

CITY OF LONDON, OHIO

General Purpose Financial Statements

December 31, 1999

with

Independent Auditors' Report

CITY OF LONDON, OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

The Honorable Mayor and Members
of the City Council of the City of London, Ohio

We have reviewed the independent auditor's report of the City of London, Madison County, prepared by Clark, Schaefer, Hackett & Co., Certified Public Accountants, for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

July 11, 2000

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report

The Honorable Mayor and Members
of the City Council of the City of London, Ohio

We have audited the accompanying general-purpose financial statements of City of London, Ohio, as of December 31, 1999 and for the year then ended, as listed in the foregoing table of contents. These general-purpose financial statements are the responsibility of the management of the City of London, Ohio. 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 (and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose 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 City of London, Ohio at December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated June 15, 2000 on our consideration of City of London's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City of London, Ohio, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit*

Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Clark, Schaefer Hackett & Co

Springfield, Ohio
June 15, 2000

CITY OF LONDON, OHIO

Combined Balance Sheet - All Fund Types and Account Groups

December 31, 1999

(With Comparative Totals for December 31, 1998)

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets:				
Pooled cash and investments	\$ 475,736	724,835	7,512	24,965
Deposits with fiscal agents	-	13,141	-	-
Receivables (net of allowances for uncollectibles):				
Taxes	626,176	322,503	-	-
Accounts	2,890	25	-	-
Accrued unbilled utilities	-	-	-	-
Accrued interest	5,367	-	190	-
Special assessment	-	23,700	157,885	26,384
Interfund receivable	-	-	-	100,000
Due from other governments	16,438	86,514	-	-
Note receivable	-	568,679	-	407,545
Prepaid expenses	18,673	5,073	-	-
Materials and supplies inventory	1,875	36,157	-	-
Deferred bond issuance costs (net of accumulated amortization)	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Other debits:				
Amounts available in debt service fund	-	-	-	-
Amounts to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 1,147,155	1,780,627	165,587	558,894
Liabilities:				
Accounts payable	\$ 24,193	130,459	-	-
Due to others	-	-	-	-
Interfund payable	-	100,000	-	-
Liability for prior service costs	-	-	-	-
Accrued wages and benefits	52,497	12,259	-	-
Compensated absences payable	-	-	-	-
Deferred revenue	405,536	256,110	157,885	26,384
Accrued interest payable	-	-	-	7,545
Landfill postclosure costs	-	-	-	-
Notes payable, current	-	-	-	-
Notes payable	-	-	-	400,000
Bonds payable, current	-	-	-	-
Bonds payable	-	-	-	-
Obligations under capital lease	-	-	-	-
Total liabilities	482,226	498,828	157,885	433,929
Equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (deficit):				
Unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for:				
Encumbrances	6,613	68,639	-	-
Prepaid expenses	-	-	-	-
Materials and supplies inventory	1,875	36,157	-	-
Note receivable	-	568,679	-	407,545
Unreserved:				
Designated for debt service	-	-	7,702	-
Designated for revolving loan fund	-	-	-	-
Undesignated	656,441	608,324	-	(282,580)
Total equity and other credits	664,929	1,281,799	7,702	124,965
Total liabilities, equity and other credits	\$ 1,147,155	1,780,627	165,587	558,894

See accompanying notes to the general purpose financial statements.

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	
		General Fixed Asset	General Long-Term Debt	1999	1998
Enterprise	Agency				
2,050,054	1,447	-	-	3,284,549	3,328,334
-	-	-	-	13,141	13,980
-	-	-	-	948,679	898,486
66,881	-	-	-	69,796	85,585
270,248	-	-	-	270,248	264,360
-	-	-	-	5,557	4,836
1,129	-	-	-	209,098	257,063
31,000	-	-	-	131,000	131,000
-	-	-	-	102,952	110,922
-	-	-	-	976,224	960,992
6,755	-	-	-	30,501	27,148
12,560	-	-	-	50,592	48,225
21,564	-	-	-	21,564	27,732
5,221,584	-	3,152,936	-	8,374,520	8,244,920
-	-	-	7,702	7,702	5,594
-	-	-	903,526	903,526	980,860
<u>7,681,775</u>	<u>1,447</u>	<u>3,152,936</u>	<u>911,228</u>	<u>15,399,649</u>	<u>15,390,037</u>
69,479	-	-	-	224,131	649,715
65,541	1,447	-	-	66,988	67,086
31,000	-	-	-	131,000	131,000
-	-	-	74,247	74,247	74,247
26,248	-	-	-	91,004	156,872
100,354	-	-	187,476	287,830	272,223
1,129	-	-	-	847,044	889,942
-	-	-	-	7,545	9,295
360,874	-	-	-	360,874	374,841
226,389	-	-	-	226,389	210,753
4,152,028	-	-	-	4,552,028	4,778,415
130,000	-	-	-	130,000	204,383
420,000	-	-	595,745	1,015,745	1,145,745
-	-	-	53,760	53,760	80,488
<u>5,583,042</u>	<u>1,447</u>	<u>-</u>	<u>911,228</u>	<u>8,068,585</u>	<u>9,045,005</u>
-	-	3,152,936	-	3,152,936	3,049,829
1,316,367	-	-	-	1,316,367	1,361,073
782,366	-	-	-	782,366	186,464
-	-	-	-	75,252	151,046
-	-	-	-	-	21,647
-	-	-	-	38,032	39,416
-	-	-	-	976,224	960,992
-	-	-	-	7,702	5,594
-	-	-	-	-	-
-	-	-	-	982,185	568,971
<u>2,098,733</u>	<u>-</u>	<u>3,152,936</u>	<u>-</u>	<u>7,331,064</u>	<u>6,345,032</u>
<u>7,681,775</u>	<u>1,447</u>	<u>3,152,936</u>	<u>911,228</u>	<u>15,399,649</u>	<u>15,390,037</u>

