



**JIM PETRO**  
**AUDITOR OF STATE**  

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STATE OF OHIO



**CITY OF ORRVILLE  
WAYNE COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Mayor and City Council Members:

We have audited the accompanying general purpose financial statements of the City of Orrville, Wayne County, Ohio, (the City) as of and for the year ended December 31, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund 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 12, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

June 12, 2001

**City of Orrville, Ohio**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*December 31, 2000*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Assets and Other Debits</i></b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,203,889	\$588,462	\$101,410	\$2,239,979
Receivables:				
Taxes	839,283	0	0	224,716
Accounts	11,962	68,235	0	0
Special Assessments	0	0	270,813	0
Accrued Interest	51,265	105	0	0
Intergovernmental	58,010	26,779	0	0
Materials and Supplies Inventory	147,862	0	0	0
Prepaid Items	12,851	0	0	0
Deferred Charges	0	0	0	0
Restricted Assets:				
Equity in Pooled				
Cash and Cash Equivalents	0	0	0	0
Investments with Fiscal Agent	0	0	0	0
Cash and Cash				
Equivalent with Fiscal Agents	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b><u>\$3,325,122</u></b>	<b><u>\$683,581</u></b>	<b><u>\$372,223</u></b>	<b><u>\$2,464,695</u></b>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$19,365,889	\$880,862	\$44,491	\$0	\$0	\$25,424,982
0	0	0	0	0	1,063,999
2,591,021	235	0	0	0	2,671,453
0	0	0	0	0	270,813
183,211	7,747	33	0	0	242,361
0	0	0	0	0	84,789
3,039,639	0	0	0	0	3,187,501
35,992	0	0	0	0	48,843
672,759	0	0	0	0	672,759
3,000,000	0	0	0	0	3,000,000
3,564,350	0	0	0	0	3,564,350
12,088	0	0	0	0	12,088
48,571,248	0	0	20,484,976	0	69,056,224
0	0	0	0	4,152	4,152
0	0	0	0	97,258	97,258
0	0	0	0	406,312	406,312
0	0	0	0	74,912	74,912
<u>\$81,036,197</u>	<u>\$888,844</u>	<u>\$44,524</u>	<u>\$20,484,976</u>	<u>\$582,634</u>	<u>\$109,882,796</u>

**City of Orrville, Ohio**  
**Combined Balance Sheet**  
*All Fund Types and Account Groups (continued)*  
December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><i>Liabilities, Fund Equity and Other Credits</i></b>				
<b>Liabilities</b>				
Accounts Payable	\$37,655	\$43,808	\$0	\$31,782
Contracts Payable	0	0	0	0
Accrued Wages	61,019	9,250	0	0
Compensated Absences Payable	13,616	0	0	0
Intergovernmental Payable	58,943	190	0	0
Deferred Revenue	502,209	19,032	270,813	0
Retainage Payable	0	0	0	0
Deposits Held and Due to Others	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Claims Payable	0	0	0	0
Payable from Restricted Assets:				
Revenue Bonds Payable	0	0	0	0
Accrued Interest Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<b><i>Total Liabilities</i></b>	<b><u>673,442</u></b>	<b><u>72,280</u></b>	<b><u>270,813</u></b>	<b><u>31,782</u></b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Reserved:				
Replacement and Improvement	0	0	0	0
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	33,649	18,668	0	213,924
Reserved for Inventory	147,862	0	0	0
Reserved for Endowments	0	0	0	0
Unreserved, Undesignated	2,470,169	592,633	101,410	2,218,989
<b><i>Total Fund Equity and Other Credits</i></b>	<b><u>2,651,680</u></b>	<b><u>611,301</u></b>	<b><u>101,410</u></b>	<b><u>2,432,913</u></b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b><u><u>\$3,325,122</u></u></b>	<b><u><u>\$683,581</u></u></b>	<b><u><u>\$372,223</u></u></b>	<b><u><u>\$2,464,695</u></u></b>

See accompanying notes to the general purpose financial statements



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$1,233,847	\$0	\$0	\$0	\$0	\$1,347,092
206,354	0	0	0	0	206,354
94,756	0	0	0	0	165,025
770,734	0	0	0	340,759	1,125,109
432,379	0	0	0	69,705	561,217
0	0	0	0	0	792,054
35,898	0	0	0	0	35,898
0	0	40,266	0	0	40,266
13,732	0	0	0	0	13,732
160,000	0	0	0	0	160,000
0	116,829	0	0	0	116,829
1,525,000	0	0	0	0	1,525,000
101,954	0	0	0	0	101,954
22,071,406	0	0	0	0	22,071,406
1,087,966	0	0	0	0	1,087,966
4,643,319	0	0	0	0	4,643,319
0	0	0	0	172,170	172,170
32,377,345	116,829	40,266	0	582,634	34,165,391
0	0	0	20,484,976	0	20,484,976
3,226,643	0	0	0	0	3,226,643
3,000,000	0	0	0	0	3,000,000
42,432,209	772,015	0	0	0	43,204,224
0	0	72	0	0	266,313
0	0	0	0	0	147,862
0	0	4,027	0	0	4,027
0	0	159	0	0	5,383,360
48,658,852	772,015	4,258	20,484,976	0	75,717,405
<u>\$81,036,197</u>	<u>\$888,844</u>	<u>\$44,524</u>	<u>\$20,484,976</u>	<u>\$582,634</u>	<u>\$109,882,796</u>

**City of Orrville, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types and Expendable Trust Fund  
For the Year Ended December 31, 2000*

