17,178,163</b>	<b>0</b>	<b>47,014,966</b>
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b>\$4,920,176</b>	<b>\$1,029,691</b>	<b>\$371,796</b>	<b>\$2,033,978</b>	<b>\$33,364,358</b>	<b>\$98,781</b>	<b>\$477,462</b>	<b>\$17,178,163</b>	<b>\$2,957,093</b>	<b>\$62,431,498</b>

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, 2001

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPES</u>	<u>TOTAL MEMORANDUM ONLY</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST</u>	
<b><u>REVENUE RECEIPTS:</u></b>						
Property Taxes-including Special Assessments	\$333,117	\$242,301	\$35,514			\$610,932
Municipal Income Tax	2,411,829	487,138		1,179,442		4,078,409
Intergovernmental Receipts	1,296,538	386,092		101,463		1,784,093
Charges for Services	47,952			9,233		57,185
Interest Earnings	675,713	31,956		14,374		722,043
Other Taxes	52,207					52,207
Administrative Fees	364,037					364,037
Fines, Fees, Licenses and Permits	688,526	10,927		107,455		806,908
Contributions				124,800		124,800
All Other Revenues	10,989	75,878		22,588	4,496	113,951
<b>TOTAL REVENUE RECEIPTS</b>	<b>5,880,908</b>	<b>1,234,292</b>	<b>35,514</b>	<b>1,559,355</b>	<b>4,496</b>	<b>8,714,565</b>
<b><u>EXPENDITURE DISBURSEMENTS:</u></b>						
Security of Persons and Property	1,592,756	288,199				1,880,955
Public Health and Welfare	92,464					92,464
Leisure Time Activity	341,008	375,000		1,063		717,071
Community Environment	324,520	72,149		51,203		447,872
Transportation		290,092				290,092
General Government	2,222,001	30,216	4,604	310,299	1,499	2,568,619
Other						0
Capital Outlays	4,597	264,947		2,074,223		2,343,767
Basic Utility Service		69,443				69,443
Debt Service:						
Bond Principal Retirement			460,922			460,922
Note Principal Retirement						
Interest and Fiscal Charges			197,136			197,136
<b>TOTAL EXPENDITURE DISBURSEMENTS</b>	<b>4,577,346</b>	<b>1,390,046</b>	<b>662,662</b>	<b>2,436,788</b>	<b>1,499</b>	<b>9,068,341</b>
Total Revenue Receipts Over (Under)						
Expenditure Disbursements	1,303,562	(155,754)	(627,148)	(877,433)	2,997	(353,776)
<b><u>OTHER FINANCING SOURCES (Uses):</u></b>						
Advances In	297,388	202,453		148,556	275	648,672
Advances Out	(253,309)	(409,225)				(662,534)
Operating Transfers - In		331,639	651,497	23,100		1,006,236
Operating Transfers - Out	(211,900)	(246,152)		(1,321,489)		(1,779,541)
Proceeds from Sale of Bonds/Notes						
Proceeds from Disposition of Fixed Assets	6,265					6,265
<b>TOTAL FINANCING SOURCES (USES)</b>	<b>(161,556)</b>	<b>(121,285)</b>	<b>651,497</b>	<b>(1,149,833)</b>	<b>275</b>	<b>(780,902)</b>
EXCESS Of Receipts & Other Sources Over (Under) Disbursements & Other Uses	1,142,006	(277,039)	24,349	(2,027,266)	3,272	(1,134,678)
Fund Balance - January 1, 2001(as Restated)	2,867,063	1,081,620	347,447	3,960,707	(2,997)	8,253,840
Prior Year Audit Adjustment						
Fund Balance - December 31, 2001	<u>\$4,009,069</u>	<u>\$804,581</u>	<u>\$371,796</u>	<u>\$1,933,441</u>	<u>\$275</u>	<u>\$7,119,162</u>

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, 2001

	GENERAL FUND			SPECIAL REVENUE FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>						
Property Taxes	\$334,919	\$333,117	(\$1,802)	\$437,623	\$242,301	(\$195,322)
Municipal Income Taxes	2,185,867	2,411,829	225,962	437,174	482,155	44,981
Intergovernmental Receipts	1,004,576	1,203,172	198,596	743,013	515,609	(227,404)
Charge for Services	35,000	32,207	(2,793)			
Interest Earnings	390,000	761,192	371,992	4,000	11,992	7,992
Administrative Fees	330,000	389,213	59,213			
Fines, Fees, Licenses, Permits	577,500	683,833	106,333	10,500	9,586	(914)
All Other Revenues	95,500	32,632	(62,868)	70,300	66,220	(4,080)
<b>Total Revenues</b>	<b>4,953,362</b>	<b>5,847,195</b>	<b>894,633</b>	<b>1,702,610</b>	<b>1,327,863</b>	<b>(374,747)</b>
<b>EXPENDITURES:</b>						
Security of Persons & Property	1,579,619	1,605,851	(26,232)	320,991	277,815	43,176
Public Health & Welfare	89,838	92,213	(2,375)			
Leisure Time Activities	360,550	342,479	18,071	15,000	4,743	10,257
Community Environment	378,731	300,974	77,757	546,732	77,756	468,976
Transportation				271,861	296,836	(24,975)
General Government	2,431,386	2,192,818	238,568	55,111	24,297	30,814
Capital Outlays	34,632	34,833	(201)	704,606	583,340	121,266
Debt Service						
Basic Utility Service				95,103	72,820	22,283
<b>Total Expenditures</b>	<b>4,874,756</b>	<b>4,569,168</b>	<b>305,588</b>	<b>2,009,404</b>	<b>1,337,607</b>	<b>671,797</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>78,606</b>	<b>1,278,027</b>	<b>1,200,221</b>	<b>(306,794)</b>	<b>(9,744)</b>	<b>297,050</b>
<b>OTHER FINANCING SERVICES (USES)</b>						
Bond Proceeds						
Proceeds From Sale of Fixed Assets	0	6,265	6,265			
Operating Transfers-In	62,000		(62,000)	344,839	331,639	(13,200)
Operating Transfers-Out	(303,307)	(211,900)	91,407	(523,468)	(246,152)	277,316
Advance In	297,388	297,388	0	536,683	202,453	(334,230)
Advance Out	(253,309)	(253,309)	0	(409,225)	(409,225)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(197,228)</b>	<b>(161,556)</b>	<b>35,672</b>	<b>(51,171)</b>	<b>(121,285)</b>	<b>(70,114)</b>
<b>Excess of Revenues and other Sources Over (Under) Expenditures and Other Uses</b>	<b>(118,621)</b>	<b>1,117,271</b>	<b>1,235,892</b>	<b>(357,965)</b>	<b>(131,029)</b>	<b>226,936</b>
<b>Fund Balance Beginning of Year (as Restated)</b>	<b>2,867,063</b>	<b>2,867,063</b>	<b>0</b>	<b>1,127,777</b>	<b>1,127,777</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$2,748,442</b>	<b>\$3,984,334</b>	<b>\$1,235,892</b>	<b>\$769,812</b>	<b>\$996,748</b>	<b>\$226,936</b>