CITY OF LONDON, OHIO

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types

For the Year Ended December 31, 1999
(With Comparative Totals for the Year Ended December 31, 1998)

	GOVERNMENTAL FUND TYPES				TOTALS	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
					1999	1998
Revenues:						
Income taxes	\$ 1,145,571	900,728	-	-	2,046,299	1,870,890
Property taxes	340,623	148,657	-	-	489,280	526,365
Intergovernmental revenue	517,643	1,136,039	-	-	1,653,682	1,501,116
Special assessments	-	38,120	55,369	13,017	106,506	133,442
Charges for services	36,170	610	-	-	36,780	38,121
Fines, licenses and permits	39,325	110,773	-	-	150,098	207,908
Interest income	118,811	15,232	811	-	134,854	154,978
Miscellaneous income	6,212	53,052	-	17,000	76,264	115,663
Total revenues	<u>2,204,355</u>	<u>2,403,211</u>	<u>56,180</u>	<u>30,017</u>	<u>4,693,763</u>	<u>4,548,483</u>
Expenditures:						
Current:						
Security of persons and property	1,202,075	353,390	-	-	1,555,465	1,423,792
Public health services	35,758	-	-	-	35,758	32,635
Leisure time activities	168,174	-	-	-	168,174	156,936
Community environment	565	790,817	-	-	791,382	729,933
Basic utility services	-	2,657	-	-	2,657	3,499
Transportation	-	370,036	-	-	370,036	339,403
General government	511,810	134,937	-	-	646,747	675,706
Capital outlay	-	279,102	-	408,560	687,662	1,567,527
Debt Service:						
Principal retirement	-	-	71,383	17,000	88,383	471,383
Interest and fiscal charges	-	-	25,427	-	25,427	28,749
Total expenditures	<u>1,918,382</u>	<u>1,930,939</u>	<u>96,810</u>	<u>425,560</u>	<u>4,371,691</u>	<u>5,429,563</u>
Excess (deficit) revenues over (under) expenditures	<u>285,973</u>	<u>472,272</u>	<u>(40,630)</u>	<u>(395,543)</u>	<u>322,072</u>	<u>(881,080)</u>
Other financing sources (uses):						
Sale of assets	7,000	-	-	-	7,000	-
Inception of capital lease	-	-	-	-	-	22,160
Debt proceeds	-	-	-	-	-	414,842
Transfers-In	-	237,480	42,738	635,347	915,565	703,795
Transfers-Out	(283,870)	(629,038)	-	-	(912,908)	(700,229)
Total other financing sources (uses)	<u>(276,870)</u>	<u>(391,558)</u>	<u>42,738</u>	<u>635,347</u>	<u>9,657</u>	<u>440,568</u>
Excess (deficit) revenues and other sources over (under) expenditures and other (uses)	<u>9,103</u>	<u>80,714</u>	<u>2,108</u>	<u>239,804</u>	<u>331,729</u>	<u>(440,512)</u>
Fund balance, beginning of year	<u>655,826</u>	<u>1,201,085</u>	<u>5,594</u>	<u>(114,839)</u>	<u>1,747,666</u>	<u>2,188,178</u>
Fund balance, end of year	\$ <u>664,929</u>	<u>1,281,799</u>	<u>7,702</u>	<u>124,965</u>	<u>2,079,395</u>	<u>1,747,666</u>

See accompanying notes to the general purpose financial statements.

CITY OF LONDON, OHIO

Combined Statement of Revenues, Expenses and Changes in Retained Earnings
Budget and Actual (Non-GAAP Budgetary Bases) - All Governmental Fund Types

For the Year Ended December 31, 1999

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Income taxes	\$ 1,049,000	1,121,256	72,256	847,250	884,392	37,142
Property taxes	390,000	340,623	(49,377)	150,066	148,659	(1,407)
Intergovernmental revenue	337,820	513,303	175,483	1,095,399	1,143,809	48,410
Special assessments	-	-	-	23,320	40,461	17,141
Charges for services	35,500	36,110	610	-	-	-
Fines, licenses and permits	48,425	56,507	8,082	105,970	110,851	4,881
Interest income	80,000	118,205	38,205	-	-	-
Miscellaneous income	5,600	6,212	612	38,157	51,113	12,956
Total revenues	1,946,345	2,192,216	245,871	2,260,162	2,379,285	119,123
Expenditures:						
Current:						
Security of persons and property	1,364,369	1,327,326	37,043	363,608	354,018	9,590
Public health services	36,100	35,758	342	-	-	-
Leisure time activities	169,650	168,597	1,053	21,000	-	21,000
Community environment	1,850	466	1,384	882,858	871,618	11,240
Basic utility services	-	-	-	-	2,657	(2,657)
Transportation	55,400	10,000	45,400	474,034	400,596	73,438
General government	600,555	516,958	83,597	162,950	137,840	25,110
Capital outlay	-	-	-	435,321	361,039	74,282
Debt Service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	2,227,924	2,059,105	168,819	2,339,771	2,127,768	212,003
Excess (deficit) revenues over (under) expenditures	(281,579)	133,111	414,690	(79,609)	251,517	331,126
Other financing sources (uses):						
Sale of assets	-	7,000	7,000	-	-	-
Inception of capital lease	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-
Transfers-In	-	-	-	291,440	237,480	(53,960)
Transfers-Out	(183,087)	(183,087)	-	(629,038)	(629,038)	-
Advances-In	-	-	-	-	-	-
Advances-Out	-	-	-	-	-	-
Total other financing sources (uses)	(183,087)	(176,087)	7,000	(337,598)	(391,558)	(53,960)
Excess (deficit) revenues and other sources over (under) expenditures and other (uses)	(464,666)	(42,976)	421,690	(417,207)	(140,041)	277,166
Fund balance, beginning of year	510,288	510,288	-	713,774	713,774	-
Fund balance, end of year	\$ 45,622	467,312	421,690	323,566	600,732	277,166

See accompanying notes to the general purpose financial statements.

