

**City of Huron, Ohio**

**General Purpose Financial Statements  
For the Year Ended December 31, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR

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City Council  
City of Huron  
417 Main Street  
P.O. Box 468  
Huron, Ohio 44839

We have reviewed the Independent Auditor's Report of the City of Huron, Erie County, prepared by Weber O'Brien, LTD, for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

JIM PETRO  
Auditor of State

July 24, 2002

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**City of Huron, Ohio**  
*General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*  
*Table of Contents*

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	<u>Page</u>
Table of Contents .....	1
Independent Auditors' Report .....	3
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in in Fund Balances – All Governmental Fund Types and Expendable Trust Funds .....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Funds .....	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types .....	11
Combined Statement of Cash Flows - All Proprietary Fund Types .....	12
Notes to the General Purpose Financial Statements.....	13-33
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	34-35

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## INDEPENDENT AUDITORS' REPORT

City Council  
City of Huron  
417 Main Street, P.O. Box 468  
Huron, Ohio 44839

We have audited the accompanying general purpose financial statements of the City of Huron, Ohio, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Huron, Ohio'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 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Huron, Ohio as of December 31, 2001, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2002 on our consideration of the City of Huron, Ohio'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.

WELBYR · D'BRNA, LTD.

June 6, 2002

**City of Huron, Ohio  
Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2001**

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		FIDUCIARY	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE TRUSTS	GENERAL FIXED ASSETS		GENERAL LONG-TERM OBLIGATION
<b>Assets and Other Debits</b>										
<b>Assets:</b>										
Equity in pooled cash & cash equivalents	\$ 204,448	\$ 654,963	\$ (40,024)	\$ 233,707	\$ 1,664,153	\$ 89,879	\$ 220,868	\$ -	\$ -	\$ 3,027,994
Segregated Cash Accounts	-	-	-	-	-	-	8,330	-	-	8,330
Receivables:										
Taxes	388,610	522,240	356,135	16,976	-	-	-	-	-	1,283,961
Accounts	59,467	-	-	-	384,942	-	-	-	-	444,409
Loans	-	120,158	-	-	-	-	-	-	-	120,158
Intergovernmental	54,127	31,569	-	3,399	-	-	2,235	-	-	91,330
Interest	21,928	-	-	-	-	-	-	-	-	21,928
Due from Other Funds	-	-	176,300	-	-	-	-	-	-	176,300
Inventory of Supplies	-	3,625	-	-	115,647	-	-	-	-	119,272
Deferred Charges	-	-	-	-	51,128	-	-	-	-	51,128
Prepaid Items	10,567	6,606	-	-	9,246	-	-	-	-	26,419
Fixed Assets (Net, where applicable of Accumulated Depreciation)	-	-	-	-	6,359,939	-	-	7,154,726	-	13,514,665
Assets Held for Sale	-	-	-	481,115	-	-	-	-	-	481,115
Work in Progress	-	-	-	-	210,536	-	-	-	-	210,536
<b>Other Debits:</b>										
Amount Available in Debt Service Fund	-	-	-	-	-	-	-	-	136,276	136,276
Amount to be Provided for Retirement of Gen'l and Long Term Obligations	-	-	-	-	-	-	-	-	3,259,825	3,259,825
<b>Total Assets and Other Debits</b>	<b>\$ 739,147</b>	<b>\$ 1,339,161</b>	<b>\$ 492,411</b>	<b>\$ 735,197</b>	<b>\$ 8,795,591</b>	<b>\$ 89,879</b>	<b>\$ 231,433</b>	<b>\$ 7,154,726</b>	<b>\$ 3,396,101</b>	<b>\$ 22,973,646</b>

The Notes to the Financial Statements are an Integral Part of this Statement.