	Governmental	
	General	Special Revenue
<b>Revenues</b>		
Municipal Income Tax	\$1,634,577	\$0
Property and Other Taxes	431,700	0
Charges for Services	230,503	273,385
Fines, Licenses, and Permits	9,771	5,589
Intergovernmental	804,832	439,913
Special Assessments	0	67,447
Interest	359,008	2,442
Contributions and Gifts	300	17,510
Other	402,497	0
<i>Total Revenues</i>	<u>3,873,188</u>	<u>806,286</u>
<b>Expenditures</b>		
Current:		
General Government	1,480,621	0
Security of Persons and Property	1,354,828	5,151
Public Health and Welfare	124,493	0
Transportation	336,155	773,028
Basic Utility Services	0	247,849
Leisure Time Activities	242,604	5,803
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	250,000
Interest and Fiscal Charges	0	13,463
<i>Total Expenditures</i>	<u>3,538,701</u>	<u>1,295,294</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>334,487</u>	<u>(489,008)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Bonds	0	95,170
Operating Transfers In	0	421,292
Operating Transfers Out	(365,290)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(365,290)</u>	<u>516,462</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(30,803)	27,454
<i>Fund Balances (Deficit) Beginning of Year Restated (See Note 3)</i>	2,635,376	583,847
Increase in Reserve for Inventory	<u>47,107</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,651,680</u></u>	<u><u>\$611,301</u></u>

See accompanying notes to the general purpose financial statements

Fund Types		Fiduciary Fund Type	
Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
\$0	\$1,002,480	\$0	\$2,637,057
0	0	0	431,700
0	0	0	503,888
0	1,400	0	16,760
0	72,561	0	1,317,306
11,521	0	0	78,968
2,036	0	423	363,909
0	0	0	17,810
0	3,000	0	405,497
13,557	1,079,441	423	5,772,895
68	0	0	1,480,689
0	0	0	1,359,979
0	0	127	124,620
0	0	0	1,109,183
0	0	0	247,849
0	0	0	248,407
0	1,421,262	0	1,421,262
5,000	0	0	255,000
11,075	0	0	24,538
16,143	1,421,262	127	6,271,527
(2,586)	(341,821)	296	(498,632)
0	0	0	95,170
0	0	0	421,292
0	0	0	(365,290)
0	0	0	151,172
(2,586)	(341,821)	296	(347,460)
103,996	2,774,734	(65)	6,097,888
0	0	0	47,107
\$101,410	\$2,432,913	\$231	\$5,797,535

**City of Orrville, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types and Expendable Trust Fund  
For the Year Ended December 31, 2000*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Tax	\$1,577,600	\$1,654,762	\$77,162
Property and Other Taxes	471,229	431,700	(39,529)
Charges for Services	227,989	227,989	0
Fines, Licenses, and Permits	9,000	9,571	571
Intergovernmental	554,434	751,135	196,701
Special Assessments	0	0	0
Interest	202,000	345,760	143,760
Contributions and Gifts	300	300	0
Other	394,111	406,993	12,882
<i>Total Revenues</i>	<u>3,436,663</u>	<u>3,828,210</u>	<u>391,547</u>
<b>Expenditures</b>			
Current:			
General Government	1,643,240	1,506,476	136,764
Security of Persons and Property	1,362,815	1,362,815	0
Public Health and Welfare	133,826	133,826	0
Transportation	335,311	335,311	0
Basic Utility Services	0	0	0
Leisure Time Activities	246,842	246,842	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>3,722,034</u>	<u>3,585,270</u>	<u>136,764</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(285,371)</u>	<u>242,940</u>	<u>528,311</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(365,290)	(365,290)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(365,290)</u>	<u>(365,290)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(650,661)</u>	<u>(122,350)</u>	<u>528,311</u>
<i>Fund Balances Beginning of Year</i>	<u>2,145,897</u>	<u>2,145,897</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>125,074</u>	<u>125,074</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,620,310</u></u>	<u><u>\$2,148,621</u></u>	<u><u>\$528,311</u></u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
294,710	266,563	(28,147)	0	0	0
3,500	6,050	2,550	0	0	0
571,600	434,058	(137,542)	0	0	0
67,447	67,447	0	32,048	11,521	(20,527)
1,747	2,489	742	2,452	2,452	0
15,451	17,510	2,059	0	0	0
0	0	0	0	0	0
954,455	794,117	(160,338)	34,500	13,973	(20,527)
0	0	0	1,125	68	1,057
17,942	5,151	12,791	0	0	0
5,000	0	5,000	0	0	0
953,510	783,600	169,910	0	0	0
260,000	249,577	10,423	0	0	0
7,500	5,803	1,697	0	0	0
0	0	0	0	0	0
250,000	250,000	0	5,000	5,000	0
13,463	13,463	0	11,075	11,075	0
1,507,415	1,307,594	199,821	17,200	16,143	1,057
(552,960)	(513,477)	39,483	17,300	(2,170)	(19,470)
95,170	95,170	0	0	0	0
421,292	421,292	0	0	0	0
0	0	0	0	0	0
516,462	516,462	0	0	0	0
(36,498)	2,985	39,483	17,300	(2,170)	(19,470)
541,320	541,320	0	103,577	103,577	0
10,815	10,815	0	3	3	0
<u>\$515,637</u>	<u>\$555,120</u>	<u>\$39,483</u>	<u>\$120,880</u>	<u>\$101,410</u>	<u>(\$19,470)</u>

**City of Orrville, Ohio**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types and Expendable Trust Fund (continued)  
For the Year Ended December 31, 2000*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal Income Tax	\$1,015,933	\$1,015,936	\$3
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Fines, Licenses, and Permits	2,000	1,400	(600)
Intergovernmental	33,067	72,561	39,494
Special Assessments	0	0	0
Interest	0	0	0
Contributions and Gifts	0	0	0
Other	3,000	3,000	0
<i>Total Revenues</i>	<u>1,054,000</u>	<u>1,092,897</u>	<u>38,897</u>
<b>Expenditures</b>			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	2,034,669	1,648,216	386,453
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>2,034,669</u>	<u>1,648,216</u>	<u>386,453</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(980,669)</u>	<u>(555,319)</u>	<u>425,350</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds of Bonds	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(980,669)</u>	<u>(555,319)</u>	<u>425,350</u>
<i>Fund Balances Beginning of Year</i>	<u>1,882,223</u>	<u>1,882,223</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>667,369</u>	<u>667,369</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,568,923</u></u>	<u><u>\$1,994,273</u></u>	<u><u>\$425,350</u></u>