	Debt Service Fund			Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$	-	-	-	-	-	-
	-	-	-	-	-	-
	52,000	55,368	3,368	5,540	13,017	7,477
	-	-	-	-	-	-
	100	636	536	-	-	-
	-	-	-	-	-	-
	<u>52,100</u>	<u>56,004</u>	<u>3,904</u>	<u>5,540</u>	<u>13,017</u>	<u>7,477</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	1,204,156	1,186,668	17,488
	71,383	71,383	-	-	-	-
	<u>25,426</u>	<u>25,426</u>	-	-	-	-
	<u>96,809</u>	<u>96,809</u>	-	<u>1,204,156</u>	<u>1,186,668</u>	<u>17,488</u>
	<u>(44,709)</u>	<u>(40,805)</u>	<u>3,904</u>	<u>(1,198,616)</u>	<u>(1,173,651)</u>	<u>24,965</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	417,000	417,000	-
	42,738	42,738	-	635,347	635,347	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>42,738</u>	<u>42,738</u>	-	<u>1,052,347</u>	<u>1,052,347</u>	-
	(1,971)	1,933	3,904	(146,269)	(121,304)	24,965
	<u>5,576</u>	<u>5,576</u>	-	<u>146,270</u>	<u>146,270</u>	-
	<u>3,605</u>	<u>7,509</u>	<u>3,904</u>	<u>1</u>	<u>24,966</u>	<u>24,965</u>

CITY OF LONDON, OHIO

Combined Statements of Revenues, Expenses and Changes in Retained
Earnings (Deficit) - All Proprietary Fund Types

For the Year Ended December 31, 1999

(With Comparative Totals for the Year Ended December 31, 1998)

	PROPRIETARY FUND TYPES	
	Enterprise	
	1999	1998
Operating revenues:		
Charges for services	\$ 2,942,399	2,964,053
Total operating revenues	2,942,399	2,964,053
Operating expenses:		
Personnel services	955,807	857,351
Contractual services	242,938	322,399
Depreciation and amortization	284,333	282,454
Other expenses	566,152	487,310
Total operating expenses	2,049,230	1,949,514
Operating income	893,169	1,014,539
Nonoperating revenues/(expenses):		
Interest income	22,741	6,308
Interest expense and fiscal charges	(378,971)	(401,555)
Special assessments	605	606
Intergovernmental grants	-	875
Loss on sale of fixed assets	(2,182)	-
Other nonoperating revenues	20,705	16,760
Other nonoperating expenses	(2,214)	(8,138)
Total nonoperating revenues/(expenses)	(339,316)	(385,144)
Income before operating transfers	553,853	629,395
Operating transfers in	205,000	315,587
Operating transfers out	(207,657)	(319,153)
Net income	551,196	625,829
Add depreciation on fixed assets acquired with contributed capital	44,706	44,706
Increase in retained earnings	595,902	670,535
Retained earnings (deficit), beginning of year	186,464	(484,071)
Retained earnings, end of year	\$ 782,366	186,464

See accompanying notes to the general purpose financial statements.

CITY OF LONDON, OHIO

Combined Statements of Cash Flows - All Proprietary Fund Types

For the Year Ended December 31, 1999

(With Comparative Totals for the Year Ended December 31, 1998)

	PROPRIETARY FUND TYPES	
	Enterprise	
	1999	1998
Cash flows from operating activities:		
Operating income	\$ 893,169	1,014,539
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	284,333	282,454
Effects of changes on operating assets and liabilities:		
Accounts receivable	(1,053)	(19,354)
Accrued unbilled utilities	(5,888)	(25,082)
Prepaid expenses	(1,254)	4,248
Materials and supplies inventory	(3,751)	475
Accounts payable	(2,140)	17,849
Landfill postclosure costs	(13,967)	(13,965)
Due to others	(98)	(431)
Accrued expenses	(23,340)	6,774
Compensated absences payable	(575)	8,699
Deferred revenue	(518)	-
Net cash provided by operating activities	<u>1,124,918</u>	<u>1,276,206</u>
Cash from noncapital financing activities:		
Operating transfers in	205,000	315,587
Operating transfers out	(207,657)	(319,153)
Nonoperating revenue	44,051	24,549
Nonoperating expense	(2,214)	(8,138)
Net cash provided by noncapital financing activities	<u>39,180</u>	<u>12,845</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(306,840)	(112,826)
Repayment of notes and bonds	(343,751)	(329,202)
Interest payments	(380,721)	(401,667)
Repayment of capital lease obligations	(6,703)	(20,319)
Net cash (used) by capital and related financing activities	<u>(1,038,015)</u>	<u>(864,014)</u>
Net increase in cash	126,083	425,037
Pooled cash and investments, beginning of year	<u>1,923,971</u>	<u>1,498,934</u>
Pooled cash and investments, end of year	\$ <u>2,050,054</u>	<u>1,923,971</u>
Noncash investing activities		
Loss on disposal of fixed asset	\$ <u>2,182</u>	<u>-</u>
Supplemental disclosures:		
Interest paid	\$ <u>380,721</u>	<u>401,667</u>

See accompanying notes to the general purpose financial statements.