**City of Huron, Ohio**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**December 31, 2001**

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATION	
	<b>Liabilities</b>									
Accounts Payable	\$ 69,374	\$ 35,093	\$ -	\$ 138,736	\$ 211,214	\$ -	\$ 5,850	\$ -	\$ -	\$ 460,267
Accrued Wages and Benefits	43,545	18,895	-	-	6,601	-	-	-	-	69,041
Compensated Absences Payable	11,431	-	-	-	93,456	-	-	-	345,442	450,329
Interest Payable	-	-	-	-	8,587	-	-	-	-	8,587
Intergovernmental Payable	25,749	15,116	-	-	12,340	-	-	-	104,785	157,990
Unapportioned Monies	-	-	-	-	-	-	8,330	-	-	8,330
General Obligation Bonds	-	-	-	-	2,649,984	-	-	-	1,951,201	4,601,185
Special Assmt. Bonds Payable	-	-	-	-	-	-	-	-	18,694	18,694
Notes Payable	-	240,904	-	-	2,425,000	-	-	-	-	2,665,904
OWDA Loans Payable	-	-	-	-	1,455,988	-	-	-	975,979	2,431,967
Deferred Revenue	235,826	522,240	356,135	-	-	-	-	-	-	1,114,201
Due to Other Funds	-	-	-	176,300	-	-	-	-	-	176,300
<b>Total Liabilities</b>	<b>385,925</b>	<b>832,248</b>	<b>356,135</b>	<b>315,036</b>	<b>6,863,170</b>	<b>-</b>	<b>14,180</b>	<b>-</b>	<b>3,396,101</b>	<b>12,162,795</b>
<b>Fund Equity and Other Credits</b>										
Investment-General Fixed Assets	-	-	-	-	-	-	-	7,154,726	-	7,154,726
Contributed Capital	-	-	-	-	674,640	-	-	-	-	674,640
Retained Earnings	-	-	-	-	1,257,781	89,879	-	-	-	1,347,660
Fund Balances Reserved for:										
Reserved for Encumbrances	7,510	17,352	-	163,987	-	-	-	-	-	188,849
Reserved for Inventory	-	3,625	-	-	-	-	-	-	-	3,625
Reserved for Assets Held for Sale	-	-	-	481,115	-	-	-	-	-	481,115
Reserved for Debt Service	-	-	136,276	-	-	-	-	-	-	136,276
Fund Balances Unreserved	345,712	485,936	-	(224,941)	-	-	217,253	-	-	823,960
<b>Total Fund Equity and Other Credits</b>	<b>353,222</b>	<b>506,913</b>	<b>136,276</b>	<b>420,161</b>	<b>1,932,421</b>	<b>89,879</b>	<b>217,253</b>	<b>7,154,726</b>	<b>-</b>	<b>10,810,851</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 739,147</b>	<b>\$ 1,339,161</b>	<b>\$ 492,411</b>	<b>\$ 735,197</b>	<b>\$ 8,795,591</b>	<b>\$ 89,879</b>	<b>\$ 231,433</b>	<b>\$ 7,154,726</b>	<b>\$ 3,396,101</b>	<b>\$ 22,973,646</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

**City of Huron, Ohio**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For The Fiscal Year Ended December 31, 2001**

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUSTS	
<b>Revenues</b>						
Municipal Income Taxes	\$ 1,776,725	\$ -	\$ -	\$ -	\$ -	\$ 1,776,725
Property Taxes	233,748	509,863	-	-	-	743,611
Intergovernmental	576,868	553,403	-	575,307	-	1,705,578
Special Assessments	-	141	81,245	-	-	81,386
Charges for Services	399,367	333,132	-	-	-	732,499
Fines, Fees, and Permits	378,889	37,196	-	-	19,563	435,648
Interest Earnings	107,653	5,929	-	10,435	3,449	127,466
Contributions and Donations	60,976	83,703	-	-	122,802	267,481
Other	168,716	141,450	-	24,941	3,490	338,597
<b>Total Revenues</b>	<b>3,702,942</b>	<b>1,664,817</b>	<b>81,245</b>	<b>610,683</b>	<b>149,304</b>	<b>6,208,991</b>
<b>Expenditures</b>						
Security of Persons and Property	1,411,734	810,476	-	-	51,792	2,274,002
Leisure Time Activities	-	469,094	-	-	-	469,094
Community Environment	55,286	-	-	-	-	55,286
Basic Utilities	350,451	-	-	-	-	350,451
Transportation	-	349,752	-	-	-	349,752
General Government	1,039,576	151,963	23,422	-	-	1,214,961
Capital Outlay	-	71,190	-	2,724,839	-	2,796,029
Debt Service:						
Principal	-	-	211,973	-	-	211,973
Interest and Fiscal Charges	-	2,495	120,288	-	-	122,783
<b>Total Expenditures</b>	<b>2,857,047</b>	<b>1,854,970</b>	<b>355,683</b>	<b>2,724,839</b>	<b>51,792</b>	<b>7,844,331</b>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	845,895	(190,153)	(274,438)	(2,114,156)	97,512	(1,635,340)

The Notes to the Financial Statements are an Integral Part of this Statement.