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, 2001**

	DEBT SERVICES FUNDS			CAPITAL PROJECTS FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>						
Property Taxes	\$329,566	\$35,515	(\$294,051)			
Municipal Income Taxes				\$1,092,934	\$1,179,442	\$86,508
Intergovernmental Receipts				50,000	124,052	74,052
Charge for Services				30,000	9,233	(20,767)
Interest Earnings				3,000	14,374	11,374
Administrative Fees						
Fines, Fees, Licenses, Permits				158,000	106,770	(51,230)
All Other Revenues				125,000	124,800	(200)
<b>Total Revenues</b>	<b>329,566</b>	<b>35,515</b>	<b>(294,051)</b>	<b>1,458,934</b>	<b>1,558,671</b>	<b>99,737</b>
<b>EXPENDITURES:</b>						
Security of Persons & Property						
Public Health & Welfare						
Leisure Time Activities				30,574	1,063	\$29,511
Community Environment						
Transportation						
General Government	7,900	4,604	3,296	130,071	51,309	78,762
Capital Outlays				2,020,657	1,363,447	657,210
Debt Service	1,246,919	1,318,059	(71,140)	160,053		160,053
Basic Utility Service						
Other Expenditures						
<b>Total Expenditures</b>	<b>1,254,819</b>	<b>1,322,663</b>	<b>(67,844)</b>	<b>2,341,355</b>	<b>1,415,819</b>	<b>925,536</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>(925,253)</b>	<b>(287,148)</b>	<b>(361,895)</b>	<b>882,421</b>	<b>142,852</b>	<b>1,025,273</b>
<b>OTHER FINANCING SERVICES (USES)</b>						
Bond Proceeds	660,000	660,000				
Operating Transfers-In	251,647	651,497	399,850	111,500	23,100	(88,400)
Operating Transfers-Out				(1,063,286)	(1,321,489)	(258,203)
Advance In				211,836	148,556	(63,280)
Advance Out						
<b>Total Other Financing Sources (Uses)</b>	<b>911,647</b>	<b>1,311,497</b>	<b>399,850</b>	<b>(739,950)</b>	<b>(1,149,833)</b>	<b>(409,883)</b>
<b>Excess of Revenues and other Sources Over (Under) Expenditures and Other Uses</b>	<b>(13,606)</b>	<b>24,349</b>	<b>37,955</b>	<b>(1,622,371)</b>	<b>(1,006,981)</b>	<b>615,390</b>
<b>Fund Balance Beginning of Year (as Restated)</b>	<b>347,447</b>	<b>347,447</b>	<b>0</b>	<b>3,914,550</b>	<b>3,914,550</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$333,841</b>	<b>\$371,796</b>	<b>\$37,955</b>	<b>\$2,292,179</b>	<b>\$2,907,569</b>	<b>\$615,390</b>

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, 2001

	EXPENDABLE TRUST FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
Property Taxes			
Municipal Income Taxes			
Intergovernmental Receipts			
Charge for Services			
Interest Earnings			
Administrative Fees			
Fines, Fees, Licenses, Permits			
All Other Revenues	\$13,996	\$4,496	(\$9,500)
<b>Total Revenues</b>			
<b>EXPENDITURES:</b>			
Security of Persons & Property			
Public Health & Welfare			
Leisure Time Activities			
Community Environment			
Transportation			
General Government	27,500	0	27,500
Debt Service			
Basic Utility Service			
Other Expenditures			
<b>Total Expenditures</b>	27,500	0	0
<b>OTHER FINANCING SERVICES (USES)</b>			
Bond Proceeds			
Operating Transfers-In			
Operating Transfers-Out			
Advance In	0	275	275
Advance Out			
<b>Total Other Financing Sources (Uses)</b>	0	275	275
<b>Excess of Revenues and other Sources Over (Under) Expenditures and Other Uses</b>	13,504	4,771	18,275
<b>Fund Balance Beginning of Year (as Restated)</b>	(2,997)	(2,997)	0
<b>Fund Balance End of Year</b>	<u>(\$16,501)</u>	<u>\$1,744</u>	<u>\$18,275</u>

The Accompanying Footnotes are an Integral Part of These 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, 2001

	PROPRIETARY FUND TYPES		FIDUCIARY FUNDS	TOTAL MEMORANDUM ONLY
	ENTERPRISE	INTERNAL SERVICE	NON EXPENDABLE TRUST	
<b>OPERATING REVENUES:</b>				
Charges for Services	\$10,524,484	\$210,504		\$10,734,988
Other Operating	36,962			36,962
Back Up-Dedicated Capacity Revenue	261,214			261,214
Income Tax Revenues	478,883			478,883
Personal Property and Real Estate Taxes	133,997			133,997
Miscellaneous	49,529			49,529
<b>TOTAL OPERATING REVENUES</b>	<b>11,485,069</b>	<b>210,504</b>	<b>0</b>	<b>11,695,573</b>
<b>OPERATING EXPENSES:</b>				
Operations	1,749,415	250,913		2,000,328
Maintenance	1,059,850			1,059,850
Purchased Power	3,443,982			3,443,982
Distribution	383,965			383,965
Administration	849,216			849,216
Depreciation & Amortization	1,557,491	2,857		1,560,348
<b>TOTAL OPERATING EXPENSES</b>	<b>9,043,919</b>	<b>253,770</b>	<b>0</b>	<b>9,297,689</b>
<b>OPERATING INCOME (LOSS)</b>	<b>2,441,150</b>	<b>(43,266)</b>	<b>0</b>	<b>2,397,884</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	32,932			32,932
Interest Expenses & Fiscal Charges	(419,125)			(419,125)
Gain on Disposal of Fixed Assets	3,002			3,002
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(383,191)</b>	<b>0</b>	<b>0</b>	<b>(383,191)</b>
<b>INCOME (LOSS) BEFORE OPERATING &amp; ADVANCE TRANSFER</b>	<b>2,057,959</b>	<b>(43,266)</b>	<b>0</b>	<b>2,014,693</b>
Operating Transfer - In	3,616,226			3,616,226
Operating Transfer - Out	(2,840,921)	(2,000)		(2,842,921)
Advances In		13,862		13,862
<b>NET INCOME (LOSS)</b>	<b>2,833,264</b>	<b>(31,404)</b>	<b>0</b>	<b>2,801,860</b>
Retained Earnings - January 1, 2001 (as Restated)	20,648,452	98,927	25,700	20,773,079
Prior Period Adjustments	(857,298)			(857,298)
<b>RETAINED EARNINGS AT DECEMBER 31, 2001</b>	<b>\$22,624,418</b>	<b>\$67,523</b>	<b>\$25,700</b>	<b>\$22,717,641</b>