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,593,533	\$2,670,698	\$77,165
0	0	0	471,229	431,700	(39,529)
0	0	0	522,699	494,552	(28,147)
0	0	0	14,500	17,021	2,521
0	0	0	1,159,101	1,257,754	98,653
0	0	0	99,495	78,968	(20,527)
200	190	(10)	206,399	350,891	144,492
0	0	0	15,751	17,810	2,059
0	0	0	397,111	409,993	12,882
200	190	(10)	5,479,818	5,729,387	249,569
0	0	0	1,644,365	1,506,544	137,821
0	0	0	1,380,757	1,367,966	12,791
273	272	1	139,099	134,098	5,001
0	0	0	1,288,821	1,118,911	169,910
0	0	0	260,000	249,577	10,423
0	0	0	254,342	252,645	1,697
0	0	0	2,034,669	1,648,216	386,453
0	0	0	255,000	255,000	0
0	0	0	24,538	24,538	0
273	272	1	7,281,591	6,557,495	724,096
(73)	(82)	(9)	(1,801,773)	(828,108)	973,665
0	0	0	95,170	95,170	0
0	0	0	421,292	421,292	0
0	0	0	(365,290)	(365,290)	0
0	0	0	151,172	151,172	0
(73)	(82)	(9)	(1,650,601)	(676,936)	973,665
135	135	0	4,673,152	4,673,152	0
73	73	0	803,334	803,334	0
<u>\$135</u>	<u>\$126</u>	<u>(\$9)</u>	<u>\$3,825,885</u>	<u>\$4,799,550</u>	<u>\$973,665</u>

**City of Orrville, Ohio**  
*Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
All Proprietary Fund Types and Nonexpendable Trust Fund  
For the Year Ended December 31, 2000*

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Operating Revenues</b>				
Charges for Services	\$22,157,768	\$1,032,187	\$0	\$23,189,955
<b>Operating Expenses</b>				
Personal Services	6,232,280	0	0	6,232,280
Contractual Services	4,381,577	150,855	0	4,532,432
Claims	0	1,104,417	0	1,104,417
Materials and Supplies	6,537,418	0	0	6,537,418
Depreciation	3,062,569	0	0	3,062,569
<i>Total Operating Expenses</i>	<u>20,213,844</u>	<u>1,255,272</u>	<u>0</u>	<u>21,469,116</u>
<i>Operating Income (Loss)</i>	<u>1,943,924</u>	<u>(223,085)</u>	<u>0</u>	<u>1,720,839</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	1,605,040	74,956	0	1,679,996
Gain on Sale of Fixed Assets	3,100	0	0	3,100
Interest and Fiscal Charges	(1,388,677)	0	0	(1,388,677)
Other Non-Operating Revenues	529,217	0	0	529,217
Other Non-Operating Expenses	<u>(25,054)</u>	<u>0</u>	<u>0</u>	<u>(25,054)</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>723,626</u>	<u>74,956</u>	<u>0</u>	<u>798,582</u>
<i>Income (Loss) Before Operating Transfers</i>	<u>2,667,550</u>	<u>(148,129)</u>	<u>0</u>	<u>2,519,421</u>
Operating Transfers Out	<u>(56,002)</u>	<u>0</u>	<u>0</u>	<u>(56,002)</u>
<i>Net Income (Loss)</i>	<u>2,611,548</u>	<u>(148,129)</u>	<u>0</u>	<u>2,463,419</u>
<i>Retained Earnings/Fund Balance</i>				
<i>Beginning of Year (Restated - See Note 3)</i>	<u>42,820,661</u>	<u>920,144</u>	<u>4,027</u>	<u>43,744,832</u>
<i>Retained Earnings End of Year</i>	<u>45,432,209</u>	<u>772,015</u>	<u>4,027</u>	<u>46,208,251</u>
<i>Contributed Capital Beginning and End of Year</i>	<u>3,226,643</u>	<u>0</u>	<u>0</u>	<u>3,226,643</u>
<i>Total Fund Equity End of Year</i>	<u><u>\$48,658,852</u></u>	<u><u>\$772,015</u></u>	<u><u>\$4,027</u></u>	<u><u>\$49,434,894</u></u>

See accompanying notes to the general purpose financial statements



**City of Orrville, Ohio**  
*Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types and Nonexpendable Trust Fund  
For The Year Ended December 31, 2000*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Charges for Services	\$21,431,530	\$22,155,365	\$723,835
Interest	1,174,596	1,274,698	100,102
Other	529,217	529,217	0
Proceeds of Notes	160,000	160,000	0
Sale of Fixed Assets	1,750	3,100	1,350
<i>Total Revenues</i>	<u>23,297,093</u>	<u>24,122,380</u>	<u>825,287</u>
<b>Expenses</b>			
Personal Services	6,499,161	6,088,913	410,248
Contractual Services	6,111,128	4,696,571	1,414,557
Materials and Supplies	13,961,531	8,264,385	5,697,146
Claims	0	0	0
Other	50,000	25,054	24,946
Capital Outlay	2,476,383	2,476,383	0
Debt Service:			
Principal Retirement	2,140,747	2,140,747	0
Interest and Fiscal Charges	1,492,983	1,492,983	0
<i>Total Expenses</i>	<u>32,731,933</u>	<u>25,185,036</u>	<u>7,546,897</u>
<i>Excess of Revenues Under Expenses</i>	<u>(9,434,840)</u>	<u>(1,062,656)</u>	<u>8,372,184</u>
Operating Transfers Out	<u>(56,002)</u>	<u>(56,002)</u>	<u>0</u>
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	<u>(9,490,842)</u>	<u>(1,118,658)</u>	<u>8,372,184</u>
<i>Fund Equity Beginning of Year</i>	19,561,275	19,561,275	0
Prior Year Encumbrances Appropriated	<u>1,575,299</u>	<u>1,575,299</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$11,645,732</u>	<u>\$20,017,916</u>	<u>\$8,372,184</u>

(continued)

**City of Orrville, Ohio**  
*Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types and Nonexpendable Trust Fund (continued)  
For The Year Ended December 31, 2000*

