



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF FREMONT
SANDUSKY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Fund	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types	6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types	8
Statement of Cash Flows - All Proprietary Fund Types	9
Notes to the General-Purpose Financial Statements	11
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Schedule of Findings	51
Schedule of Prior Audit Findings	53

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Fremont
Sandusky County
323 South Front Street
Fremont, Ohio 43420-3037

To the City Council:

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Fremont, Sandusky County, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 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

August 21, 2001

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CITY OF FREMONT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets		General Long-Term Obligations
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash, cash equivalents and investments	\$3,354,356	\$5,358,675	\$30,100	\$1,990,816	\$3,041,554	\$18,689	\$559,301		14,353,491	
Cash with fiscal agent				238,625	345,421		407,357		991,403	
Cash in segregated accounts	155	150			350		7,370		8,025	
Receivables (net of allowances for uncollectibles):										
Taxes	748,222	1,536,926							2,285,148	
Accounts	17,621	8,004		15,536	701,602				742,763	
Accrued interest	49,622			5,054			5,358		60,034	
Special assessments			2,948						2,948	
Due from other governments	17,888	1,694							19,582	
Materials and supplies inventory		60,864			263,383				324,247	
Loans receivable		526,872							526,872	
Deferred bond costs					335,026				335,026	
Restricted assets:										
Equity in pooled cash and cash equivalents					49,810				49,810	
Cash with escrow agent					236,732				236,732	
Property, plant and equipment (net of accumulated depreciation where applicable)					24,529,686		11,005,848		35,535,534	
OTHER DEBITS:										
Amount available in debt service fund								30,100	30,100	
Amount to be provided for retirement of general long-term obligations								5,931,471	5,931,471	
Total assets and other debits	\$4,187,864	\$7,493,185	\$33,048	\$2,250,031	\$29,503,564	\$18,689	\$979,386	\$11,005,848	\$5,961,571	\$61,433,186

(Continued)

CITY OF FREMONT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000
(Continued)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$45,622	\$11,894		\$51,211	\$112,304	\$397				\$221,428
Accrued wages and benefits	171,170	35,905			100,335	1,657				309,067
Compensated absences payable					302,646				\$454,280	756,926
Pension obligation payable	209,589	20,087			59,507	893				290,076
Police and fire accrued pension									882,291	882,291
Deferred revenue	742,810	165,608	\$2,948	5,054			\$4,159			920,579
Deposits held and due to others							9,685			9,685
Due to other governments							47,355			47,355
Claims and judgements payable							3,668			3,668
Accrued interest payable					44,791					44,791
General obligation bonds payable					8,025,000				4,625,000	12,650,000
Revenue bonds payable					2,480,000					2,480,000
Payable from restricted assets:										
Refundable deposits					49,810					49,810
Total liabilities	1,169,191	233,494	2,948	56,265	11,174,393	2,947	64,867	0	5,961,571	18,665,676
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$11,005,848		11,005,848
Contributed capital					5,466,599					5,466,599
Retained earnings:										
Reserved for bond covenants					236,732					236,732
Unreserved					12,625,840	15,668				12,641,508
Fund balances:										
Reserved for encumbrances	29,449	67,303		1,006,855		74	9,749			1,113,430
Reserved for materials and supplies inventory		60,864								60,864
Reserved for revolving loans receivable		526,872								526,872
Reserved for debt service			30,100							30,100
Reserved for budget stabilization	208,113									208,113
Reserved for tax revenue										
unavailable for appropriation	30,588	7,058								37,646
Unreserved-undesignated	2,750,523	6,597,594		1,186,911			904,770			11,439,798
Total equity and other credits	3,018,673	7,259,691	30,100	2,193,766	18,329,171	15,742	914,519	11,005,848	0	42,767,510
Total liabilities, equity and other credits	\$4,187,864	\$7,493,185	\$33,048	\$2,250,031	\$29,503,564	\$18,689	\$979,386	\$11,005,848	\$5,961,571	\$61,433,186