**City of Huron, Ohio**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For The Fiscal Year Ended December 31, 2001**

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TRUST AND AGENCY	
<b>Other Financing Sources (Uses)</b>						
Proceeds from Bonds	-	-	-	703,222	-	703,222
Transfers-In	7,000	609,136	309,000	1,674,336	-	2,599,472
Transfers-Out	(1,130,066)	(61,700)	(125,000)	-	-	(1,316,766)
<b>Total Other Financing Sources(Uses)</b>	<b>(1,123,066)</b>	<b>547,436</b>	<b>184,000</b>	<b>2,377,558</b>	<b>-</b>	<b>1,985,928</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses</b>	<b>(277,171)</b>	<b>357,283</b>	<b>(90,438)</b>	<b>263,402</b>	<b>97,512</b>	<b>350,588</b>
<b>Fund Balance Beginning of Year</b>	<b>630,393</b>	<b>149,630</b>	<b>226,714</b>	<b>156,759</b>	<b>119,741</b>	<b>1,283,237</b>
<b>Fund Balance End of Year</b>	<b>\$ 353,222</b>	<b>\$ 506,913</b>	<b>\$ 136,276</b>	<b>\$ 420,161</b>	<b>\$ 217,253</b>	<b>\$ 1,633,825</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

City of Huron, Ohio  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For The Fiscal Year Ended December 31, 2001**

	GENERAL FUND			SPECIAL REVENUE FUND		
	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)
<b>Revenues</b>						
Municipal Income Taxes	\$ 1,929,232	\$ 1,830,954	\$ (98,278)	\$ -	\$ -	\$ -
Property Taxes	219,686	233,748	14,062	522,240	509,863	(12,377)
Intergovernmental	621,893	617,438	(4,455)	539,659	568,713	29,054
Special Assessments	-	-	-	-	141	141
Charges for Services	373,673	398,594	24,921	285,769	331,624	45,855
Fines, Fees, and Permits	387,676	376,183	(11,493)	42,631	37,196	(5,435)
Interest Earnings	125,394	85,725	(39,669)	7,090	5,929	(1,161)
Contributions and Donations	57,587	60,976	3,389	10,188	16,898	6,710
Other	163,999	168,716	4,717	65,378	188,762	123,384
<b>Total Revenues</b>	<b>3,879,140</b>	<b>3,772,334</b>	<b>(106,806)</b>	<b>1,472,955</b>	<b>1,659,126</b>	<b>186,171</b>
<b>Expenditures</b>						
Security of Persons & Property	1,509,179	1,448,489	60,690	849,143	812,978	36,165
Leisure Time Activities	-	-	-	508,830	467,019	41,811
Community Environment	61,976	59,192	2,784	-	-	-
Basic Utilities	366,500	350,883	15,617	-	-	-
Contractual Services	-	-	-	-	-	-
Transportation	-	-	-	410,429	353,500	56,929
General Government	1,131,262	1,040,228	91,034	378,763	368,354	10,409
Capital Outlay	-	-	-	71,190	71,190	-
Other	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	35,000	35,000	-
Interest and Fiscal Charges	-	-	-	4,856	4,856	-
<b>Total Expenditures</b>	<b>3,068,917</b>	<b>2,898,792</b>	<b>170,125</b>	<b>2,258,211</b>	<b>2,112,897</b>	<b>145,314</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>810,223</b>	<b>873,542</b>	<b>63,319</b>	<b>(785,256)</b>	<b>(453,771)</b>	<b>331,485</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Bonds	-	-	-	-	-	-
Transfers-In	7,000	7,000	-	408,556	609,136	200,580
Transfers-Out	(1,145,136)	(1,130,066)	15,070	(64,000)	(61,700)	2,300
<b>Total Other Financing Sources(Uses)</b>	<b>(1,138,136)</b>	<b>(1,123,066)</b>	<b>15,070</b>	<b>344,556</b>	<b>547,436</b>	<b>202,880</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses</b>	<b>(327,913)</b>	<b>(249,524)</b>	<b>78,389</b>	<b>(440,700)</b>	<b>93,665</b>	<b>534,365</b>
<b>Fund Balance Beginning of Year</b>	<b>338,237</b>	<b>338,237</b>	<b>-</b>	<b>446,498</b>	<b>446,498</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>4,312</b>	<b>4,312</b>	<b>-</b>	<b>8,109</b>	<b>8,109</b>	<b>-</b>
<b>Fund Balance End of Year</b>	<b>\$ 14,636</b>	<b>\$ 93,025</b>	<b>\$ 78,389</b>	<b>\$ 13,907</b>	<b>\$ 548,272</b>	<b>\$ 534,365</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

City of Huron, Ohio  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For The Fiscal Year Ended December 31, 2001**