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Charges for Services	\$920,791	\$1,047,481	\$126,690
Interest	67,209	67,209	0
Other	0	0	0
Proceeds of Loans	0	0	0
Proceeds of Notes	0	0	0
<i>Total Revenues</i>	<u>988,000</u>	<u>1,114,690</u>	<u>126,690</u>
<b>Expenses</b>			
Personal Services	0	0	0
Contractual Services	151,741	150,855	886
Materials and Supplies	0	0	0
Claims	1,242,059	1,076,636	165,423
Other	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenses</i>	<u>1,393,800</u>	<u>1,227,491</u>	<u>166,309</u>
<i>Excess of Revenues Under Expenses</i>	(405,800)	(112,801)	292,999
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Under Expenses and Operating Transfers</i>	(405,800)	(112,801)	292,999
<i>Fund Equity Beginning of Year</i>	993,663	993,663	0
Prior Year Encumbrances Appropriated	<u>                    </u>	<u>0</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$587,863</u></u>	<u><u>\$880,862</u></u>	<u><u>\$292,999</u></u>

See accompanying notes to the general purpose financial statements

Nonexpendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$22,352,321	\$23,202,846	\$850,525
0	0	0	1,241,805	1,341,907	100,102
0	0	0	529,217	529,217	0
0	0	0	160,000	160,000	0
0	0	0	1,750	3,100	1,350
0	0	0	24,285,093	25,237,070	951,977
0	0	0	6,499,161	6,088,913	410,248
0	0	0	6,262,869	4,847,426	1,415,443
0	0	0	13,961,531	8,264,385	5,697,146
0	0	0	1,242,059	1,076,636	165,423
0	0	0	50,000	25,054	24,946
0	0	0	2,476,383	2,476,383	0
0	0	0	2,140,747	2,140,747	0
0	0	0	1,492,983	1,492,983	0
0	0	0	34,125,733	26,412,527	7,713,206
0	0	0	(9,840,640)	(1,175,457)	8,665,183
0	0	0	(56,002)	(56,002)	0
0	0	0	(9,896,642)	(1,231,459)	8,665,183
4,027	4,027	0	20,558,965	20,558,965	0
0	0	0	1,575,299	1,575,299	0
<u>\$4,027</u>	<u>\$4,027</u>	<u>\$0</u>	<u>\$12,237,622</u>	<u>\$20,902,805</u>	<u>\$8,665,183</u>

**City of Orrville, Ohio**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types and Nonexpendable Trust Fund*  
*For the Year Ended December 31, 2000*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$22,159,522	\$0	\$0	\$22,159,522
Cash Received from Quasi-External Transactions with Other Funds	0	1,047,481	0	1,047,481
Cash Payments:				
to Suppliers for Goods and Services	(6,534,080)	0	0	(6,534,080)
for Employee Services and Benefits	(6,088,913)	0	0	(6,088,913)
for Contractual Services	(4,083,060)	(150,855)	0	(4,233,915)
for Claims	0	(1,076,636)	0	(1,076,636)
for Other Non Operating Revenues	529,217	0	0	529,217
for Other Non Operating Expenses	(25,054)	0	0	(25,054)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>5,957,632</u>	<u>(180,010)</u>	<u>0</u>	<u>5,777,622</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers Out	<u>(56,002)</u>	<u>0</u>	<u>0</u>	<u>(56,002)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds of Notes	160,000	0	0	160,000
Principal Paid on Notes	(320,000)	0	0	(320,000)
Interest Paid on Notes	(12,943)	0	0	(12,943)
Principal Paid on OWDA Loans	(345,304)	0	0	(345,304)
Interest Paid on OWDA Loans	(197,462)	0	0	(197,462)
Principal Paid on Revenue Bonds	(1,415,000)	0	0	(1,415,000)
Interest Paid on Revenue Bonds	(1,114,533)	0	0	(1,114,533)
Principal Paid on OPWC Loan	(60,443)	0	0	(60,443)
Acquisition of Capital Assets	(2,476,383)	0	0	(2,476,383)
Sale of Fixed Assets	<u>3,100</u>	<u>0</u>	<u>0</u>	<u>3,100</u>
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(5,778,968)</u>	<u>0</u>	<u>0</u>	<u>(5,778,968)</u>
<b>Cash Flows from Investing Activities</b>				
Interest	<u>1,533,293</u>	<u>67,209</u>	<u>0</u>	<u>1,600,502</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>1,655,955</u>	<u>(112,801)</u>	<u>0</u>	<u>1,543,154</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>24,286,372</u>	<u>993,663</u>	<u>4,027</u>	<u>25,284,062</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$25,942,327</u></u>	<u><u>\$880,862</u></u>	<u><u>\$4,027</u></u>	<u><u>\$26,827,216</u></u>

**City of Orrville, Ohio**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types and Nonexpendable Trust Fund (continued)*  
*For the Year Ended December 31, 2000*

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
<i>Operating Income (Loss)</i>	<u>\$1,943,924</u>	<u>(\$223,085)</u>	<u>\$0</u>	<u>\$1,720,839</u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation	3,062,569	0	0	3,062,569
Non Operating Revenue	529,217	0	0	529,217
Non Operating Expenses	(25,054)	0	0	(25,054)
(Increase) Decrease in Assets:				
Accounts Receivable	1,754	18,434	0	20,188
Materials and Supplies Inventory	3,338	0	0	3,338
Prepaid Items	(2,771)	0	0	(2,771)
Increase (Decrease) in Liabilities:				
Accounts Payable	171,081	(3,140)	0	167,941
Accrued Wages	23,383	0	0	23,383
Compensated Absences Payable	86,402	0	0	86,402
Contracts Payable	206,354	0	0	206,354
Intergovernmental Payable	149,397	0	0	149,397
Retainage Payable	(191,962)	0	0	(191,962)
Claims Payable	0	27,781	0	27,781
<i>Total Adjustments</i>	<u>4,013,708</u>	<u>43,075</u>	<u>0</u>	<u>4,056,783</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$5,957,632</u></u>	<u><u>(\$180,010)</u></u>	<u><u>\$0</u></u>	<u><u>\$5,777,622</u></u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>				
Trust and Agency Funds	\$44,491			
Less: Expendable Trust and Agency Funds	<u>40,464</u>			
Nonexpendable Trust Fund	<u><u>\$4,027</u></u>			

See accompanying notes to the general purpose financial statements

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**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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**Note 1 - Description of the City and Reporting Entity**

The City of Orrville is a home rule municipal corporation formed under the laws of the State of Ohio. The City operates under its own Charter made effective January 1, 1976. The Charter, as amended, provides for a Council-Mayor form of government. The City is organized under four departments Law, Finance, Public Utilities, and Public Safety and Service. The Mayor is elected for a four year term and Council members are elected at large for four year staggered terms.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Orrville, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water, electric, sewer and sanitation. The operation of each of these activities is directly controlled by Council through the budgetary process.