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREMONT, 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 Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Municipal income tax		\$6,619,817				\$6,619,817
Property and other taxes	\$606,240	139,856				746,096
Charges for services	19,263	394,574				413,837
Licenses, permits and fees	12,939					12,939
Fines and forfeitures	231,840	32,317				264,157
Special assessments			\$417	\$33,579		33,996
Intergovernmental	1,345,100	802,137		738,040		2,885,277
Investment income	735,578	40,377		72,377	\$45,098	893,430
Other	99,706	57,468		267,639	33,167	457,980
Total revenue	3,050,666	8,086,546	417	1,111,635	78,265	12,327,529
Expenditures:						
Current Operations:						
General government	1,098,282	437,905				1,536,187
Security of persons and property	3,667,254	551,779				4,219,033
Public health and welfare	16,731					16,731
Transportation		1,077,975				1,077,975
Community environment	80,535	89,616				170,151
Leisure time activity	574,201	707,568		51,211		1,332,980
Economic development	81,804	331				82,135
Capital outlay				3,590,164	23,215	3,613,379
Other			13,433		295	13,728
Debt Service:						
Principal retirement		11,641	155,000			166,641
Interest and fiscal charges		37,415	214,900			252,315
Total expenditures	5,518,807	2,914,230	383,333	3,641,375	23,510	12,062,299
Excess (deficiency) of revenues over (under) expenditures	(2,468,141)	5,172,316	(382,916)	(2,529,740)	54,755	265,230
Other financing sources (uses):						
Proceeds from sale of fixed assets	21,320	166				21,486
Operating transfers in	3,400,000	860,000	400,000	1,650,000		6,310,000
Operating transfers out	(460,000)	(5,850,000)				(6,310,000)
Loss on uncollectible debt		(12,520)				(12,520)
Total other financing sources (uses)	2,961,320	(5,002,354)	400,000	1,650,000		8,966
Excess of revenues and other financing sources over expenditures and other financing (uses)	493,179	169,962	17,084	(879,740)	54,755	(144,760)
Fund balances, January 1	2,525,494	7,096,222	13,016	3,073,506	859,764	13,568,002
Decrease in reserve for inventory		(6,493)				(6,493)
Fund balances, December 31	\$3,018,673	\$7,259,691	\$30,100	\$2,193,766	\$914,519	\$13,416,749

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREMONT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	General			Special Revenue			Debt Service		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:									
Income taxes				\$6,379,500	\$6,672,122	\$292,622			
Property and other taxes	\$600,800	\$599,986	(\$814)	138,570	138,414	(156)			
Charges for services	19,400	18,909	(491)	433,980	391,302	(42,678)			
Licenses, permits and fees	11,700	12,939	1,239						
Fines and forfeitures	218,500	232,942	14,442	30,800	32,468	1,668			
Intergovernmental	1,207,600	1,339,395	131,795	934,480	962,105	27,625			
Special assessments							1,000	417	(583)
Investment income	510,000	710,947	200,947	27,700	39,507	11,807			
Other	100,000	113,016	13,016	42,350	21,049	(21,301)			
Total revenues	2,668,000	3,028,134	360,134	7,987,380	8,256,967	269,587	1,000	417	(583)
Expenditures:									
Current:									
General government	1,305,674	1,102,215	203,459	533,706	439,431	94,275			
Security of persons and property	3,913,839	3,687,455	226,384	665,189	602,682	62,507			
Public health and welfare	26,267	16,806	9,461						
Transportation				1,172,200	1,104,118	68,082			
Community environment	90,302	81,571	8,731	695,324	326,494	368,830			
Leisure time activity	648,382	611,274	37,108	812,395	702,385	110,010			
Economic development	91,466	82,354	9,112	19,300		19,300			
Capital outlay									
Debt service:									
Principal retirement							155,000	155,000	0
Interest and fiscal charges							214,900	214,900	
Other									
Total expenditures	6,075,930	5,581,675	494,255	3,898,114	3,175,110	723,004	369,900	369,900	0
Excess (deficiency) of revenues over (under) expenditures	(3,407,930)	(2,553,541)	854,389	4,089,266	5,081,857	992,591	(368,900)	(369,483)	(583)
Other financing sources (uses):									
Proceeds from sale of fixed assets	1,000	21,320	20,320	300	10,181	9,881			
Operating transfers in	3,400,000	3,400,000	0	868,430	862,943	(5,487)	369,900	400,000	30,100
Operating transfers (out)	(460,000)	(460,000)	0	(5,850,000)	(5,850,000)	0	(14,000)	(13,433)	567
Total other financing sources (uses)	2,941,000	2,961,320	20,320	(4,981,270)	(4,976,876)	4,394	355,900	386,567	30,667
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(466,930)	407,779	874,709	(892,004)	104,981	996,985	(13,000)	17,084	30,084
Fund balances, January 1	2,805,231	2,805,231	0	4,805,436	4,805,436	0	13,016	13,016	0
Prior year encumbrances appropriated	58,717	58,717	0	368,843	368,843	0			
Fund balances, December 31	\$2,397,018	\$3,271,727	\$874,709	\$4,282,275	\$5,279,260	\$996,985	\$16	\$30,100	\$30,084

(Continued)