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

CITY OF OBERLIN, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	TOTAL MEMORANDUM ONLY
	ENTERPRISE	INTERNAL SERVICE FUND	NON EXPENDABLE TRUST	
<b>Operating Activities:</b>				
Charges for Services	\$10,423,740	\$210,504		\$10,634,244
Real Estate, Personal Property & Income Taxes	612,880			612,880
Operating Expenses	(7,653,219)	(240,078)		(7,893,297)
Other Operating Revenues	86,491			86,491
Other Operating Receipts (Payments)	204,593	(977)		203,616
<b>Total Cash Provided From Operations</b>	<b>3,674,485</b>	<b>(30,551)</b>	<b>0</b>	<b>3,643,934</b>
<b>Non-Capital Financing Activities:</b>				
Operating Transfers In	3,616,226			3,616,226
Operating Transfers Out	(2,840,921)	(2,000)		(2,842,921)
Advances In		13,862		13,862
Advances Out				
<b>Total Cash Provided(Used) From Non-Capital Financing Activities</b>	<b>775,305</b>	<b>11,862</b>	<b>0</b>	<b>787,167</b>
<b>Investing Activities:</b>				
Sale of STAR-OHIO Investments	107,291			107,291
Prior Period Audit Adjustment affecting Investments	15,083			15,083
Purchase of Restricted Investments	(5,653)			(5,653)
Interest Income Earned on Investments	32,932			32,932
<b>Total Cash (Used) by Investing Activities</b>	<b>149,653</b>	<b>0</b>	<b>0</b>	<b>149,653</b>
<b>Capital and Related Financing Activities:</b>				
Purchase of Fixed Assets	(4,714,395)	(5,337)		(4,719,732)
Retirement of Bond & Note and Loan Principal	(1,938,429)			(1,938,429)
Interest Expense on Bonds & Loans Payable	(419,125)			(419,125)
OWDA Receipts for Capital Projects	944,459			944,459
Proceeds from Sale of Notes	4,000,000			4,000,000
Proceeds from Disposition of Fixed Assets	3,002			3,002
<b>Total Cash Provided From Financing Activities</b>	<b>(2,124,488)</b>	<b>(5,337)</b>	<b>0</b>	<b>(2,129,825)</b>
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<b>2,474,955</b>	<b>(24,026)</b>	<b>0</b>	<b>2,450,929</b>
<b>Cash &amp; Cash Equivalents - Beginning of Year (As Restated)</b>	<b>5,351,442</b>	<b>50,164</b>	<b>25,700</b>	<b>5,427,306</b>
<b>Cash Balance - December 31, 2001</b>	<b>\$7,826,397</b>	<b>\$26,138</b>	<b>\$25,700</b>	<b>\$7,878,235</b>
<b>Reconciliation of Operating Income(Loss) to Net Cash Provided(Used) by Operating Activities:</b>				
Operating Income(Loss)	2,441,150	(43,266)		2,397,884
<b>Adjustments to Reconcile Changes in Retained Earnings to Net Cash Provided from Operations:</b>				
Depreciation Expense	1,557,491	2,857		1,560,348
(Increase) Decrease in Due From Other Funds	136,306	(977)		135,329
(Increase) Decrease in Prepaid Expenses	(30,748)	(1,315)		(32,063)
(Increase) Decrease in Accounts Receivable	(197,407)			(197,407)
Increase (Decrease) in Accounts Payable -Operations Portion	(200,802)	8,629		(192,173)
Increase (Decrease) in Accrued Wages	19,281	1,405		20,686
Increase (Decrease) in Compensated Absences	52,620	4,757		57,377
Increase (Decrease) in Due to Other Funds	68,287			68,287
Increase (Decrease) in Deferred Revenue	(164,534)			(164,534)
Increase (Decrease) in Inventory	(7,159)	(2,641)		(9,800)
<b>Total Adjustments</b>	<b>1,233,335</b>	<b>12,715</b>	<b>0</b>	<b>1,246,050</b>
<b>Net Cash Provided by Operations</b>	<b>\$3,674,485</b>	<b>(\$30,551)</b>	<b>\$0</b>	<b>\$3,643,934</b>

The accompanying Footnotes are an integral part of the Financial Statements.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.      Description of the Entity

The City of Oberlin (City) is a body politic and corporation 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.

The City has been assigned by the County Auditor to collect voter approved real estate and personal property taxes on behalf of the Oberlin Public Library (Library). The City makes annual principal and interest expense for the Library to retire its outstanding debt.

B.      Basis of Accounting

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

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



City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B.     Basis of Accounting (Continued)

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

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

C.     Fund Accounting

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

**Governmental Funds**

General Fund

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

Special Revenue Funds

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

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds (Continued)

Street Construction Maintenance and Repair  
State Highway Improvements  
Library Levy  
Donation Fund-Recreation Complex  
County Recycling  
State Recycling  
CDBG Business-RLF  
Community Housing Improvement Program  
D.A.R.E. Grant  
Ohio Department of Natural Resources Grant  
C.O.P. Grant  
CDBG-RLF  
Fire Training Fund  
Home-RLF  
CDBG Formula Allocation  
Roadway Development Grant  
CDBG-State Economic Grant  
Oberlin Youth Council  
Payroll Imprest  
Unemployment Compensation  
D.A.R.E. Trust  
Law Enforcement Trust  
Martin Luther King Park  
Cemetery Tree Trust  
Vee Long Nursery  
Permanent Policy Pension Levy  
Police Pension Levy  
Fire Pension Levy  
Indigent Alcohol Treatment  
Holiday Beautification  
War Memorial  
Vacation/Sick Leave  
After School Program  
Recreation Complex  
Depot Park Donations  
Utility C.A.R.I.N.G. Donations

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Funds

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

- General Obligation Debt
- Councilmatic Debt
- Special Assessment Debt

Capital Projects Funds

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). The City's capital project funds consist of the following:

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

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

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise Funds (Continued)

Sewer Construction Fund  
Solid Waste Replacement/Reserve  
Wastewater Treatment Tax Fund  
Joint Facilities Fund

Internal Service Funds

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

Central Garage  
Office Inventory  
General Plant Supplies

Fiduciary Funds

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

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:

Julia Severance Endowment - Nonexpendable Trust  
Charles M. Hall Endowment - Nonexpendable Trust  
Gager - Wilmot Endowment - Nonexpendable Trust  
Street Deposits - Expendable Trust  
Utility Deposits - Expendable Trust  
Unclaimed Fund - Expendable Trust  
Cable TV Deposits - Expendable Trust  
Cable TV Complete/Performance - Expendable 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  
For Year Ending December 31, 2001

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Funds (Continued)

Oberlin Municipal Court  
State OBBS Fund  
Construction 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 un-matured 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 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 City of Oberlin also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2001. 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, 2001.