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

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation - Fund Accounting***

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

***Governmental Fund Types*** Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and the nonexpendable trust fund) are accounted for through governmental funds. The following are the City's governmental fund types:

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

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

***Debt Service Funds*** These funds are used to account for the accumulations of resources for, and the payment of, general and special assessment long-term debt principal, interest and related costs.

***Capital Projects Funds*** These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and the nonexpendable trust fund).

***Proprietary Fund Types*** Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

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

***Internal Service Fund*** This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is used to account for the medical self-insurance fund.



**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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***Fiduciary Fund Types*** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The City's fiduciary funds include expendable and nonexpendable trust and agency funds.

***Expendable Trust Funds*** These funds are accounted for in essentially the same manner as governmental funds.

***Nonexpendable Trust Funds*** Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

***Agency funds*** These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

***General Fixed Assets Account Group*** This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

***General Long-Term Obligations Account Group*** This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds, including special assessment debt for which the City is obligated in some manner.

***B. Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type and the nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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.

All governmental fund types, expendable trust funds, and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year end.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest on investments, income taxes withheld by employers, fines and forfeitures, and state levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance).

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Current and delinquent property taxes measurable as of December 31, 2000, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

***C. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Budgetary information for the trustee accounts are set up in accordance with the indenture agreement in the enterprise funds is not reported because the accounts are not included in the entity for which the "appropriated budget" is adopted. The legal level of budgetary control is at the fund account line level. Any budgetary modifications at this level may only be made by resolution of the City Council.

***Tax Budget*** At the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

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

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

***Appropriations*** A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund account line item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. During the year, several supplemental appropriation measures were passed. None of these supplemental appropriations had any significant affect on the original appropriations. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

***Encumbrances*** As part of formal budgetary control, purchases orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

***Lapsing of Appropriations*** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and not reappropriated.

***D. Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During 2000, investments were limited to certificates of deposit, manuscript bonds, United States Treasury Bills, United States Treasury Notes, commercial paper, and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificate of deposits are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2000 amounted to \$359,008 which includes \$140,761 assigned from other City funds.

The City utilizes a fiscal agent to hold monies set aside for current and future debt service payments under the provisions of the bond indenture. The balances in these accounts are presented on the balance sheet as,

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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“restricted assets - investments with fiscal agent” or “restricted assets - cash and cash equivalents with fiscal agent.”

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months not purchased from the pool are reported as investments.

***E. Intergovernmental Receivable***

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis, shared revenues and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. Such resources used for the construction of capital assets are recorded as contributed capital.

***F. Interfund Assets and Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.”

***G. Inventory***

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

***I. Restricted Assets***

Restricted assets in the enterprise funds represent amounts set aside to satisfy bond indenture requirements for current and future debt payments and the replacement and improvement of fixed assets originally acquired with bond proceeds, and providing sufficient resources to cover operating costs for one month.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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***J. Bond Issuance Costs, Discount, and Accounting Loss***

Bond issuance cost and discounts for proprietary fund types are deferred and amortized over the term of the bonds. The accounting loss resulting from the advance refunding (the difference between the reacquisition price and the net carrying amount of the debt) is also amortized over the life of the bonds. All items are amortized using the straight-line method since the results are not significantly different from the effective interest method.

***K. Fixed Assets and Depreciation***

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund.

All fixed assets are recorded at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The City has established a capitalization threshold for fixed assets at \$1,000.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Public domain ("infrastructure") general fixed assets consisting of streets, storm sewers and drains, and traffic signals and signs which are not capitalized as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over their estimated useful lives:

<u>Description</u>	<u>Enterprise</u>
Buildings and Improvements	45 years
Machinery and Equipment	6-20 years
Vehicles	5 years
Water and Sewer Lines	30 - 65 years

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2000, interest costs incurred on construction projects in the proprietary funds were not material.

***L. Contributed Capital***

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, and other funds. During 2000, there was no change in contributed capital.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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***M. Accrued Liabilities and Long-term Obligations***

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year end are considered not to have been made with current expendable available financial resources. Bonds are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

***N. Compensated Absences***

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

***O. Fund Equity***

Reserves for retained earnings represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Retained earnings in the electric and water enterprise funds have been reserved for replacement and improvement which represents monies set aside to satisfy bond indenture requirements. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of materials and supplies, and endowments.

***P. Estimates***

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

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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***Q. Total Columns on General Purpose Financial Statements***

Total columns on the general purpose financial statements are captioned "Totals (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. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

**Note 3 - Restatement of Prior Year's Fund Equity**

During 2000 accruals for accounts payable were posted incorrectly causing an overstatement of liabilities in the Downtown Improvement special revenue fund and an understatement in the Capital Improvement capital projects fund, the expendable trust fund and the internal service fund.

In prior years accounts payable, deferred charges, revenue bonds payable, and OWDA loans payable in the enterprise funds carried incorrect balances due to the amortization of issuance costs, an amortized discount, and defeasance of debt. At December 31, 1999, deferred charges were overstated in all enterprise funds, OWDA loans payable were understated in the sewer fund and revenue bonds payable were overstated in the water fund, and the electric fund.

The above changes had the following effects on fund balance/retained earnings and excess/net income as it was previously reported as of and for the year ended December 31, 2000.