CITY OF LONDON, OHIO

Notes to General Purpose Financial Statements

1. Summary of Significant Accounting Policies:

The financial statements of the City of London, Ohio (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are described below:

A. Reporting Entity

The City of London, Ohio is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a council-mayor form of government.

The City provides various services for the community. These services include the following: police protection, fire protection, street maintenance, parks and recreation, building inspections, planning and zoning, public improvements, water and sewage treatment, trash collection, and general administrative services.

For financial reporting purposes, the City includes in this report all funds, account groups, agencies, boards, commissions, and departments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 criteria for determining the entity and component units. Under the provisions of GASB Statement No. 14, the City of London is the primary government, since it is a special purpose government that has a separate elected governing body; functions as a separate legal entity; and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue debt. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data is combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. There are no blended or discretely presented component units at December 31, 1999.

B. Fund Accounting

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the GASB. 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts that comprise assets, liabilities, fund equity, revenues and expenditures (expenses). An account group, on the other hand, 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.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

C. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds.

The following are the City's governmental fund types:

General Fund - The general fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

Capital Projects Fund - The capital projects fund is 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 trust funds).

D. Proprietary Funds

Proprietary funds are used to account for the City's ongoing activities, which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to

other departments or agencies primarily within the government (internal service funds). The City has no internal service funds.

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

E. Fiduciary Funds

Fiduciary fund types include trust (expendable and nonexpendable) and agency. These funds 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. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

For 1999 and 1998, the City has no trust fund types.

F. Account Groups

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. Since these assets and obligations are long-term, they are neither spendable resources nor require current appropriations.

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

General Long-Term Obligations Account Group - This group is established to account for all long-term obligations of the City except those accounted for in the proprietary funds.

G. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are 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 funds 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 operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types, agency funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The availability period for the City is considered to be 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, income taxes, special assessments, interest earnings, intergovernmental revenues, fines and forfeitures, and charges for services. Other revenues, including licenses and permits, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City applies all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

As discussed in Note 9, the City applies GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* in recording future landfill postclosure care costs.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when 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, or when the City has legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessment installments and notes receivable to be received in governmental funds are recorded as deferred revenue because they do not meet the availability criteria.

Property taxes measurable as of December 31, 1999, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue as further described in Note 4.

H. Budgets

The City follows procedures prescribed by State law in establishing the budgetary data reflected in the financial statements as follows:

- (1) The City must submit information as is necessary to the County Budget Commission each year in lieu of a tax budget by the previous June 30 for the following year, January 1 through December 31.
- (2) The County Budget Commission certifies its actions by September 1 and issues an Official Certificate of Estimated Resources, (the "Certificate") limiting the maximum amount the City may expend from a given fund during the year to the estimated resources available.
- (3) About January 1, the Certificate is amended to reflect the actual unencumbered balances from the preceding year. The City must prepare its appropriations so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the initial or amended Certificate.
- (4) A temporary appropriation measure may be passed to control cash disbursements for the period January 1 through March 31. Before April 1, a permanent appropriation measure must be passed for the period January 1 through December 31. The budget identifies specific expenditure amounts by character for each division within each fund.
- (5) Unencumbered appropriations lapse at year-end and are reappropriated in the following year budget. The Ohio Revised Code provides that no contract, agreement or other obligation involving the expenditure of money shall be entered into unless the City Treasurer first certifies that the money required for such contract, agreement, obligation or expenditure is in the treasury, or is anticipated to come into the treasury, before the maturity of such contract.
- (6) All funds of the City have annual budgets legally adopted by the City Council.

The appropriations ordinance controls expenditures at the object level (legal level of control). Council can amend the budget at functional expense lines, through the passage of supplemental ordinances. Management can amend appropriations below this level without Council approval. Supplemental appropriations to the original appropriations ordinance were made during the year as enacted by Council in the following amounts:

	Increase (Decrease) <u>in Appropriations</u>
General Fund	\$ 84,500
Special Revenue Funds	289,998
Capital Projects Funds	618,292
Enterprise Funds	5,460

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of money are recorded in order to reserve that portion of the applicable appropriation, is utilized by the City. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary and GAAP basis of accounting.

I. Cash and investments

For investment purposes, the City pools all individual cash balances in a central bank account or in short-term cash equivalents. Individual fund balance integrity is maintained. All investments are stated at fair value, which approximates cost. The City considers savings, checking and overnight repurchase agreements, along with investments with original maturity of ninety (90) days or less to be cash and cash equivalents. Detailed information regarding all of the City's cash deposits and investments is provided in Note 2. The City has no investments that require gain or loss due to market value changes in accordance with GASB 31.

J. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and are determined by physical count. Inventory consists of expendable supplies held for consumption. The consumption method is used to account for inventories. As such, inventories are recognized as expenditures when the goods are used. Reported inventories in the governmental fund types are equally offset by a fund balance reserve, which indicates they do not constitute "available spendable resources."

K. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 1999 are recorded as prepaid items.

L. Fixed Assets and Depreciation

General fixed assets - General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available or at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their fair market value on the date received.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems 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 and any interest in construction in progress is not capitalized.

Proprietary funds - Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost). Contributed fixed assets are recorded at fair market value at the date received. Depreciation is calculated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Life (Years)</u>
Buildings	20-30
Machinery and equipment	5-20
Improvements other than buildings	15-30
Water and sewer lines	40-50

Note 6 provides annual activity on fixed assets.

M. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term obligations account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Employees earn vacation time at varying rates depending on the duration of their employment. The City does not require annual leave to be taken; however, vacation time may not accumulate in excess of three years.

The City uses the vesting method in determining the liability for sick leave recorded in the general long-term obligations account group.

The timing of future payments for vacation and sick leave is dependent on many factors and therefore not readily determinable. However, management believes the sufficient resources will be made available for the payment of vacation and sick leave when such payment becomes due.

N. Special Assessments

The City applies the provisions of Governmental Accounting Standards Board (GASB) Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, in accounting for and reporting special assessments and related transactions. The City's special assessment bonds are secured by liens on assessed properties and are also backed by the full faith and credit of the City as additional security. Accordingly, they are accounted for and reported in the General Long-Term Obligations Account Group. The accumulation of resources for, and the payment of, principal and interest on these bonds is accounted for and reported in the Debt Service Fund.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Fund Equity

Contributed capital is recorded for proprietary funds which have received contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Q. Contributed Capital

Contributed capital represents donations by developers, contributions made by the City and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Because the City, prior to 1991, had not prepared its financial statements in accordance with generally accepted accounting principals, contributed capital has been recorded at estimated amounts pertaining to years prior to 1989.

In general, it has been the policy of the City to construct and acquire capital assets used in operations of the enterprise funds with special assessments or through donations by developers. Thus, these assets are recorded as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds are classified as retained earnings.

The reconciliation of changes in contributed capital is as follows:

Contributed Capital as of December 31, 1998	\$ 1,361,073
Depreciation for the year ended December 31, 1999	<u>(44,706)</u>
Contributed Capital as of December 31, 1999	<u>\$ 1,316,367</u>

R. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivable" or "interfund payable" on the balance sheet.

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it and that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as reductions of

expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

No residual equity transfers were made in 1999.

S. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

T. Insurance and Risk

The City of London covers most of its risks of loss through commercial insurance. There were no significant reductions in insurance coverage on any risk during the past year. The City did not have any settlements that exceeded insurance coverage in the last three years.

2. Pooled Cash, Investments, and Deposits with Fiscal Agents:

The City maintains a cash and investment pool used by all funds except cash held by fiscal agents. Each fund type's portion of the pool is displayed on the combined balance sheet as "Pooled Cash and Investments." For the statement of cash flows, the proprietary fund type considers all highly liquid investments with purchased maturities of three months or less to be cash equivalents. Earnings on pooled cash and investments are allocated to the General Fund unless required by law to be allocated to another fund.

Cash and Certificates of Deposit - at December 31, 1999, the carrying amount of all the City's deposits was \$3,297,690 and the bank balance was \$3,399,646. Of the bank balance, \$116,000 was insured by federal depository insurance and \$3,283,646 was collateralized with securities held by the financial institution or by its trust department or agent but not in the City's name.

Investment and Deposits with Fiscal Agents - The City's investment policies are governed by state statutes and city ordinances which authorize the city to invest in bonds or other obligations of the United States Treasury, agencies and instrumentalities, bonds of the State of Ohio, or bonds of any municipal corporation, village, county, township or other political subdivision of the State of Ohio.

The City purchases investments only through member banks of the Federal Reserve System or broker-dealers registered with the U.S. Securities and Exchange Commission.

The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the city or its agent in the city's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its safekeeping department or agent but not in the City's name. The City held no investments at December 31, 1999, which meet the criteria of GASB 3.

3. Note Receivable:

On August 2, 1994, the City received a \$500,000 promissory note from London Limited Partnership (the Partnership), an Ohio limited partnership formed to construct low income housing with Federal Financial Assistance granted to the City of London as well as funds which the Partnership borrowed from a private lender. The note receivable began to accrue interest at a rate of 3% per annum on December 1, 1995 when the Partnership reached the permanent loan closing with the private lender who financed the remainder of the project. Interest will be deferred and will be due and payable only after payment of all of the Partnership's operating expenses and all sums due to the private lender. The entire principal balance, \$500,000 at December 31, 1999, and all unpaid interest, \$68,679, will be due and payable on January 1, 2011. The note is secured by the related property.

The note receivable is equally offset by a reservation of fund balance.

4. Property Taxes:

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City.

Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as on the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. A revaluation of all property is required to be completed every sixth year. The last revaluation was completed in 1996.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 14; if paid semi-annually, the first payment is due February 14 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes attach a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. Tangible personal property taxes for unincorporated and single county businesses are due semiannually with the first payment due April 30 and the remainder payable by September 20. The due date for the entire taxes for inter-county businesses is September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

The assessed values for 1998, on which the 1999 tax collections were based, are as follows:

Real property:	
Residential/agricultural	\$ 57,104,950
Commercial/industrial	29,388,010
Tangible personal property:	
Public utilities and general	<u>25,202,960</u>
Total valuation	\$ <u>111,695,920</u>

The full tax rate applied to real property for the tax year ended December 31, 1998 was \$5.80 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.92 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$5.08 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The State of Ohio reimburses the amount of these homestead and rollback reductions to the City.

The Madison County Treasurer collects property taxes on behalf of the City and periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of December 31, 1999. Although total property tax collections for the next year are measurable, they are not intended to finance current year operations. The receivable is offset therefore by a credit to deferred revenue.

5. Income Taxes:

The City levies a 1.0% income taxes on substantially all income earned within the City. The tax is applied to gross salaries, wages and other personal service compensation. It also applies to net income of for-profit organizations conducting business within the City. In addition, residents of London are required to pay city income tax on income they earn outside the City.