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 is 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.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The City does not record depreciation expense on its 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 Engine	10 years
Computer Equipment	3 years
Electric Generator	30 years

H. Intergovernmental Revenues

Federal reimbursable - type grants recognize intergovernmental receivables and revenues when reimbursement is requested from the grantor agency. General fund intergovernmental revenues include state shared receipts.

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, 2001, 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.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

K. Total Columns on Combined Statements

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

Note 2 LEGAL COMPLIANCE - BUDGETS

Budget and Budgetary Accounting

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

Tax Budget

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

The City maintains its legal level of budgetary control at the fund level except for the General Fund where budgetary control is exercised at the expense type category level (e.g. – Security of Persons and Property, General Government Expense, etc.). The City Auditor is authorized to transfer budget amounts within each fund (except for the General Fund) so long as the total amount appropriated by Council for each individual fund is not exceeded. For the General Fund, transfers can be authorized between expense categories but Council approval for a budget appropriation is required for movement of expenses between expense categories. The City does not budget for its agency funds.

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.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 2     LEGAL COMPLIANCE - BUDGETS

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 re-appropriated.

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.

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 following table summarizes the adjustments necessary to reconcile the budgetary statements to the GAAP basis statements on a fund type basis.



City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Excess of Revenues and other Financing Sources Over (Under) Expenditures and Other Financing Uses-All Governmental Fund Types:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Expendable Trust Funds</u>
Budget Basis Surplus (Deficit)	\$1,117,271	(\$131,029)	\$24,349	(\$1,006,981)	\$4,771
Revenue Accrual Adjustments	32,913	(93,571)	(660,001)	684	0
Expenditure Accrual Adjustments	<u>(8,178)</u>	<u>(52,439)</u>	<u>660,001</u>	<u>(1,020,969)</u>	<u>(1,499)</u>
GAAP Basis, As Reported	<u>\$1,142,006</u>	<u>\$277,039</u>	<u>\$24,349</u>	<u>(\$2,027,266)</u>	<u>\$3,272</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 2000. The assessed values per category applicable to 2001 and 2000 collections are as follows:

	<u>Collection Year 2001 Tax Valuation Year 2000</u>
<u>Real Property</u>	
Residential/Agriculture	\$62,402,880
Commercial/Industrial	<u>25,981,270</u>
Sub-Total Real Property	<u>\$88,384,150</u>
 <u>Tangible Personal Property</u>	
General	\$14,965,580
Public Utilities	<u>1,956,400</u>
Sub-Total Tangible Real Property	<u>16,921,980</u>
 Total Valuation Real Property and Tangible Personal Property	 <u>\$105,306,130</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.

Real property taxes become a lien on all non-exempt real property located in the county of January 1. Real property taxes are paid annually or semi-annually. If paid annually, payment is due December 31, if paid semi-annually, the first payment is due December 31

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 3 PROPERTY TAX (Continued)

with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payments dates to be established.

The full rate applied to real property for the fiscal year ended June 30, 2001, was \$11.13 per \$1,000 per assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was 6.673788 per \$1,000 of assessed valuation for real property classified residential/agriculture and 7.153140 per \$1,000 assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended June 30, 2001 was 11.15 per \$1,000 of assessed valuation.

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

A receivable totaling \$937,350 and corresponding deferred revenue have been recorded in the various funds of the City, including \$146,359 for the portion of the taxes levied prior to December 31, 2001 which are delinquent, and \$790,991 which was levied on January 1, 2002 on the assessed value of property on October 1, 2001. This amount is measurable, but not available in the current period.

Note 4 CITY INCOME TAX

The City Income tax is applied to the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. The tax rate was 1.9% of earnings for 2001. 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, 2001, interfund amounts receivable or payable have been recorded. Individual fund interfund receivable and payable balances at December 31, 2001 are as follows:

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 5      INTERFUND TRANSACTIONS, CONTINUED

	<u>Due from Other Funds or Inter- fund Receivables</u>	<u>Due to Other Funds or Inter- fund Payables</u>
<u>Fund</u>		
General Fund	\$      8,346	\$    30,474
 <u>Special Revenue Funds</u>		
Streets Maintenance and Repair	1,442	
State Highway Fund	84	
County Recycling Fund	471	
Community Housing Improvement Program Fund	370	
Community Development Fund Block Grant – Revolving Loan Fund	14,317	
Community Development Block Grant Formula Allocation		14,317
COP Grant Fund	1,317	
 <u>Expendable Trust Funds</u>		
Unclaimed Fund	408	
 <u>Capital Projects Funds</u>		
Income Tax Fund	106,446	
 <u>Internal Service Funds</u>		
Central Garage	977	
 <u>Enterprise Funds</u>		
Water Fund	5,380	
Sewer Fund	4,158	
Refuse Fund	1,668	
Electric Fund	<u>9,216</u>	<u>109,809</u>
 Total Current Interfund Receivables/Payables	 <u>\$    154,600</u>	 <u>\$    154,600</u>

Note 6      CHANGES IN GENERAL FIXED ASSET GROUP OF ACCOUNTS

<u>Balance 01-01-01</u>	<u>2001 Additions</u>	<u>2001 Disposals</u>	<u>Balance 12-31-2001</u>
<u>\$14,735,355</u>	<u>\$2,516,808</u>	<u>\$(74,000)</u>	<u>\$17,178,163</u>

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 7 FIXED ASSETS & RELATED DEPRECIATION – PROPRIETARY FUNDS

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

<u>Asset Class</u>	<u>Balance</u> <u>12-31-01</u>	<u>Depreciation</u> <u>Method</u>	<u>Useful Life</u>
<u>Enterprise Funds</u>			
Land	\$819,140	N/A	N/A
Buildings	3,811,546	Straight Line	20 to 45 yrs.
Furniture & Equipment	2,189,518	Straight Line	5 to 7 yrs.
Electric Engine	1,593,970	Straight Line	10 yrs.
Vehicles	1,424,158	Straight Line	7 yrs.
System Improvement	18,488,108	Straight Line	20 yrs.
Computer Equipment	89,951	Straight Line	3 yrs.
Electric Generators	4,129,768	Straight Line	30 yrs.
Construction in Progress	<u>3,178,561</u>	Not depreciated until completed	
Total	\$35,724,720		
-			
Less Accumulated Depreciation	<u>(14,959,064)</u>		
Net Fixed Assets-Enterprise Fund	<u>\$20,765,656</u>		
<u>Internal Service Funds</u>			
Buildings	\$ 51,100	Straight Line	25 yrs.
Furniture & Equipment	<u>127,282</u>	Straight Line	7 yrs.
Sub-Total	<u>\$ 178,382</u>		
Less Accumulated Depreciation	<u>\$ (163,610)</u>		
Net Fixed Assets – Internal Service Funds	<u>\$ 14,772</u>		

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 provide 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

City of Oberlin-Lorain County  
Notes to Financial Statements  
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Note 8 PENSION PLAN OBLIGATIONS- CONTINUED

31, 2001, 2000 and 1999 were \$193,311, \$182,336, and \$184,882, respectively, equal to the required contributions for each year.