	DEBT SERVICE FUND			CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)
<b>Revenues</b>						
Municipal Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	1,956,632	577,933	(1,378,699)
Special Assessments	80,625	81,245	620	-	-	-
Charges for Services	-	-	-	-	-	-
Fines, Fees, and Permits	-	-	-	-	-	-
Interest Earnings	-	-	-	13,000	10,435	(2,565)
Contributions and Donations	-	-	-	-	-	-
Other	-	-	-	325,865	11,215	(314,650)
<b>Total Revenues</b>	<u>80,625</u>	<u>81,245</u>	<u>620</u>	<u>2,295,497</u>	<u>599,583</u>	<u>(1,695,914)</u>
<b>Expenditures</b>						
Security of Persons & Property	-	-	-	-	-	-
Leisure Time Activities	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Basic Utilities	-	-	-	-	-	-
Contractual Services	24,500	23,422	1,078	1,226,618	623,932	602,686
Transportation	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Capital Outlay	-	-	-	3,522,973	2,169,204	1,353,769
Other	-	-	-	-	-	-
Debt Service:						
Principal	327,973	327,973	-	-	-	-
Interest and Fiscal Charges	120,288	120,288	-	-	-	-
<b>Total Expenditures</b>	<u>472,761</u>	<u>471,683</u>	<u>1,078</u>	<u>4,749,591</u>	<u>2,793,136</u>	<u>1,956,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(392,136)</u>	<u>(390,438)</u>	<u>1,698</u>	<u>(2,454,094)</u>	<u>(2,193,553)</u>	<u>260,541</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Bonds	-	-	-	750,000	703,222	(46,778)
Transfers-In	300,000	300,000	-	710,142	649,336	(60,806)
Transfers-Out	-	-	-	-	-	-
<b>Total Other Financing Sources(Uses)</b>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>1,460,142</u>	<u>1,352,558</u>	<u>(107,584)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses</b>	<u>(92,136)</u>	<u>(90,438)</u>	<u>1,698</u>	<u>(993,952)</u>	<u>(840,995)</u>	<u>152,957</u>
<b>Fund Balance Beginning of Year</b>	115,413	115,413	-	(509,265)	(509,265)	-
<b>Prior Year Encumbrances Appropriated</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,117,393</u>	<u>1,117,393</u>	<u>-</u>
<b>Fund Balance End of Year</b>	<u>\$ 23,277</u>	<u>\$ 24,975</u>	<u>\$ 1,698</u>	<u>\$ (385,824)</u>	<u>\$ (232,867)</u>	<u>\$ 152,957</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

City of Huron, Ohio  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For The Fiscal Year Ended December 31, 2001**

	EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)
<b>Revenues</b>						
Municipal Income Taxes	\$ -	\$ -	\$ -	\$ 1,929,232	\$ 1,830,954	\$ (98,278)
Property Taxes	-	-	-	741,926	743,611	1,685
Intergovernmental	-	-	-	1,161,552	1,186,151	24,599
Special Assessments	-	-	-	80,625	81,386	761
Charges for Services	-	-	-	659,442	730,218	70,776
Fines, Fees, and Permits	25,643	16,721	(8,922)	455,950	430,100	(25,850)
Interest Earnings	3,500	3,449	(51)	135,984	95,103	(40,881)
Contributions and Donations	-	-	-	67,775	77,874	10,099
Other	3,591	124,056	120,465	232,968	481,534	248,566
<b>Total Revenues</b>	<b>32,734</b>	<b>144,226</b>	<b>111,492</b>	<b>5,465,454</b>	<b>5,656,931</b>	<b>191,477</b>
<b>Expenditures</b>						
Security of Persons & Property	-	-	-	2,358,322	2,261,467	96,855
Leisure Time Activities	-	-	-	508,830	467,019	41,811
Community Environment	-	-	-	61,976	59,192	2,784
Basic Utilities	-	-	-	366,500	350,883	15,617
Contractual Services	-	-	-	1,251,118	647,354	603,764
Transportation	-	-	-	410,429	353,500	56,929
General Government	-	-	-	1,510,025	1,408,582	101,443
Capital Outlay	-	-	-	3,594,163	2,240,394	1,353,769
Other	53,150	45,942	7,208	53,150	45,942	7,208
Debt Service:						
Principal	-	-	-	362,973	362,973	-
Interest and Fiscal Charges	-	-	-	125,144	125,144	-
<b>Total Expenditures</b>	<b>53,150</b>	<b>45,942</b>	<b>7,208</b>	<b>10,602,630</b>	<b>8,322,450</b>	<b>2,280,180</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,416)	98,284	118,700	(5,137,176)	(2,665,519)	2,471,657
<b>Other Financing Sources (Uses)</b>						
Proceeds from Bonds	-	-	-	750,000	703,222	(46,778)
Transfers-In	-	-	-	1,425,698	1,565,472	139,774
Transfers-Out	-	-	-	(1,209,136)	(1,191,766)	17,370
<b>Total Other Financing Sources(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>966,562</b>	<b>1,076,928</b>	<b>110,366</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses</b>	<b>(20,416)</b>	<b>98,284</b>	<b>118,700</b>	<b>(4,170,614)</b>	<b>(1,588,591)</b>	<b>2,582,023</b>
<b>Fund Balance Beginning of Year</b>	<b>115,392</b>	<b>115,392</b>	<b>-</b>	<b>506,275</b>	<b>506,275</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>4,350</b>	<b>4,350</b>	<b>-</b>	<b>1,134,164</b>	<b>1,134,164</b>	<b>-</b>
<b>Fund Balance End of Year</b>	<b>\$ 99,326</b>	<b>\$ 218,026</b>	<b>\$ 118,700</b>	<b>\$ (2,530,175)</b>	<b>\$ 51,848</b>	<b>\$ 2,582,023</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