CITY OF FREMONT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Capital Projects			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Income taxes				\$6,379,500	\$6,672,122	\$292,622
Property and other taxes				739,370	738,400	(970)
Charges for services				453,380	410,211	(43,169)
Licenses, permits and fees				11,700	12,939	1,239
Fines and forfeitures				249,300	265,410	16,110
Intergovernmental	\$1,058,500	\$738,039	(\$320,461)	3,200,580	3,039,539	(161,041)
Special assessments	33,500	33,579	79	34,500	33,996	(504)
Investment income	53,000	70,897	17,897	590,700	821,351	230,651
Other	288,000	267,639	(20,361)	430,350	401,704	(28,646)
Total revenues	1,433,000	1,110,154	(322,846)	12,089,380	12,395,672	306,292
Expenditures:						
Current:						
General government				1,839,380	1,541,646	297,734
Security of persons and property				4,579,028	4,290,137	288,891
Public health and welfare				26,267	16,806	9,461
Transportation				1,172,200	1,104,118	68,082
Community environment				785,626	408,065	377,561
Leisure time activity				1,460,777	1,313,659	147,118
Economic development				110,766	82,354	28,412
Capital outlay	5,842,759	4,730,021	1,112,738	5,842,759	4,730,021	1,112,738
Debt service:						
Principal retirement				155,000	155,000	0
Interest and fiscal charges						
Other	2,600	2,511	89	2,600	2,511	89
Total expenditures	5,845,359	4,732,532	1,112,827	15,974,403	13,644,317	2,330,086
Excess (deficiency) of revenues over (under) expenditures	(4,412,359)	(3,622,378)	789,981	(3,885,023)	(1,248,645)	2,636,378
Other financing sources (uses):						
Proceeds from sale of fixed assets				1,300	31,501	30,201
Operating transfers in	1,588,500	1,650,000	61,500	6,226,830	6,312,943	86,113
Operating transfers (out)				(6,324,000)	(6,323,433)	567
Total other financing sources (uses)	1,588,500	1,650,000	61,500	(95,870)	21,011	116,881
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(2,823,859)	(1,972,378)	851,481	(3,980,893)	(1,227,634)	2,753,259
Fund balances, January 1	1,121,535	1,121,535	0	8,745,218	8,745,218	0
Prior year encumbrances appropriated	2,021,429	2,021,429	0	2,448,989	2,448,989	0
Fund balances, December 31	\$319,105	\$1,170,586	\$851,481	\$7,213,314	\$9,966,573	\$2,753,259

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREMONT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Charges for services	\$5,852,488	\$63,283	\$5,915,771
Other operating revenues	67,196		67,196
Total operating revenues	5,919,684	63,283	5,982,967
Operating expenses:			
Personal services	2,586,957	40,015	2,626,972
Contract services	363,819	2,291	366,110
Materials and supplies	723,033	14,432	737,465
Depreciation	1,091,098		1,091,098
Utilities	402,753	3,288	406,041
Other operating expense	115,315	976	116,291
Total operating expenses	5,282,975	61,002	5,343,977
Operating income	636,709	2,281	638,990
Nonoperating revenues (expenses):			
Loss on sale of fixed assets	(11,358)		(11,358)
Interest expense and fiscal charges	(636,913)		(636,913)
Investment earnings	59,299		59,299
Total nonoperating expenses	(588,972)	0	(588,972)
Net income	47,737	2,281	50,018
Addback of depreciation on assets acquired from contributed capital	154,190		154,190
Retained earnings at January 1	12,660,645	13,461	12,674,106
Retained earnings at December 31	12,862,572	15,742	12,878,314
Contributed capital at January 1	4,865,159		4,865,159
Depreciation on fixed assets acquired by contributed capital	(154,190)		(154,190)
Contributions from other funds	755,630		755,630
Contributed capital at December 31	5,466,599		5,466,599
Total fund equity at December 31	\$18,329,171	\$15,742	\$18,344,913