The number of participants eligible to receive health care benefits as of December 31, 2000 the date of the last actuarial valuation available, are 12,853 for Police and 10,037 for Firefighters. The City of Oberlin contributes a portion of employer for Post-employment Benefits other than pension benefits. The portion of employer contributions that were used to pay Post-employment benefits for 2001 was \$51,973 for Police and \$18,253 for Firefighters. OP & F's total health care expenses for the year ended December 31, 2000, the date of the last actuarial valuation available, was \$106,160,054, which was net of member contributions of \$5,657,431.

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate was 8.5% for 2001 and the employer contribution rate was 13.55% of covered payroll. The City of Oberlin's employer contribution for years ending December 31, 2001, 2000, and 1999 were \$417,688, \$369,470, and \$452,4365, 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, 2001, 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, 2001, 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, 2001.

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.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 9 COMPENSATED ABSENCES, CONTINUED

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, 2001, the total estimated liability for all unpaid compensated absences was \$600,038 for all funds and account groups.

Note 10 DEBT OBLIGATIONS

Debt outstanding at December 31, 2001 consists of the following:

General Obligation -Library Bonds – General Long-Term Debt Group of Accounts		
Principal Outstanding		\$ 875,000
Interest Rate		6.875%
General Obligation - Downtown Improvement Bonds General Long Term Debt Group of Accounts		
Principal Outstanding		\$ 56,019
Interest Rate		8.750%
General Obligation – Real Estate Acquisition Bonds Recreation and Facility-General Long Term Debt-Group of Accounts		
Principal Outstanding		\$ 440,984
Interest Rate		5.5%
Mortgage Revenue Bonds – Enterprise Fund		
Principal Outstanding		\$1,800,000
Interest Rate		4.20% to 5.3%
Special Assessment Bonds - General Long-Term Debt Group of Accounts		
Principal Outstanding		\$ 63,981
Interest Rate		8.750%
General Obligation Notes – In Anticipation of Bonds For Courts and Municipal Complex Improvements-General Long Term Debt Group of Accounts		
Principal Outstanding		\$660,000
Interest Rate		2.83%
Recreational Facilities Improvement Bonds- Construction of Ball Fields - General Long Term Debt Group of Accounts		
Principal Outstanding		\$648,000
Interest Rate		6.448%

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 10 DEBT OBLIGATIONS, CONTINUED

Bond Anticipation Note – Enterprise Fund	
Principal Outstanding	\$2,500,000
Interest Rate	2.25%

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

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

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

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

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001, including interest payments of \$1,167,781 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>	Notes in Anticipation <u>of Bonds</u>
2002	\$ 261,225	\$ 309,385	\$21,568	\$57,710	\$3,234,928
2003	259,153	314,265	20,170	55,844	
2004	256,740	313,220	18,772	53,978	
2005	258,951	311,460	17,374	52,112	
2006	241,512	313,965		50,247	
2007	243,949	310,195		48,381	
2008	245,700	310,635		46,515	
2009	246,761			44,650	
2010	<u>97,137</u>			<u>195,263</u>	
Total	<u>\$2,111,128</u>	<u>\$2,183,125</u>	<u>\$ 77,884</u>	<u>\$ 604,700</u>	<u>\$3,234,928</u>

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 10 DEBT OBLIGATIONS, CONTINUED

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

<u>General Obligation Bonds</u>	Balance 01-01-01	2001 <u>Liquidation</u>	2001 <u>New Issues</u>	Balance 12-31-01
Recreation Facility	\$700,000	\$(52,000)	\$ 0	\$ 648,000
Library	950,000	(75,000)	0	875,000
Downtown Improvement	<u>70,119</u>	<u>(14,100)</u>	<u>0</u>	<u>56,019</u>
Sub-Total	<u>\$1,720,119</u>	<u>\$(141,100)</u>	<u>\$ 0</u>	<u>\$1,579,019</u>
<u>Special Assessment</u>				
Downtown Improvement	\$ 79,881	\$ (15,900)	\$ 0	\$ 63,981
Subtotal General Obligation Debt	\$1,800,000	\$(157,000)	0	\$1,643,000
<u>Real Estate Acquisition Bonds</u>				
Recreation	<u>\$474,906</u>	<u>\$(33,922)</u>	<u>0</u>	<u>\$440,984</u>
Total General Long-Term Debt Group of Accounts	<u>\$2,274,906</u>	<u>\$(190,922)</u>	<u>\$ 0</u>	<u>\$2,083,984</u>

<u>Notes Issued in Anticipation of Bonds</u>	Balances 1-1-01	2001 <u>Liquidation</u>	2001 <u>New Issues</u>	Balance 12-31-01
Count Complex Improvement Notes	\$ 830,000	\$ (830,000)	\$660,000	\$ 660,000
Sidewalk Replacement Notes	<u>100,000</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>
Subtotal Notes in Anticipation of Bonds	<u>930,000</u>	<u>(930,000)</u>	<u>660,000</u>	<u>660,000</u>
Total General Long Term Debt Group of Accounts	<u>\$3,204,906</u>	<u>\$(1,120,922)</u>	<u>\$660,000</u>	<u>\$2,743,984</u>

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

<u>General Obligation Bonds</u>	Balance 01/01/01	2001 <u>Liquidation</u>	2001 <u>New Issues</u>	Balance 12/31/01
Water Bonds	\$ 16,000	\$ ( 16,000)	0	\$ 0
<u>Mortgage Revenue Bonds</u>				
1993 Issue – Sewer	2,015,000	( 215,00)	0	1,800,000
<u>Bond Anticipation Note</u>				
AMP-Ohio - Electric	<u>0</u>	<u>(1,500,000)</u>	<u>4,000,000</u>	<u>2,500,000</u>
Total Enterprise Bond Debt	<u>\$ 2,031,000</u>	<u>\$(1,731,000)</u>	<u>\$4,000,000</u>	<u>\$ 4,300,000</u>



City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

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 principal obligations for active OWDA debt at December 31, 2001 were \$2,005,986. This debt requires combined annual principal and interest payments, in the approximate amount of \$346,364 through 2005 and \$173,058 through 2016. The final OWDA principal and interest payments are due on 2016.