**Governmental Fund Types:**

	Special Revenue	Capital Projects	Expendable Trust
Fund Balance as Previously Reported	\$567,604	\$2,787,764	\$191
Restatement of Accounts Payable	16,243	(13,030)	(256)
Restated Fund Balance at January 1, 2000	<u>\$583,847</u>	<u>\$2,774,734</u>	<u>(\$65)</u>
	Special Revenue	Capital Projects	Expendable Trust
Excess as Previously Reported	\$99,576	\$428,882	(\$17)
Restatement of Accounts Payable	16,243	(13,030)	(73)
Restated Excess at January 1, 2000	<u>\$115,819</u>	<u>\$415,852</u>	<u>(\$90)</u>

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
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Proprietary Fund Types:

	Enterprise	Internal Service
Retained Earnings as Previously Reported	\$43,013,588	\$923,284
Restatement of Cash	(2,341)	0
Restatement of Deferred Charges	(311,436)	0
Restatement of Accounts Payable	(42,705)	(3,140)
Restatement of Revenue Bonds Payable	166,107	0
Restatement of OWDA Loans Payable	(2,552)	0
Restated Retained Earnings January 1, 2000	<u>\$42,820,661</u>	<u>\$920,144</u>

	Enterprise	Internal Service
Net Income as Previously Reported	\$3,282,808	\$152,869
Restatement of Accounts Payable	<u>(42,705)</u>	<u>(3,140)</u>
Restated Net Income at January 1, 2000	<u>\$3,240,103</u>	<u>\$149,729</u>

**Note 4 - Budgetary Basis of Accounting**

While the City's reporting financial position, results of operations, and changes in fund balance/retained earnings is on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual -All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).



**City of Orrville, Ohio**  
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4. For the proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
5. Proceeds from short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).
6. The trustee account set up in accordance with the indenture agreements (GAAP) are not part of the entity for which the appropriated budget is adopted (budget).
7. Unreported Cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$30,803)	\$27,454	(\$2,586)	(\$341,821)	\$296
Net Adjustment for Revenue Accruals	(44,978)	(12,169)	416	13,456	(233)
Net Adjustment for Expenditure Accruals	8,699	21,042	0	18,752	(73)
Encumbrances	(55,268)	(33,342)	0	(245,706)	(72)
Budget Basis	(\$122,350)	\$2,985	(\$2,170)	(\$555,319)	(\$82)

Net Income (Loss)/Excess of Revenues Over (Under) Expenses and Operating Transfers All Proprietary Fund Types		
	Enterprise	Internal Service
GAAP Basis	\$2,611,548	(\$148,129)
Net Adjustments for Revenue Accruals	(407,207)	7,547
Proceeds of Notes	(160,000)	0
Fair Value Adjustment for Investment	1,320	0
Non-budget Activity of Trustee Accounts	388,985	0
Unreported Cash	4,157	0
Net Adjustment for Expense Accruals	340,916	27,781
Capital Outlay	(2,476,383)	0
Principal Retirement	(2,140,747)	0
Depreciation	3,062,569	0
Encumbrances	(2,343,816)	0
Budget Basis	(\$1,118,658)	(\$112,801)

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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**Note 5 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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6. The State Treasurer's investment pool (STAROhio); and,
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

***Cash on Hand*** At year end, the City had \$1,265 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents."

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

***Deposits*** At year-end, the carrying amount of the City's deposits was \$27,291,370 and the bank balance was \$28,675,499. Of the bank balance:

1. \$381,146 was covered by federal depository insurance.
2. \$28,294,353 was uncollateralized and uninsured. Although the securities were held by the pledging financial institutions trust department or agent in the City's name and all State statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

***Investments*** The City's investments are required to be categorized to give an indication of the level or risk assumed by the City at year end. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

**City of Orrville, Ohio**  
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	1	3	Carrying Value	Fair Value
Repurchase Agreements	\$0	\$972,265	\$972,265	\$972,265
Commercial Paper	0	775,495	775,495	775,495
U. S. Treasury Bills	0	197,579	197,579	197,579
U. S. Treasury Notes	0	2,591,276	2,591,276	2,591,276
Investment in Orrville				
City Manuscript Bonds	172,170	0	172,170	172,170
Total Investments	<u>\$172,170</u>	<u>\$4,536,615</u>	<u>\$4,708,785</u>	<u>\$4,708,785</u>

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$28,437,070	\$3,564,350
Cash on Hand	(1,265)	0
Investments of the Cash Management Pool:		
Manuscript Bonds	(172,170)	172,170
Repurchase Agreements	<u>(972,265)</u>	<u>972,265</u>
GASB Statement No. 3	<u><u>\$27,291,370</u></u>	<u><u>\$4,708,785</u></u>

## **Note 6 - Receivables**

Receivables at December 31, 2000, consisted of taxes, accounts (billings for user charged services including unbilled utility services), special assessments, interest, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

### **A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2000 for real and public utility property taxes represents collections of 1999 taxes. Property tax payments received during 2000 for tangible personal property (other than public utility property) is for 2000 taxes.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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2000 real property taxes are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2000 public utility property taxes become a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2000, was \$2.80 per 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Property	\$121,989,850
Tangible Personal Property	47,813,902
Public Utility Property	3,632,920
Total	<u>\$173,436,672</u>

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

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

The County Treasurer collects property tax on behalf of all taxing districts within the county, including the City of Orrville. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimate at December 31, nor are they intended to finance 2000 operations. The receivable is offset by deferred revenue.