Employers within the City are required to withhold income tax on employees' compensation and remit this tax at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Additional increases in the income tax rate require voter approval. The City has established its own income tax division to administer and collect taxes for the City.

6. Fixed Assets:

A summary of changes in the General Fixed Assets Account Group during 1999 is as follows:

	Balance at <u>12/31/98</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>12/31/99</u>
Land	\$ 80,048	-	-	80,048
Buildings	485,465	-	-	485,465
Machinery & equipment	2,121,591	132,003	69,556	2,184,038
Other improvements	315,714	40,660	-	356,374
Construction-in-progress	<u>47,011</u>	<u>-</u>	<u>-</u>	<u>47,011</u>
Total general fixed assets	<u>\$ 3,049,829</u>	<u>172,663</u>	<u>69,556</u>	<u>3,152,936</u>

A summary of changes in the Enterprise funds fixed assets during 1999 is as follows:

	Balance at <u>12/31/98</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>12/31/99</u>
Land	\$ 140,782	-	-	140,782
Buildings	733,777	-	-	733,777
Machinery & equipment	2,400,374	158,656	89,039	2,469,991
Improvements other than buildings	4,828,707	22,353	-	4,851,060
Water & sewer lines	4,336,659	116,397	-	4,453,056
Construction in progress	<u>80,769</u>	<u>26,177</u>	<u>16,743</u>	<u>90,203</u>
Total	12,521,068	323,583	105,782	12,738,869
Accumulated depreciation	<u>7,325,977</u>	<u>278,165</u>	<u>86,857</u>	<u>7,517,285</u>
Net	<u>\$ 5,195,091</u>	<u>45,418</u>	<u>18,925</u>	<u>5,221,584</u>

7. Note Payable:

In 1999, the City entered into a \$400,000, 4.25% note payable to Bank One Capital Markets, Inc. for the purpose of renovating an athletic complex for the London City Schools (School). An agreement was made between the City and the School stating that the School would be responsible for all payments of principal and interest. In the event that the School should default, the City has the right to seize athletic gate receipts to fund the debt payments. As the City is the stated party liable for the debt, this note will remain on the City's books; however, it will be offset by a note receivable from the School. No allowance is considered necessary on the note receivable from the School, as it is considered fully collectible.

The note receivable is equally offset by a reservation of fund balance.

8. Long-Term Obligations:

A summary of the long-term debt outstanding at December 31, 1999 is as follows:

	<u>Balance at</u> <u>12/31/98</u>	<u>Principal</u> <u>Issued</u>	<u>Principal</u> <u>Retired</u>	<u>Balance at</u> <u>12/31/99</u>
General obligation debt:				
1993, Ohio public works loan	\$ 214,128	-	13,383	200,745
1994, 5.8% Pool Improve- ments Bonds	<u>255,000</u>	<u>-</u>	<u>15,000</u>	<u>240,000</u>
	<u>\$ 469,128</u>	<u>-</u>	<u>28,383</u>	<u>440,745</u>
Special assessment debt:				
1978, 6.125% sewer improve- ment bonds	\$ 7,000	-	7,000	-
1991, 5.899% street improve- ment bonds	94,000	-	30,000	64,000
1993, 5.25% sanitary sewer improvement bonds	<u>97,000</u>	<u>-</u>	<u>6,000</u>	<u>91,000</u>
Total	<u>\$ 198,000</u>	<u>-</u>	<u>43,000</u>	<u>155,000</u>
Enterprise funds:				
General Obligation Bonds -				
1993, 5.25% sanitary sewer improvement bonds	\$ 50,000	-	10,000	40,000
General Obligation Bonds -				
1992, 4.86% water tower replacement	620,000	-	110,000	510,000
O.W.D.A. Notes:				
1976, 5.50% loan #100	152,491	-	20,152	132,339
1976, 5.50% loan #130	29,539	-	4,284	25,255
1988, 7.65% loan #803	3,944,894	-	167,034	3,777,860
1988, 7.86% loan #816	462,244	-	19,281	442,963
1979, 6.25% sewer system bonds	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
Total	<u>\$ 5,272,168</u>	<u>-</u>	<u>343,751</u>	<u>4,928,417</u>

Annual debt service requirements to maturity for General Long-Term Obligation Account Group debt, including interest of \$118,307 are:

<u>Year</u>	<u>Total</u> <u>General</u> <u>Obligation</u>	<u>Total</u> <u>Special</u> <u>Assessment</u>	<u>Total</u>
2000	\$ 46,723	45,586	92,309
2001	45,563	45,442	91,005
2002	44,403	10,148	54,551
2003-2006	179,707	37,440	217,147
2007-2011	159,600	44,187	203,787
2012-2014	<u>40,150</u>	<u>15,103</u>	<u>55,253</u>
Total	<u>\$ 516,146</u>	<u>197,906</u>	<u>714,052</u>

Annual debt service requirements to maturity for Enterprise Funds, including interest of \$2,686,673 are:

<u>Year</u>	<u>Total Sewer Bonds</u>	<u>Total Sanitary Sewer Bonds</u>	<u>Total Water Bonds</u>	<u>Total OWDA Loans</u>	<u>Total Enterprise Debt</u>
2000	\$ -	12,100	143,630	558,880	714,610
2001	-	11,575	142,503	558,880	712,958
2002	-	11,050	140,870	558,880	710,800
2003-2006	-	10,525	138,712	2,180,892	2,330,129
2007-2011	-	-	-	2,622,161	2,622,161
2012	-	-	-	<u>524,432</u>	<u>524,432</u>
Total	\$ -	<u>45,250</u>	<u>565,715</u>	<u>7,004,125</u>	<u>7,615,090</u>

The Ohio Revised Code provides that total net general obligation debt of the City exclusive of certain exempt debt, shall never exceed 10.5% of the total assessed valuation of the City. In addition, the unvoted net debt of the City cannot exceed 5.5% of the total assessed valuation. At December 31, 1999, the City had legal debt margin for total unvoted debt of \$6,143,276 and a legal debt margin for total debt of \$11,723,072.