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREMONT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from charges for services	\$6,172,395	\$63,283	\$6,235,678
Cash received from other operations	72,240		72,240
Cash payments for personal services	(2,578,035)	(40,132)	(2,618,167)
Cash payments for contract services	(387,512)	(2,291)	(389,803)
Cash payments for materials and supplies	(722,539)	(14,432)	(736,971)
Cash payments for utilities	(383,521)	(3,288)	(386,809)
Cash payments for other expenses	(85,696)	(976)	(86,672)
Net cash provided by operating activities	<u>2,087,332</u>	<u>2,164</u>	<u>2,089,496</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(548,732)		(548,732)
Principal retirement	(450,000)		(450,000)
Interest paid	(618,073)		(618,073)
Net cash used in capital and related financing activities	<u>(1,616,805)</u>		<u>(1,616,805)</u>
Cash flows from investing activities:			
Interest received	59,299		59,299
Net cash provided by investing activities	<u>59,299</u>		<u>59,299</u>
Net increase in cash and cash equivalents	529,826	2,164	531,990
Cash and cash equivalents at January 1	3,144,041	16,525	3,160,566
Cash and cash equivalents at December 31	<u>\$3,673,867</u>	<u>\$18,689</u>	<u>\$3,692,556</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$636,709	\$2,281	\$638,990
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,091,098		1,091,098
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	27,749		27,749
Decrease in accounts receivable	324,951		324,951
Decrease in accounts payable	(4,889)	(4)	(4,893)
Increase in payables from restricted funds	1,152		1,152
Increase in accrued wages and benefits	13,087	259	13,346
Increase in compensated absences	24,070		24,070
Decrease in pension obligation payable	(26,595)	(372)	(26,967)
Net cash provided by operating activities	<u>\$2,087,332</u>	<u>\$2,164</u>	<u>\$2,089,496</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1 - THE REPORTING ENTITY

The City of Fremont 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 and provides the following services to its residents: Public Safety, Highways and Streets, Water, Sanitation, Health and Social Services, Culture Recreation, Public Improvements, Planning and Zoning, and General Administration Services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fremont have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. REPORTING ENTITY

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with GASB Statement No. 14, The Financial Reporting Entity. Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU's corporate powers, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, street maintenance and repairs, zoning, parks and recreation and water and sewer utilities. The preceding financial statements include all funds and account groups of the City (the primary government). The City has no component units, but is a member of an insurance purchasing pool, described in Note 17.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate.

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.

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 FUNDS:

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

General Fund - The general fund is used to account for all activities of the City not required to be included in another fund.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Special Revenue Funds - The special revenue funds are used to account for 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 - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

PROPRIETARY FUNDS:

Enterprise Funds- The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund - This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and Agency funds. Expendable Trust funds are accounted for in essentially the same manner as governmental funds. Agency Funds have no measurement focus (i.e., assets equal liabilities), and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

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

C. BASIS OF ACCOUNTING

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 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.

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.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The modified accrual basis of accounting is utilized for reporting purposes by the governmental and expendable trust funds. Under this method of accounting, the City recognizes revenue and other financing sources when they become both measurable and available (i.e., collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. 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.

Revenues considered susceptible to accrual at the end of the year include income taxes, interest on investments, state-levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance), and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Delinquent special assessments and property taxes as well as special assessment installments not due in the current year are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000 but not intended to finance 2000 activities have also been recorded as deferred revenue. 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year-end.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. BUDGETS

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 the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

TAX BUDGET

During the first Council meeting in July, the City Auditor presents the annual operating budget for the following fiscal 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 justifies the 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 fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, department, and object 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. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

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. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

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 for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 15 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. 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 the City's records. Each fund's interest in the pool is presented as "equity in pooled cash, and cash equivalents, and investments" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio, U.S. Government Agency securities, and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2000.

Following Ohio statutes and other legal provisions, the City Council has specified the funds to receive an allocation of interest earnings. The following funds were credited with more interest revenue than would have been received based upon its share of the City's internal investment pool during 2000, as follows:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Cash Fund Balance</u>	<u>Interest Assigned from Other Funds</u>
General	\$735,578	\$178,451	\$557,127

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For purpose 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 maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent that the investment was purchased from a specific fund.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash with fiscal and escrow agents" or "cash in segregated accounts" since they are not required to be deposited into the City treasury.

The change in fair value of applicable investments during fiscal year 2000 per GASB Statement No. 31 is as follows:

Fair Value at December 31, 2000	\$ 2,730,020
Proceeds of investments sold and matured in fiscal year 2000	800,991
Cost of investments purchased in fiscal year 2000	(2,449,900)
Fair value at December 31, 1999	<u>(1,055,247)</u>
Change in fair value of investments during fiscal year 2000	<u>\$ 25,864</u>

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. INVENTORY

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. FIXED ASSETS

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. No depreciation is recognized for assets in the General Fixed Assets Account Group. The City has not included infrastructure in the General Fixed Assets Account Group.

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received and the depreciation is charged to contributed capital. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Machinery, equipment, furniture and fixtures	5 - 20
Buildings	45
Improvements other than buildings	50

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. There was no interest capitalized during the year.