***B. Income Taxes***

The City levies a municipal income tax of 1.00 percent on substantially all income earned within the City as well as on incomes residents earned outside of the City. In the latter case the City allows a credit of one percent for income taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and to remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are received by the general fund and the capital improvements capital projects fund.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
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***C. Intergovernmental***

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund:	
Estate Tax	\$49,516
Permissive Tax	1,419
Local Government	3,508
Other	3,567
<i>Total General Fund</i>	<u>58,010</u>
Special Revenue Funds:	
Gas Tax MVL	20,780
State Highway Improvement	1,662
Law Enforcement	4,013
EMS Equipment	324
<i>Total Special Revenue Funds</i>	<u>26,779</u>
Total	<u><u>\$84,789</u></u>

**Note 7 - Fixed Assets**

A summary of the enterprise funds' property, plant and equipment at December 31, 2000, follows:

Land	\$674,295
Buildings and Improvements	21,320,038
Machinery and Equipment	70,272,076
Vehicles	1,354,759
Infrastructure	6,554,047
Construction in Progress	427,817
Total	100,603,032
Less: Accumulated Depreciation	(52,031,784)
Net Fixed Assets	<u><u>\$48,571,248</u></u>

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>12/31/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/00</u>
Land	\$1,777,150	\$356,081	\$0	\$2,133,231
Buildings	9,166,245	12,828	0	9,179,073
Improvements Other than Buildings	2,857,523	497,984	0	3,355,507
Equipment	1,426,398	376,384	0	1,802,782
Vehicles	3,855,151	159,232	0	4,014,383
Total	<u><u>\$19,082,467</u></u>	<u><u>\$1,402,509</u></u>	<u><u>\$0</u></u>	<u><u>\$20,484,976</u></u>

**City of Orrville, Ohio**  
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**Note 8 - Notes Payable**

A summary of the note transactions for the year ended December 31, 2000, follows:

	Outstanding 12/31/99	Issued	Retired	Outstanding 12/31/00
Enterprise Funds:				
Sewer Improvement Note	\$320,000	\$160,000	(\$320,000)	\$160,000

The note is backed by the full faith and credit of the City of Orrville and matures within one year. The note liability is reflected in the fund which received the proceeds.

**Note 9 - Long-term Obligations**

Changes in long-term obligations of the City during 2000 were as follows:

	Original Amount	Outstanding 12/31/99	Additions	(Reductions)	Outstanding 12/31/00
<b><i>Enterprise Fund Obligations</i></b>					
<i>Mortgage Revenue Bonds</i>					
Water System Improvement 1994 Revenue Bonds 3.45 - 6.125%	\$9,385,000	\$7,985,600	\$5,800	(\$250,000)	\$7,741,400
1994 Electric Refunding and Improvement Bonds 3.75-5.10%	15,230,000	16,958,292	61,714	(1,165,000)	15,855,006
<i>Total Mortgage Revenue Bonds</i>		24,943,892	67,514	(1,415,000)	23,596,406
<i>Ohio Water Development Loans</i>					
1993 Pollution Control 3.54%	7,185,000	4,829,448	62,041	(340,518)	4,550,971
1972 Sewer Improvement 5.50%	157,361	97,134	0	(4,786)	92,348
<i>Total OWDA Loans</i>		4,926,582	62,041	(345,304)	4,643,319
<i>Ohio Public Works Commission Loan</i>					
1998 Water System Improvement 0%	1,208,853	1,148,409	0	(60,443)	1,087,966
<i>Total Enterprise Fund Obligations</i>		\$31,018,883	\$129,555	(\$1,820,747)	\$29,327,691

**City of Orrville, Ohio**  
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	Original Amount	Outstanding 12/31/99	Additions	(Reductions)	Outstanding 12/31/00
<b>General Long-Term Obligations</b>					
<i>Special Assessment Bonds</i>					
1996 Street Improvement 5.60%	93,242	\$82,000	\$0	(\$5,000)	\$77,000
2000 Street Improvement 6.75%	95,170	0	95,170	0	95,170
<i>Total Special Assessment Bonds</i>		82,000	95,170	(5,000)	172,170
Notes Payable		250,000	0	(250,000)	0
Intergovernmental		159,656	69,705	(159,656)	69,705
Compensated Absences		1,184,502	(762,479)	(81,264)	340,759
<i>Total General Long-Term Obligations</i>		1,676,158	(597,604)	(495,920)	582,634
<i>Total All Types</i>		\$32,695,041	(\$468,049)	(\$2,316,667)	\$29,910,325

The following is a summary of the City's future annual principal and interest requirements for debt:

	Water System Improvement Bonds	Electric Improvement and Refunding Bonds	Ohio Water Development Authority	Ohio Public Works Commission	Special Assessment Bonds
2001	\$265,000	\$1,215,000	\$357,730	\$60,443	\$8,860
2002	275,000	1,260,000	370,602	60,443	9,120
2003	290,000	1,310,000	383,940	60,443	10,400
2004	305,000	1,375,000	397,760	60,443	10,700
2005	320,000	1,440,000	412,081	60,443	11,010
2006-2010	1,900,000	8,220,000	2,293,989	302,215	69,620
2011-2015	2,550,000	1,055,000	427,217	302,215	52,460
2016-2020	1,935,000	505,000	0	181,321	0
Principal	7,840,000	16,380,000	4,643,319	1,087,966	172,170
Interest	5,215,622	5,237,603	1,260,008	0	97,654
Total	\$13,055,622	\$21,617,603	\$5,903,327	\$1,087,966	\$269,824

Enterprise fund obligations will be paid from user service charges in the respective enterprise funds.

Special assessment bonds will be paid from the proceeds of special assessments levied against benefitted property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the pension is paid.



**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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In 1993, the City issued a \$7,185,000 water pollution control loan through the Ohio Water Development Authority to advance refund \$7,040,000 of outstanding sewer improvement mortgage revenue bonds. The \$7,040,000 bonds have been completely repaid.

In 1994, the City issued \$9,385,000 in Water System Improvement Revenue Bonds with a discount and interest rates varying from 3.50 percent to 4.35 percent. Proceeds were used to improve the municipal water system.

In 1997, the City issued \$15,230,000 in Electric System Revenue Refunding and Improvement Bonds with a discount to advance refund \$11,805,000 of outstanding electric system mortgage revenue bonds. The \$11,805,000 bonds have been completely repaid.

The City's overall legal debt margin was \$51,993,108 at December 31, 2000.