In 1992, the City defeased \$1,267,500 of 1983 Mortgage Revenue Bonds by placing the proceeds of General Obligation Bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 1999, \$750,000 of bonds outstanding are considered defeased.

The City has leased certain machinery and equipment under capital leases. The cost of these leased assets is \$276,451, of which \$135,347 is included in the enterprise fund and \$141,104 is in the general fixed asset account group. There is a \$53,760 capital lease obligation outstanding at year-end.

The following is a schedule by years of future minimum lease payments under capital leases:

Fiscal year ending December 31:

	<u>General Long Term Obligations Account Group</u>
2000	<u>27,762</u>
2001	<u>25,006</u>
2002	<u>5,257</u>
2003	<u>2,628</u>
Total minimum lease payments	<u>60,653</u>
Less amount representing interest	<u>6,893</u>
Present value of net minimum lease payments	<u>53,760</u>

Another component of the General Long-Term Obligations Account Group is compensated absences. Increases and decreases in accrued vacation and compensatory time are shown net, since it is impractical for the City to determine these amounts separately.

	Balance at <u>December 31, 1998</u>	Increase (Decrease)	Balance at <u>December 31, 1999</u>
Accrued vacation	\$ 93,532	11,287	104,819
Accrued sick	75,404	5,953	81,357
Accrued compensatory time	<u>2,358</u>	<u>(1,058)</u>	<u>1,300</u>
Total	\$ <u>171,294</u>	<u>16,182</u>	<u>187,476</u>

9. Landfill Postclosure Care Costs:

The City of London landfill voluntarily closed in June 1989. The City utilized 45 acres for landfill purposes situated on a 280-acre city-owned farm. The 45 acres were landfilled from 1966 to 1989. The Ohio EPA approved the City's final closure plan in June 1990. The City has incurred closure costs of \$259,686 of which \$13,967 was incurred in 1999. The final closure plan required twelve groundwater monitoring wells. The required number of tests per year has been decreasing since 1990. The City currently is required to test five down-gradient groundwater monitoring wells, one up-gradient groundwater monitoring well and three surface sampling points semi-annually. The City will be required to test periodically as the EPA mandates until 2019. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the City has recognized a liability of \$360,874 at December 31, 1999 for the estimated future postclosure costs to be incurred. This estimate is based on the amount that it would cost to perform all remaining postclosure care in 1999. Actual cost in the future may be higher due to inflation, changes in technology, or changes in regulations.

The City does not restrict assets for the payment of postclosure care costs. Postclosure care costs are paid for with current available resources from the sanitation fund (enterprise fund).

10. Defined Benefit Pension Plans:

Policemen are covered by the Police and Fireman's Disability and Pension Fund of Ohio (Police and Fire). Substantially all other City employees are covered by Public Employees Retirement System of Ohio (PERS). Police and Fire and PERS are both cost-sharing, multiple-employer, public employee retirement systems. The payrolls for employees covered by Police and Fire, PERS, and for all employees were \$869,822, \$1,435,588 and \$2,400,403, respectively for the year ended December 31, 1999.

Plan Description. The City of London contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides the authority to establish and amend benefit provisions. PERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to PERS, 277 East Town Street, Columbus, Ohio 43215, or by calling (614) 466-2085.

Funding Policy. The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.55% of annual covered payroll. The City's contributions to PERS for the years ending December 31, 1999, 1998 and 1997 were \$194,521, \$178,560 and \$166,855, respectively, equal to the required contributions for each year.

Plan Description. The City of London contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing multiple-employer defined benefit pension plan. PFDPF 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 are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy. Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City of London's contributions to PFDPF for the years ending December 31, 1999, 1998 and 1997 were \$184,743, \$170,845 and \$158,572, respectively, equal to the required contributions for each year.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1999, the liability of the City was \$74,247, payable in annual installments of \$3,958 through the year 2035. This is an accounting liability of the General Fund, which will not vary. The liability is reported in the General Long-Term Obligations Account Group. The liability for past service costs at the time PERS was established was assumed by the State.

11. Postemployment Benefits:

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (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 authority granted by state statute. The 1999 employer contribution rate was 13.55% of covered payroll for employees not engaged in law enforcement; 4.2% was the portion that was used to fund health care for 1999. For law enforcement employees, the employer contribution rate for 1999 was 16.7% of which 4.2% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

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

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

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. Police and Firemen's Disability and Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and 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% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.0% of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998, (the latest information available) was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$60,888 for police and firemen. The Fund's total health care expenses for the year ended December 31, 1998 were \$78,596,790.

12. Compensated Absences:

In accordance with GASB 16, the City accrues unpaid vacation, as it is earned and certain portions of sick leave pay as payment becomes probable.

Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<u>40 Hr/Wk Employee Hours Earned/Year</u>
1 thru 7	80
8 thru 14	120
15 thru 24	160
Over 24 years	200

No more than the amount of vacation accrued in the previous thirty-six month period can be carried forward into the next calendar year without written consent of the Mayor. Without this approval, any excess is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation up to a maximum of the three-year accrual.

All employees earn sick leave at the rate of 4.6 hours for each eighty hours of work completed.