The City's fixed assets are described in Note 9.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. 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 and judgments, compensated absences, and special termination benefits 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. Bonds, long-term loans, and special assessment bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

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

I. COMPENSATED ABSENCES

The liability for compensated absences is based on the provisions of GASB Statement No. 16, Accounting for Compensated Absences. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by city ordinance and/or policy, plus applicable additional salary related payments.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

J. FUND EQUITY

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, encumbrances, inventories, budget stabilization, revolving loans receivable, tax revenue unavailable for appropriation, and available debt service equity are recorded as reservations of fund balance.

K. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the combined balance sheet as due to/from other funds.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable on the combined balance sheet.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.
5. Non recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

L. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group is reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the effective-interest method. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the effective-interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. RESTRICTED ASSETS

Certain proceeds of enterprise water fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “revenue bond construction” account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. Retained earnings have been reserved for these restricted assets because the restriction has been legally imposed by a party outside of City Council.

Customer deposits are also held in the Water Fund to assure payment of utility bills, but retained earnings have not been reserved, since this restriction is imposed by City Council.

Restricted assets at December 31, 2000 are comprised of the following:

	<u>Cash and Investments</u>
Water Revenue Bond	\$202,125
Water Bond Reserve	34,607
Customer Deposits	<u>49,810</u>
Total Restricted Assets	<u><u>\$286,542</u></u>

N. CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their market value on the date contributed. Depreciation on those assets acquired or constructed with capital grants is expensed and closed to contributed capital at year end.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. STATEMENT OF CASH FLOWS

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The City has presented, in Exhibit 5, a statement of cash flows for its enterprise and internal service funds. For purposes of the statement of cash flows, the City considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

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.

Q. FINANCIAL REPORTING FOR PROPRIETARY AND SIMILAR FUND TYPES

The City's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. MEMORANDUM ONLY - TOTAL COLUMNS

The "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 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.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

BUDGETARY NON-COMPLIANCE

The following funds had appropriations in excess of estimated revenues plus available balances for the fiscal year ended December 31, 2000:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Fund</u>	
Community Housing	\$18,969
Public Recreation	89,624

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. LEGAL REQUIREMENTS

Moneys held by the City are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the City treasury. Active moneys 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.

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 City Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Moneys held by the City which are not considered active are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

5. 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 or interest by the United States;

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

6. 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;
7. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed 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;
8. Bonds and other obligations of the State of Ohio;
9. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
10. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons;
3. Obligations of the City.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 five 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 City Treasurer or qualified trustee 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 \$855 in undeposited cash on hand (in segregated accounts) which is included on the combined balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents", but is not considered part of the City's carrying amount of deposits at year end.

Cash in Segregated Accounts: At year end, \$7,170 was on deposit in segregated accounts for the Municipal Court, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

Cash with Fiscal Agent: At year end, \$991,403 was on deposit with the City's fiscal agents for Walsh Trust, Capital Improvements and Water Improvements. This amount is included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

B. DEPOSITS

At year-end, the carrying amount of the City’s deposits was \$3,024,892 and the bank balance was \$3,320,358. Both amounts include non-negotiable certificates of deposit and deposits in segregated accounts, but exclude cash on hand and the payroll clearance account. Of the bank balance:

1. \$609,249 was covered by federal depository insurance; and
2. \$2,711,109 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. INVESTMENTS

The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City 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 trust department or agent, but not in the City’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Fair Value
U.S. Government Agency Securities	\$2,730,020		\$ 2,730,020
Repurchase Agreement		\$4,590,306	4,590,306
Investments not Subject to Categorization:			
Investment in State Treasurer’s Investment Pool			5,293,388
Total Investments	\$2,730,020	\$4,590,306	\$12,613,714

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The U.S. Government Agency Securities have maturity dates ranging from March, 2001 to June, 2003.

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$14,640,033	
Combined Balance Sheet Reclassifications:		
Investments of the Cash		
Management Pool:		
U.S. Government Agency Securities	(2,730,020)	\$ 2,730,020
Repurchase Agreement	(4,590,306)	4,590,306
STAR Ohio	<u>(5,293,388)</u>	<u>5,293,388</u>
Total GASB Statement No. 3 Investments		<u>\$12,613,714</u>
Cash in Segregated Accounts	8,025	
Cash on Hand	(855)	
Cash with Fiscal Agent	<u>991,403</u>	
GASB Statement No. 3	<u>\$ 3,024,892</u>	

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized reconciliation of the City's operating transfers for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$3,400,000	\$ (460,000)
<u>Special Revenue Funds</u>		
Municipal Income Tax		(5,850,000)
Public Relations	300,000	
Street Maintenance	100,000	
Police Pension	240,000	
Fire Pension	<u>220,000</u>	
Total Special Revenue Funds	860,000	<u>(5,850,000)</u>
<u>Debt Service Funds</u>		
General Debt Service	400,000	
<u>Capital Projects Funds</u>		
Capital Improvements	1,600,000	
Fire Equipment	<u>50,000</u>	
Total Capital Projects Funds	<u>1,650,000</u>	
Totals	<u>\$6,310,000</u>	<u>\$(6,310,000)</u>