The City has authorized the issuance of industrial development revenue bonds to four commercial entities in the aggregate outstanding principal amount of \$3,565,403 at December 31, 2000. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

#### **Note 10 - Contractual Commitments**

As of December 31, 2000, the City had contractual commitments for the following projects:

Contractor	Contractual Commitment	Expended	Balance 12/31/00
Bartolone Excavating	\$372,491	\$84,368	\$288,123
LC United Painting	109,200	0	109,200
Underground Utilities	719,270	0	719,270
Totals	<u>\$1,200,961</u>	<u>\$84,368</u>	<u>\$1,116,593</u>

#### **Note 11 - Employee Benefits**

##### ***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn two to five weeks of vacation per year, depending upon length of service. Vacation is required to be taken within one year of the date it is earned. Earned unused vacation time is paid upon termination of employment. Two personal days are earned every year by full-time employees with a maximum accumulation of 80 hours. Employees earn 8 hours of sick leave each month. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours of accumulated, unused sick leave. As of December 31, 2000, the liability for unpaid compensated absences was \$1,125,109 for the entire City.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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**Note 12 - Defined Benefit Pension Plans**

***A. Public Employees Retirement System***

All City full-time employees, other than non-administrative full-time police officers and fire fighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 2000, 1999, and 1998 were \$417,105, \$804,400, and \$748,578, respectively. The full amount has been contributed for 1999 and 1998. 79.91 percent has been contributed for 2000 with the remainder being reported as a liability in the general long term obligations account group and as a fund liability in the enterprise fund types.

***B. Ohio Police and Fire Pension Fund***

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 1999, the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$43,363 and \$3,534 for the year ended December 31, 2000, \$109,183 and \$10,798 for the year ended December 31, 1999, and \$116,783 and \$11,550 for the year ended December 31, 1998. For the years ended 1999 and 1998 the combined amounts were \$119,981 and \$128,333, respectively. The full amount has been contributed for 1999 and 1998. 72.82 and 73.05 percent, respectively, have been contributed for 2000 with the remainder being reported as a liability within the general long-term obligations account group.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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**Note 13 - Postemployment Benefits**

***A. Public Employees Retirement System (PERS)***

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service employees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on the authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advanced-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$274,243. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

***B. Ohio Police and Fire Pension Fund***

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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during 2000. For 1999 the percent used to fund healthcare was 7 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund postemployment benefits were \$43,363 for police and \$3,534 for fire. The OP&F's total health care expenses for the year ending December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

**Note 14 - Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Selective Insurance	Commercial Property	\$10,000	\$8,367,202
	General Liability	5,000	2,000,000
	Automobile Liability	250	1,025,000
	Inland Marine	None	78,500
	Crime Coverage	None	5,000,000
	Umbrella Liability	None	5,000,000
National Casualty	Law Enforcement Liability - each person, each wrongful act	5,000	2,000,000
	Public Officials Liability	5,000	2,000,000
The Hartford	Auto Liability	1,000	2,000,000
Travelers Property Casualty	Boiler and Machinery	10,000	25,800,000

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

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

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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

The City has elected to provide health care benefits through a self-insured program. The City maintains an Employee Health Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. AultCare, a third party administrator processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$50,000 per employee.

The claims liability of \$116,829 reported in the fund at December 31, 2000, was estimated by reviewing current claims and is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in 2000, 1999 and 1998 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$47,224	\$845,377	\$832,412	\$60,189
1999	60,189	954,236	925,377	89,048
2000	89,048	1,104,417	1,076,636	116,829

## **Note 15 - Contingencies**

### ***A. Grants***

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2000.

### ***B. Litigation***

The City of Orrville is a party to legal proceedings. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material, adverse effect, if any, on the financial position of the City.

**City of Orrville, Ohio**  
*Notes to The General Purpose Financial Statements*  
*For The Year Ended December 31, 2000*

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**Note 16 - Segment Information**

The City's enterprise funds account for the provision of sewer and water services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Orrville as of and for the year ended December 31, 2000:

	Sewer Fund	Electric Fund	Water Fund	Total
Operating Revenues	\$2,102,866	\$17,574,117	\$2,480,785	\$22,157,768
Depreciation Expense	480,942	1,963,467	618,160	3,062,569
Operating Income	339,950	1,076,784	527,190	1,943,924
Operating Transfer Out	0	56,002	0	56,002
Net Income	445,432	1,799,975	366,141	2,611,548
Fixed Assets:				
Additions	206,717	726,734	1,542,932	2,476,383
Deletions	0	42,462	0	42,462
Net Working Capital	4,861,862	18,198,672	4,685,735	27,746,269
Total Assets	14,298,141	46,651,024	20,087,032	81,036,197
Long-Term Liabilities	4,578,436	15,110,077	8,642,911	28,331,424
Total Equity	9,126,700	28,641,190	10,890,962	48,658,852
Encumbrances	855,836	1,074,445	413,535	2,343,816



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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

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

To the Mayor and City Council Members:

We have audited the general purpose financial statements of the City of Orrville, Wayne County, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated June 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying Schedule of Findings as item 2000-20985-001.

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 described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated June 12, 2001.

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

**Jim Petro**  
Auditor of State

June 12, 2001



**CITY OF ORRVILLE  
WAYNE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Reportable Condition**

**FINDING NUMBER 2000-20985-001**

**Fixed Assets**

The City has not adopted a fixed asset policy. The City does not maintain a fixed asset listing for the general fixed asset account group (GFAAG). In addition, no working fixed asset system is in place to track the fixed assets by cost and detail, including a control number to track the fixed assets within the GFAAG. As a result, there is a lack of accountability and monitoring controls by the City over the purchase, sale and movement of fixed assets.

The City should adopt a formal fixed asset policy to define management's criteria, including, but not limited to, fixed asset capitalization threshold; depreciation method; fixed asset useful life by category; treatment of fixed assets purchased in the aggregate; recognition of donated fixed assets, and construction in progress. The City should maintain a detail fixed asset listing for the GFAAG and implement a fixed asset system to track the City's fixed assets. The system should include the tag numbers, acquisition dates and location of the fixed asset. In addition, the policy should provide for the taking of a periodic physical inventory with reconciliation of the results to the master fixed asset listing. This will help ensure the City maintains an adequate system of internal control over the purchase, sale, and movement of fixed assets among the City's departments.

**CITY OF ORRVILLE  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
1999-20985-001	Fixed Assets	No	Not corrected



**STATE OF OHIO  
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**CITY OF ORRVILLE**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 24, 2001**