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

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

The City has also entered into loan agreements with the Ohio Public Works Commission (OPWC) pursuant to which OPWC provided funds to the City for water treatment and sewer collection improvements. The City's annual obligations under the two aforementioned loans are \$7,391 and \$8,806 respectively with the final payments due 2003 and 2002 respectively for these loans. The total outstanding principal balance on the OPWC debt at December 31, 2001 was \$15,490.

In May 2000, the City entered into a agreement with the Ohio Water Development Authority (OWDA) to upgrade its wastewater treatment operations within the City. The City was authorized to draw down \$2,247,159 from OWDA for this project. This project is estimated to completed in 2002 at which time the City will be required to begin repaying this loan to OWDA per an agreed upon amortization schedule. As of December 31, 2001, the City received and expended \$1,860,175 from OWDA for the upgrade of its Wastewater treatment plant.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

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 \$14,086,936 and the bank balance was \$14,310,717. Deposits of \$215,381 were collateralized by FDIC insurance, \$9,410,570 was collateralized by a pool pursuant to Section 135.181, Revised Code, on which the City has a proportionate interest and \$4,684,766 was not collateralized.

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

The City's investments included \$3,784,078 in the State Investment Pool (STAR-Ohio) and investments of \$418,661 were held by a trust department in the name of the City to be used for the retirement of outstanding sewer debt.

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>Fair Value</u>
U. S. Treasury Bills	2	\$ 418,661	\$ 418,661
State Treasurer's Investment Pool – Star Ohio		<u>3,784,078</u>	<u>3,784,078</u>
TOTAL INVESTMENTS AT 12/31/01		<u>4,202,739</u>	<u>4,202,739</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 \$10,081,980 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 \$4,000,000 of inactive Certificate of Deposits at December 31, 2001 with Provident Bank.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 12 DEPOSITS (CONTINUED)

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, 2001, interim monies of \$4,202,739 were invested by the City, including \$418,661 of U.S. Government Securities and \$3,784,078 in the State Treasurer's Investment Pool.

Note 13 OPERATING TRANSFERS

The City's Combined Statement of Revenues, Expenditures, and Changes in Fund Equity for all governmental fund types and expendable trust funds and the Statement of Revenues, Expenses, and Changes in Retained Earnings for all proprietary fund types display the total of operating transfers in an out for the fiscal year ended December 31, 2001. 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>\$ 0</u>	<u>\$ 211,900</u>
Special Revenue Funds:		
Street Maintenance & Repair	120,000	10,000
County Recycling	40,000	45,839
Dare Grant	3,500	
Police Pension	92,000	
Fire Pension	25,300	
Vacation/Sick Leave	10,000	
Home Revolving Loan	35,839	
Unemployment Comp.	5,000	
Perm. Police Levy	0	50,000
Library Fund	<u>0</u>	<u>140,313</u>
Total Special Revenue Funds	<u>331,639</u>	<u>246,152</u>
Debt Service Funds:		
General Obligation Debt	546,213	
Special Assessment Debt	<u>105,284</u>	
Total Debt Service Funds	<u>\$ 651,497</u>	
Capital Project Funds:		
Income Tax Fund		\$ 260,453
Oberlin Municipal Court Improvement		154,253
Sidewalk Improvement Fund		105,284
Equipment Replacement	<u>23,100</u>	<u>801,499</u>
Total Expendable Trust Funds	<u>\$ 23,100</u>	<u>\$1,321,489</u>
Internal Service Funds:		
Central Garage		<u>\$ 2,000</u>
Total Internal Service Funds		<u>\$ 2,000</u>

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 13 OPERATING TRANSFERS (CONTINUED)

Enterprise Funds:		
Refuse	269,564	80,000
Sanitary Sewer Funds	832,746	724,387
Water Funds	718,118	636,095
Electric Funds	<u>1,795,798</u>	<u>1,400,439</u>
Total Enterprise Funds	<u>\$ 3,616,226</u>	<u>\$ 2,840,921</u>
TOTAL ALL FUNDS	<u>\$4,622,462</u>	<u>\$4,622,462</u>

Note 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to property and casualty, general liability, workers' compensation and employee health and dental benefits.

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.

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 to BORMA and to Public Entities Pool (PEP) for property and general liability insurance. BORMA is responsible for the management and operations of the health insurance programs. Member cities agree to share in coverage of losses and pay all premiums necessary for the specified health insurance coverage. Member cities are subject to supplemental assessments.

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.

PERS

The Public Employees Retirement System provides post retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor benefits 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.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 15

OTHER POST EMPLOYMENT BENEFITS, (CONTINUED)

The Ohio Revised Code provides the statutory authority for employer contributions. The 2001 employer contribution rate was 13.55% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2001.

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

The Summary of Assumptions are as follows:

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

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

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

**Investment Return.** The investment assumption rate for 2000 was 7.75%.

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

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

The OPEBs are advanced funded on an actuarially determined basis.

The number of active participants was 411,076.

The employee contribution rate is the actuarially determined contribution requirements for PERS. The City's contributions that were used to fund post employment benefits for the year 2001 were \$132,532 out of total City PERS payments of \$417,688. At December 31, 2000, \$11,735.9 million which represents the actuarial value of the Retirement's System's net assets were available for other post employment benefits.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.4 million and \$2,628.7 million respectively.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 15

OTHER POST EMPLOYMENT BENEFITS, (CONTINUED)  
OHIO POLICE & FIRE PENSION FUD (OP&F)

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

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

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

The number of participants eligible to receive health care benefits as of December 31, 2000 are 12,853 for Police and 10,037 for Firefighters. The portion of the employers' contributions that was used to pay post retirement benefits was \$51,973 for police and \$18,253 for firefighters for the year ending December 31, 2001. The fund's total health care expense for the year ending December 31, 2000 was \$106,160,054.

Note 16

DEFERRED REVENUE AND BACK-UP DEDICATED CAPACITY REVENUE

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

The defeasance of the City's debt plus the \$800,000 cash payment form AMP-Ohio resulted in a \$3,045,707 deferred revenue reductions were \$261,214 and \$261,214 respectively for the year's ending December 31, 2001 and December 31, 2000. Future back up dedicated capacity contributions from the City to AMP-Ohio are authorized by an agreement between the parties.

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 17      CONTINGENT LIABILITIES

The City is a defendant in several lawsuits pertaining to matters, which are incidental to performing routine governmental functions. City officials, after consultation with the City's Solicitor are of the opinion that potential uninsured claims against the City would not have a material adverse effect on the financial position of the City.

Note 18      RECLASSIFIED FUNDS

The City reclassified several funds during 2001 so as to better reflect the actual purpose of these funds. This reclassification of funds resulted in the restatement of beginning fund balance/retained earnings of these funds. The schedule below shows the ending December 31, 2000 fund balance/retained earnings and the resulting adjustments to arrive at the restated beginning fund balance/retained earnings.