NOTE 6 - TAXES

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 6 - TAXES - (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fremont. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2000 was \$3.20 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Real Property	\$176,867,750
Public Utility	12,129,360
Tangible Personal Property	<u>63,618,822</u>
Total Valuation	<u>\$252,615,932</u>

CITY OF FREMONT, OHIO

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

(Continued)

NOTE 6 - TAXES - (Continued)

B. INCOME TAXES

The City levies a municipal income tax of one and a half percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Income tax receipts are credited to the Municipal Income Tax special revenue fund, and amounted to \$6,619,817 in 2000.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2000 primarily consisted of taxes, interest, accounts (billings for user charged services) and intergovernmental receivables. All receivables are considered fully collectible.

A summary of principal receivables follows:

<u>General Fund</u>	
Real and Other Taxes	\$ 748,222
Accrued Interest	49,622
<u>Special Revenue Funds</u>	
Real and Other Taxes	1,536,926
<u>Capital Projects Funds</u>	
Accounts	15,536
<u>Enterprise Funds</u>	
Accounts	701,602

NOTE 8 - LOANS RECEIVABLE

The Fremont City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fremont in making loans from the City's Revolving Loan Fund to qualified applicants within the revolving loan fund geographic area. At the close of 2000, there were loans to seven businesses with a total principal balance of \$526,872.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 9 - FIXED ASSETS

A. A summary by class of the changes in general fixed assets during the fiscal year is as follows:

	Balance 1/1/00	Additions	Deletions	Balance 12/31/00
Land	\$ 732,209			\$ 732,209
Buildings	4,261,342	\$4,949,686		9,211,028
Improvements other than Buildings	854,409	147,056		1,001,465
Machinery & Equipment	3,896,587	697,298	\$ (203,258)	4,390,627
Construction in Progress	<u>3,839,847</u>	<u>1,494,592</u>	<u>(5,300,236)</u>	<u>34,203</u>
Total	13,584,394	7,288,632	(5,503,494)	15,369,532
Less: Accumulated Depreciation	<u>(3,817,248)</u>	<u>(546,436)</u>		<u>(4,363,684)</u>
Total General Fixed Assets	<u>\$ 9,767,146</u>	<u>\$6,742,196</u>	<u>\$(5,503,494)</u>	<u>\$11,005,848</u>

B. A summary of the proprietary fund property, plant, and equipment at December 31, 2000 is as follows:

	Balance 12/31/00
Land	\$ 161,723
Land Improvements	454,524
Buildings and Improvements	17,270,443
Furniture and Equipment	10,707,221
Infrastructure	10,247,570
Construction in Progress	<u>74,780</u>
Total Gross Assets	38,916,261
Less: Accumulated Depreciation	<u>(14,386,575)</u>
Total Net Assets	<u>\$ 24,529,686</u>

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 10 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended December 31, 2000 are summarized by fund, as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total Enterprise Funds</u>
Contributed capital, January 1, 2000	\$2,641,268	\$2,223,891	\$4,865,159
Contributions from other funds	755,630		755,630
Depreciation expense and disposal	<u>(115,919)</u>	<u>(38,271)</u>	<u>(154,190)</u>
Contributed capital, December 31, 2000	<u>\$3,280,979</u>	<u>\$2,185,620</u>	<u>\$5,466,599</u>

NOTE 11 - LONG TERM OBLIGATIONS

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

	<u>Outstanding 1/1/00</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/00</u>
<u>General Long-Term Obligations:</u>				
Compensated Absences	\$ 406,321	\$47,959		\$ 454,280
Police and Fire Accrued Liability	893,932		\$ (11,641)	882,291
2000 General obligation Construction bond - 5.20%	<u>4,780,000</u>	<u> </u>	<u>(155,000)</u>	<u>4,625,000</u>
Total General Long-Term Obligations	<u>\$6,080,253</u>	<u>\$47,959</u>	<u>\$(166,641)</u>	<u>\$5,961,571</u>

General obligation bonds are direct obligations of the City and will be paid from the Debt Service fund using property tax revenues. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

Police and fire accrued liabilities for past service costs are financed from property taxes received from a special .3 mill tax, as well as a general fund subsidy. Semi-annual payments are made to the Police and Firemen’s Disability and Pension fund. Payments will be made through the year 2040.