It is the policy of the City that an employee with at least ten years' service who terminates employment or whose employment is terminated with the City (for other than disciplinary reasons) is entitled to receive payment on the basis of one day's pay for each four days of accrued sick leave not to exceed 120 days. The policy varies for employees covered by collective bargaining agreements. Sick leave is recorded as a long-term obligation, unless there is an indication that the obligation will be liquidated with expendable available financial resources within one year (e.g. announced retirement date).

As of December 31, 1999, the accrued liability for unpaid compensated absences was \$287,830 for all funds and account groups.

13. Budgetary Basis of Accounting:

The adjustments necessary to convert the results of operations for the year on the budget basis to GAAP bases are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>
Budget basis	\$ (42,976)	(140,041)	1,933	(121,304)
Due to revenue	12,139	23,926	176	17,000
Due to expenditure	140,723	196,829	(1)	761,108
Other financing sources (uses)	<u>(100,783)</u>	<u>-</u>	<u>-</u>	<u>(417,000)</u>
GAAP basis	\$ <u>9,103</u>	<u>80,714</u>	<u>2,108</u>	<u>239,804</u>

14. Contingent Liabilities:

The City is involved in various lawsuits pertaining to matters which are incidental to performing routine governmental and other functions. The City's management is of the opinion that the ultimate disposition of the claims and legal proceedings will not have a material adverse effect on the financial condition of the City.

Under the terms of federal grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management that any questioned costs will be resolved in favor of the City and that reimbursement, if any, will not have a material effect on the City's financial position.

15. Segment Information for Enterprise Funds:

The City maintains three enterprise funds which provide water, sewer and sanitation services. Segment information for the year ended December 31, 1999 was as follows:

	<u>Water Funds</u>	<u>Sewer Funds</u>	<u>Sanitation Funds</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 927,116	1,333,087	682,196	2,942,399
Depreciation and amortization expense	63,407	191,534	29,392	284,333
Other operating expense	721,266	475,805	567,826	1,764,897
Operating income	142,443	665,748	84,978	893,169
Intergovernmental grants	-	-	-	-
Special assessment taxes	-	605	-	605
Operating transfers:				
In	105,000	100,000	-	205,000
Out	(45,000)	(127,512)	(35,145)	(207,657)
Net income	176,022	297,650	77,524	551,196
Current capital contributions net additions (deletions)	-	-	-	-

Property Plant and equipment:				
Additions	197,209	53,508	56,123	306,840
Deletions	-	-	-	-
Net working capital	521,338	1,156,923	208,205	1,886,466
Total assets	2,010,382	5,204,465	466,928	7,681,775
Bonds and other long-term liabilities:				
Payable from operating revenues	445,593	4,203,436	384,227	5,033,256
Total equity (deficit)	\$ 1,336,416	711,388	50,929	2,098,733

16. Interfund Receivable/Payable:

A summary of interfund transactions at December 31, 1999 consist of the following:

During the normal course of operations, the City has numerous transactions among funds, most of which are accounted for as transfers among funds.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Special Revenue:		
Recaptured Home	\$ -	100,000
Capital Projects:		
Downtown Revitalization	100,000	-
Enterprise Funds:		
Water	-	5,000
Sewer	26,000	-
Sanitation	<u>5,000</u>	<u>26,000</u>
	<u>31,000</u>	<u>31,000</u>
Total Interfund Receivable/Payable	\$ <u>131,000</u>	<u>131,000</u>

CITY OF LONDON, OHIO

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 1999

	Federal <u>CFDA</u>	Grant <u>Number</u>		<u>Receipts</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development (Passing Through Ohio Department of Development Office of Local Government Services):					
Community Housing Improvement Program	14.228	A-C-98-141-1	\$	449,890	449,890
CDBG-Downtown Revitalization	14.228	A-T-97-141-1		215,933	215,933
CDBG-Downtown Revitalization	14.228	A-F-98-141-1		<u>58,000</u>	<u>58,000</u>
Total U.S. Department of Housing and Urban Development				<u>723,823</u>	<u>723,823</u>
U.S. Department of Justice (Passing Through Office of Community Oriented Policing Services):					
COPS FAST Program	16.710	95CFWX3846		21,578	21,578
COPS Small Communities	16.710	98CFWX0632		<u>15,000</u>	<u>15,000</u>
Total U.S. Department of Justice				<u>36,578</u>	<u>36,578</u>
Total federal awards			\$	<u>760,401</u>	<u>760,401</u>

See notes to the schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the City of London's federal award programs. The schedule has been prepared on the accrual of accounting.

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members
of the City Council of the City of London, Ohio

We have audited the general-purpose financial statements of the City of London, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated June 15, 2000.

This report is intended for the information of the mayor and members of City Council, management, the Auditor of State of Ohio, Office of Community Oriented Policing Services and the Ohio Department of Development, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer Harkett & Co

Springfield, Ohio
June 15, 2000

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and Members
of the City Council of the City of London, Ohio

Compliance

We have audited the compliance of the City of London, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

Internal Control Over Compliance

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

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

This report is intended for the information of the mayor and members of City Council, management, the Auditor of State of Ohio, Office of Community Oriented Policing Services and the Ohio Department of Development, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer Hackett & Co

Springfield, Ohio
June 15, 2000

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

CITY OF LONDON, OHIO
DECEMBER 31, 1999

I. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Was there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Was there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	U.S. Department of Housing and Urban Development, Community Housing Improvement Program, CDBG, CFDA #14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Findings: None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Findings: None

**CITY OF LONDON, OHIO
DECEMBER 31, 1999**

**C. SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315(b)**

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF LONDON

MADISON 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.

By: Susan Babbitt

Date: JUL 27 2000