	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable Trust Funds	Non-Expendable Trust Funds	Enterprise Funds
Beginning Fund/Balances/Retained Earnings, December 31, 2000	\$2,867,323	\$991,637	\$1,401,600	\$1,374,747	\$33,088	\$21,912,150
Reclassified Funds:						
Donation Fund	(260)	260				
Income Tax Fund			1,249,252	(1,249,252)		
Equipment Replacement Reserve Fund			1,263,698			(1,263,698)
Oberlin Youth Council		16,008		(16,008)		
Payroll Imprest Fund		2,107		(2,107)		
Unemployment Compensation Fund		28,691		(28,691)		
Dare Trust Fund		987		(987)		
Law Enforcement Trust Fund		3,281		(3,281)		
Cemetery Tree Trust Fund		803		(803)		
Vee Long Nursery Fund		13,689		(13,689)		
Permanent Police Levy Fund		23,361		(23,361)		
Police Pension Fund-Transfer Negative Fund Balance		(29,289)		29,289		
Fire Pension Fund-Transfer Negative Fund Balance		(13,840)		13,840		
Indigent Alcohol Fund		82,313		(82,313)		
Holiday Beautification Fund		381		(381)		
War Memorial Fund		6,404			(6,404)	
Utility CARING Fund		984			(984)	
Court Computer Fund		(46,157)	46,157			
Total Adjustments	(260)	89,983	2,558,107	(1,377,744)	(7,388)	(1,263,698)
Reclassified Beginning Fund Balance/ Retained Earnings, December 31, 2001	\$ 2,867,063	\$ 1,081,620	\$ 3,960,707	\$ (2,997)	\$ 25,700	\$ 20,648,452

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 19      ADVANCES IN AND ADVANCES OUT

The City made advances to several funds to eliminate negative cash balances that existed prior to the advance being made. The 2001 outstanding advances were repaid in 2002. All outstanding 2000 advances out were repaid in calendar year 2001.

The summary activity for advances in and advances out for the year ending December 31, 2001 is as follows:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$297,388	\$(253,309)
Special Revenue Funds:		
Library Fund	3,021	
Community Development Block Grant-State Economic Development Fund	129,262	
Roadway Development Grant	62,400	
Recreation Complex Fund	7,770	(111,837)
Community Housing Improvement Program Fund		<u>(297,388)</u>
Total Special Revenue Funds	202,453	(409,225)
Capital Projects Funds:		
Sidewalk Improvement Fund	36,719	
Income Tax Fund	<u>111,837</u>	
Total Capital Project Funds	148,556	
Agency Fund:		
State OBBS Fund	275	
Internal Service Funds:		
Central Garage	7,335	
Office Inventory Fund	3,967	
General Plant Supplies	<u>2,560</u>	
Total Internal Service Funds	13,862	
Total All Funds	<u>\$662,534</u>	<u>\$(662,534)</u>

Note 20      SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Segment information for the Enterprise Funds is summarized as attached:



CITY OF OBERLIN, OHIO  
 SEGMENT INFORMATION-ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Electric	Sewer	Water	Solid Waste	Cable Programming	Total Enterprise Funds
<b>OPERATING STATEMENT:</b>						
Operating Revenues	\$8,035,660	\$1,788,351	\$1,187,118	\$465,177	\$8,763	\$11,485,069
<b>OPERATING EXPENSES:</b>						
Operations	601,564	421,620	393,220	333,011		1,749,415
Maintenance	842,145	190,633	27,072			1,059,850
Purchased Power	3,443,982					3,443,982
Distribution	66,390	12,709	304,866			383,965
Administration	640,835	99,649	101,281	7,451		849,216
Depreciation & Amortization	698,930	500,285	300,750	55,145	2,381	1,557,491
<b>Total Operating Expenses</b>	<b>6,293,846</b>	<b>1,224,896</b>	<b>1,127,189</b>	<b>395,607</b>	<b>2,381</b>	<b>9,043,919</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,741,814</b>	<b>563,455</b>	<b>59,929</b>	<b>69,570</b>	<b>6,382</b>	<b>2,441,150</b>
Non-Operating Revenue (Expenses)	(185,848)	(154,022)	(43,321)	-	-	(383,191)
Net Transfers	395,359	108,359	82,023	189,564	-	775,305
<b>NET INCOME (LOSS)</b>	<b>1,951,325</b>	<b>517,792</b>	<b>98,631</b>	<b>259,134</b>	<b>6,382</b>	<b>2,833,264</b>
<b>OTHER INFORMATION:</b>						
Net Working Capital	2,796,689	2,842,489	1,482,980	384,957	33,028	7,540,143
Net Fixed Assets	9,619,257	7,502,594	3,467,813	165,277	10,715	20,765,656
Total Assets	16,734,727	10,712,209	5,037,852	835,611	44,013	33,364,412
Bonds Payable, OWPC and OWDA	2,500,000	5,144,873	536,778	-	-	8,181,651
Total Equity	<u>\$12,415,946</u>	<u>\$5,200,210</u>	<u>\$4,414,015</u>	<u>\$550,234</u>	<u>\$44,013</u>	<u>\$22,624,418</u>

City of Oberlin-Lorain County  
Notes to Financial Statements  
For Year Ending December 31, 2001

Note 21

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations for the Capital Projects Fund – Oberlin Municipal Court Improvement Fund by \$58,573 in 2001. This occurred because the City posted an adjusting journal entry near calendar year end based on the auditor’s recommendation which reclassified \$113,492 of expenditures to this fund. The adjusting entry occurred after the final 2001 appropriation measure was approved by the City Council. The City’s unencumbered cash balance for this fund at December 31, 2001 was in excess of \$58,573.

Note 22

PRIOR PERIOD AUDIT ADJUSTMENTS

- A) The 2000 audited financial statements overstated sewer fund construction in progress and revenues by \$842,215. OWDA loans proceeds were recorded as operating revenues. A prior period audit adjustment has been reflected in the 2001 financial statements to reflect a reduced beginning sewer fund retained earnings of \$842,215.
- B) The 2000 audited financial statements overstated electric fund investments and ending retained earnings by \$15,083. A prior period audit adjustment has been reflected in the 2001 financial statements to reflect a reduced beginning electric fund retained earnings of \$15,083.

# 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, 2001, and have issued our report thereon dated June 21, 2002. 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 certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated June 21, 2002.

### **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. A reportable condition is described in the accompanying schedule of reportable conditions on pages 45 and 46 are identified as items 01-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition 01-1, to be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated June 21, 2002.