B. Changes in long-term debt for Enterprise funds during 2000 were as follows:

	<u>Interest Rate</u>	<u>Outstanding 1/1/00</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/00</u>
<u>Long Term Obligations:</u>				
Mortgage Revenue Bonds 1994	3.65%-6.00%	\$ 2,530,000	\$ (50,000)	\$ 2,480,000
General Obligation Bonds 1994	3.65%-6.00%	5,645,000	(110,000)	5,535,000
Water/Sewer Various Purpose Bonds 1993	2.4%-4.45%	<u>2,780,000</u>	<u>(290,000)</u>	<u>2,490,000</u>
Total Long-Term Obligations		<u>\$10,955,000</u>	<u>\$ (450,000)</u>	<u>\$10,505,000</u>

The various purpose, general obligation and mortgage revenue bonds are supported by full faith and credit of the City. The bonds will be retired with operating revenues of the water and sewer funds to the extent such revenues are available, or from the general operating revenues of the City.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)

NOTE 11 - LONG TERM OBLIGATIONS - (Continued)

C. The following is a summary of the City's future annual debt service requirements to maturity for general obligation bonds:

Fiscal Year Ending <u>June 30</u>	<u>General Long-Term Obligations</u>		<u>Enterprise Funds</u>	
	<u>General Obligation Bonds</u>	<u>Police & Fire Pension</u>	<u>General Obligation Revenue Bonds</u>	<u>Total</u>
2001	\$ 374,863	\$ 49,055	\$ 1,068,218	\$ 1,492,136
2002	374,088	49,054	1,066,631	1,489,773
2003	372,797	49,057	1,068,626	1,490,480
2004	371,147	49,058	1,071,431	1,491,636
2005	374,128	49,055	1,072,458	1,495,641
2006 - 2010	1,865,997	245,279	4,041,604	6,152,880
2011 - 2015	1,861,292	245,280	3,170,953	5,277,525
2016 - 2020	1,494,900	245,279	3,160,516	4,900,695
2021 - 2023	<u> </u>	<u>670,258</u>	<u>2,537,944</u>	<u>3,208,202</u>
Total	7,089,212	1,651,375	18,258,381	26,998,968
Less: Interest	<u>(2,464,212)</u>	<u>(769,084)</u>	<u>(7,753,381)</u>	<u>(10,986,677)</u>
Total	<u>\$ 4,625,000</u>	<u>\$ 882,291</u>	<u>\$10,505,000</u>	<u>\$ 16,012,291</u>

D. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2000, the City's total debt margin was \$10,819,773, and the unvoted debt margin was \$2,968,976; both amounts include available funds of \$30,100.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All Fremont City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2000 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The PERS Retirement Board instituted a temporary employer rate rollback for calendar year 2000. The rate rollback was 20% for local government subdivisions and 6% for law enforcement divisions. The employer contribution rate for employees other than law enforcement was 10.84 percent of covered payroll; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for law enforcement employees was 15.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2000. The City's contributions for pension obligations to PERS for the years ended December 31, 2000, 1999, and 1998 were \$423,540, \$497,619 and \$461,573, respectively; 80 percent has been contributed for 2000 and 100 percent for 1999 and 1998. \$84,500, representing the unpaid contribution for 2000, is recorded as a liability within the respective funds.

B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

Full-time uniformed employees of the City participate in the Police and Firemen's Disability and Pension Fund of Ohio (OP&F), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. This is a single retirement system with one administration that provides retirement benefits to two classes of employees. Authority to establish and amend benefits is provided by state statute per Chapter 712 of the Ohio Revised Code. OP&F issues a stand-alone financial report which may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to OP&F for the years ended December 31, 2000, 1999 and 1998 were \$527,108, \$529,678, and \$488,461, respectively. 70% has been contributed for 2000, and 100% has been contributed for both 1999 and 1998. The unpaid contribution for 2000 of \$156,634 is recorded as a liability within the respective funds.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

PERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients 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, Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employers was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70% of covered payroll; 4.30% was the portion 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. The City's contribution actually made to fund post employment benefits was \$168,700.

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.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

During 2000, the PERS Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based upon a December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered another 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 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 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.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

The number of participants eligible to receive health care benefits as of December 31, 1999 was 12,467 for police and 9,807 for firefighters. The City's actual contributions for 2000 that were used to fund postemployment benefits were \$103,467 for police and \$74,449 for fire. The OP&F's total health care expense for the year ended December 31, 1999 (the latest information available) was \$95 million.