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

*Watson, Rice & Co.*

June 21, 2002

# WATSON RICE&CO

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

Members of City Council  
City of Oberlin, Ohio

### Compliance

We have audited the compliance of the City of Oberlin (City) with the types of compliance requirements described in the U.S. Office of Management and Budget OMB-A-133 Compliance Supplement that is applicable to its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

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

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

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

*Watson, Rice & Co.*

June 21, 2002

CITY OF OBERLIN, OHIO  
SCHEDULE OF FEDERAL AWARDS, RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2001

FEDERAL GRANTOR/PASS - THROUGH GRANTOR/PROGRAM TITLE	CATALOG OF FEDERAL DOMESTIC NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM OR AWARD AMOUNT	FEDERAL CASH RECEIPTS	FEDERAL CASH EXPENDITURES
<u>U.S. Department of Housing &amp; Urban Development</u>					
<u>Passed through the State of Ohio - Department of Development</u>					
Community Development Block Grant - Small Cities Program- Prior Year Grant	14.228	A-C-98-160-1	\$455,000	\$116,075	\$0
Community Development Block Grant-Small Cities Program-Current Year Grant	14.228	A-E-00-160-1	152,000	0	123,266
Community Development Block (CDBG) Grant - Small Cities Program-Revolving Loan Program-Prior Year Closed Out Grants & Recycled Loans-Residential Homes	14.228	Grant #-A-C-96-160-1	N/A	8,017	9,280
Community Development Block Grant - Small Cities Program-Revolving Loan Program- Businesses	14.228	Various Prior Year Grants	N/A	9,212	190,661
Total Community Development Block Grant Program			607,000	133,304	242,207
<u>Passed through the State of Ohio - Department of Development</u>					
HOME Investment Partnership Program- Prior Year Grant	14.239	Grant#-A-C-98-160-2 HUD#M-93-SG-39-0922 FTI#346002073	145,000	38,484	0
HOME Investment Partner Program-Revolving Loan Program-Prior Year Closed Out Grants- Recycled Loans Residential Homes	14.239	Various Prior Year Grants	N/A	74,475	23,492
Subtotal HOME Investment Partnership Program			145,000	112,959	23,492
Total U.S. Department of Housing and Urban Development			752,000	245,608	265,699
<u>U.S. Department of Justice- Direct Grant</u>					
Bulletproof Vest Partnership Grant	16.607	N/A	1,619	1,619	1,619
Direct Grant-COPS Grant	16.710	1995CPWX2621	75,000	71,723	71,213
Total U.S Department of Justice			76,619	72,832	72,832
Total Federal Financial Assistance			\$828,619	\$318,440	\$338,531

See accompanying notes to the Schedule of Federal Receipts and Expenditures

City of Oberlin  
Notes to Schedule of Federal Awards  
For the Year Ended December 31, 2001

- Note A      Significant Accounting Policies  
The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City of Oberlin (the City) federal awards programs.
- Note B      U.S. Department of Housing and Urban Development Loan Programs  
The City has previously established a revolving loan program to provide low interest loan to business owners to rehabilitate their businesses. The Federal Department of Housing and Urban Development (HUD) granted money for these loans as part of the City's pass through program through the Ohio Department of Development. The initial loans were recorded as disbursement on previous Schedules. The repaid principal, including interest, is used to make additional loans. All subsequent loans are subject to certain compliance requirements imposed by HUD, and as such are included as disbursements on this Schedule. These loans are collateralized by mortgages on the property. The outstanding accounts receivable balance on the outstanding recycled business loan was \$50,000 as of December 31, 2001.
- Note C      U.S. Department of Justice  
The City's bullet proof vest partnership grant was the City's only directly funded federal programs. The U.S. Department of Justice is therefore the City's oversight agency.
- Note D      NA-Note Applicable



City of Oberlin  
Summary of Findings and Questioned Costs  
For the Year Ended December 31, 2001

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of Financial Statement Opinion - Unqualified.

Internal Control Over Financial Reporting

- Material weaknesses identified? - Yes. See listing of Reportable conditions at pages 45 and 46 of this report.
  
- Reportable conditions identified that are not considered to be material weaknesses? - Yes.
  
- Noncompliance material to financial statements noted? - No.

Federal Awards

- Material weaknesses identified? - No.
  
- Reportable conditions identified that are not considered to be material weaknesses? - None Reported
  
- Type of auditor's report issued on compliance for major programs- Unqualified.
  
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? - No.

Identification of Major Programs

- A. Community Development Block Grant Program. Largest Type B Program. Federal Dollars Expended on this program was \$265,699. The City had no Type A Programs with \$300,000 or more of expenses in any federal program during audit period.
- Dollar Threshold used for Type A and Type B Programs - \$300,000.
  
  - Auditee Risk Assessment – High Risk Auditee because of material weaknesses noted in the previous two calendar year audits.

City of Oberlin  
Summary of Findings and Questioned Costs  
For the Year Ended December 31, 2001

Section II- Financial Statement Findings  
Reportable Conditions

01-01

(A)(B) Physical Fixed Asset Balances Not Reconciled with Audited Fixed Asset Amounts and No Detail by Fixed Assets by Category for the General Fixed Asset Group of Accounts

Condition

The City of Oberlin performed a complete fixed asset observation of all vehicles equipment and furniture fixtures during 1999 and compiled a listing of all of these fixed assets. The fixed asset observation excluded buildings, land and infrastructure. No reconciliation was performed in 1999 or later 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). In addition the City maintains a cumulative total of fixed assets in it General Fixed Assets Group of Accounts but does not maintain detailed records of these fixed assets by type (such as land, buildings, equipment, vehicles, furniture and fixtures etc.).

Cause

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

Effect

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

Criteria

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

City of Oberlin  
Summary of Findings and Questioned Costs  
For the Year Ended December 31, 2001

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 Response

The City will address this issue as it implements the new financial reporting model as prescribed the Governmental Accounting Standards Board as required by 2007 for fixed assets.

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

City of Oberlin  
Summary of Findings and Questioned Costs  
For the Year Ended December 31, 2001

Section III- Federal Award Findings and Questioned Costs

There were no federal award findings or questional costs for the City of Oberlin for the year endings December 31, 2001.

City of Oberlin  
Status of Prior Year Reportable Conditions

- 01-01 Physical Fixed Asset Balances Not Reconciled with Audited Fixed Asset Amount-  
Reissued as Reportable Condition number 01-01 in 2001
- 00-02 Capital Project Fund Actively Commingled with a Special Project Fund- Corrected  
in 2001. Not Reissued

The following is the City of Oberlin's Corrective Action Plan for the reportable conditions noted in the calendar year 2001 audit.

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

City Corrective Action Plan

The city will address this issue as it implements the new financial reporting model as prescribed the Governmental Accounting Standards (GASB) as required by 2007 for fixed assets.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CITY OF OBERLIN**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 29, 2002**