NOTE 14 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police and dispatchers may carry over 40 hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 500 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement, an employee can be paid for 42 percent of his/her accumulated hours of sick leave, except fire department employees, who are part time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 2000, the liability for unpaid compensated absences reported in the General Long-Term Obligations Account Group was \$454,280. \$302,646 was the liability for the non-current portion of compensated absences in proprietary fund types. The total liability for the City's compensated absences for all fund types and account groups was \$756,926.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances 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 and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful 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 are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- 4) Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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**

	Governmental Fund Types			
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Funds
Budget Basis	\$407,779	\$ 104,981	\$17,084	\$(1,972,378)
Adjustments:				
Net Adjustment for Revenue Accruals	22,532	(180,765)		1,481
Net Adjustment for Expenditure Accruals	(7,307)	182,359		33,091
Net Adjustment for Other Financing Sources/(Uses)		(15,463)		
Encumbrances	<u>70,175</u>	<u>78,848</u>	<u> </u>	<u>1,058,066</u>
GAAP Basis	<u>\$493,179</u>	<u>\$169,962</u>	<u>\$17,084</u>	<u>\$ (879,740)</u>

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supporting from user fees charged for services provided to consumers for water and sewer operations. Segment information as of and for the year ended December 31, 2000 is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating revenues	\$ 3,061,320	\$ 2,858,364	\$ 5,919,684
Depreciation	611,553	479,545	1,091,098
Operating income	406,800	179,895	586,695
Net income (loss)	(47,597)	45,320	(2,277)
Net working capital	2,556,658	2,233,931	4,790,589
Total assets	18,250,973	11,202,577	29,453,550
Long-term liabilities payable from fund revenues	8,158,709	2,648,937	10,807,646
Total equity	9,878,196	8,400,961	18,279,157
Contributed Capital	2,185,620	3,280,979	5,466,599
Encumbrances outstanding at December 31, 2000	262,348	152,919	415,267

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 17 - 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.

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000
(Continued)

NOTE 17 - RISK MANAGEMENT - (Continued)

<u>Casualty Coverage</u>	<u>2000</u>
Assets	\$17,112,129
Liabilities	<u>7,715,035</u>
Retained earnings	<u>\$9,397,094</u>
<u>Property Coverage</u>	<u>2000</u>
Assets	\$1,575,614
Liabilities	<u>281,561</u>
Retained earnings	<u>\$1,294,053</u>

The City continued to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE 18 - CONTINGENT LIABILITIES

A. GRANTS

The City receives financial assistance from various federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2000.

CITY OF FREMONT, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2000

(Continued)

NOTE 18 - CONTINGENT LIABILITIES - (Continued)

B. LITIGATION

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations. The City's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the City.

NOTE 19 - BUDGET STABILIZATION RESERVE

The City has established, in accordance with section 5705.13 of the Ohio Revised Code, an account for the express purpose of budget stabilization. Current legislation provides that the amount reserved may not exceed 5% of the general fund's revenue for the preceding fiscal year and that the reserve balance is not to be considered part of the unencumbered balance when certifying available balances at year-end. The City Council established the reserve in the General fund in the amount of \$208,113. These funds are intended to be used for future workers compensation claims. The fund balance of the General fund has been reserved.

NOTE 20 - LEGAL COMPLIANCE

Amounts collected from the utilities department and the recreation department were not deposited daily as required by Section 9.38, Ohio Revised Code.

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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 Fremont
Sandusky County
323 South Front Street
Fremont, Ohio 43420-3037

To the City Council:

We have audited the financial statements of the City of Fremont as of and for the year ended December 31, 2000, and have issued our report thereon dated August 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-20172-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated August 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 21, 2001.

City of Fremont
Sandusky County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of 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

August 21, 2001

**CITY OF FREMONT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000**

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

FINDING NUMBER 2000-20172-001

Noncompliance Citation

Ohio Revised Code § 9.38, provides public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Ninety-five percent of the days' deposits for the utility department and the recreation department were not deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. This practice allows a substantial amount of cash to remain on hand, increasing the possibility of loss or theft. This situation also allowed the City to lose interest income that would have been generated from the daily deposits. We recommend the departments deposit receipts following the day of receipt. The City may establish a policy designating an alternative time period of when deposits should be made, in accordance with Auditor of State Bulletin 1999-020. The policy applies to receipts of less than \$1,000, which are adequately safeguarded, and may be held for not more than three business days.

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**CITY OF FREMONT
SANDUSKY 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
1999-20172-001	ORC § 9.38 Deposits were not made with the public office or to a designated depository on the business day following the day of receipt.	No	Management will attempt to have the utilities department make deposits in accordance with this section of the Ohio Revised Code.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF FREMONT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 30, 2001**