City of Huron, Ohio  
 Combined Statement of Revenues, Expenses and Changes in Fund Equity  
 All Proprietary Fund Types  
 For The Fiscal Year Ended December 31, 2001

	PROPRIETARY FUND TYPES		
	ENTERPRISE	INTERNAL SERVICE	TOTAL (MEMO ONLY)
<b><u>Operating Revenues</u></b>			
Charges for Services	\$ 1,617,354	\$ 422,078	\$ 2,039,432
<b><u>Operating Expenses</u></b>			
Personal Services	486,724	289,994	776,718
Contractual Services	153,022	88,227	241,249
Materials & Supplies	67,865	-	67,865
Other	714	-	714
Depreciation	245,559	-	245,559
<b>Total Operating Expenses</b>	<b>953,884</b>	<b>378,221</b>	<b>1,332,105</b>
<b>Operating Income</b>	<b>663,470</b>	<b>43,857</b>	<b>707,327</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Interest Income	53,511	-	53,511
Interest Expense and Fiscal Charges	(383,879)	-	(383,879)
Other	17,350	-	17,350
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(313,018)</b>	<b>-</b>	<b>(313,018)</b>
<b>Income Before Operating Transfers</b>	<b>350,452</b>	<b>43,857</b>	<b>394,309</b>
Operating Transfer In	-	10,000	10,000
Operating Transfer Out	(1,292,706)	-	(1,292,706)
<b>Net Operating Transfers</b>	<b>(1,292,706)</b>	<b>10,000</b>	<b>(1,282,706)</b>
<b>Net Income</b>	<b>(942,254)</b>	<b>53,857</b>	<b>(888,397)</b>
<b>Retained Earnings Beginning of Year</b>	<b>2,200,035</b>	<b>36,022</b>	<b>2,236,057</b>
<b>Retained Earnings End of Year</b>	<b>1,257,781</b>	<b>89,879</b>	<b>1,347,660</b>
<b>Contributed Capital Beginning and End of Year</b>	<b>674,640</b>	<b>-</b>	<b>674,640</b>
<b>Total Fund Equity End of Year</b>	<b>\$ 1,932,421</b>	<b>\$ 89,879</b>	<b>\$ 2,022,300</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

City of Huron, Ohio  
 Combined Statement of Cash Flows - All Proprietary Fund Types  
 For The Year Ended December 31, 2001

	PROPRIETARY FUND TYPE		
	ENTERPRISE	INTERNAL SERVICE	TOTAL (MEMO ONLY)
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Charges for Services	\$ 1,612,659	\$ 422,078	\$ 2,034,737
Cash Payments for Personal Services	(414,250)	(289,994)	(704,244)
Cash Payments for Contractual Services	(163,636)	(88,227)	(251,863)
Cash Payments for Materials & Supplies	(45,884)	-	(45,884)
<b>Net Cash Provided by Operating Activities</b>	<b>988,889</b>	<b>43,857</b>	<b>1,032,746</b>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>			
Other Cash Receipts	17,350	-	17,350
Operating Transfers (Out To) In From Other Funds	(1,292,706)	10,000	(1,282,706)
<b>Net Cash Used In Non-Capital Financing Activities</b>	<b>(1,275,356)</b>	<b>10,000</b>	<b>(1,265,356)</b>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Proceeds from Notes	2,425,000	-	2,425,000
Principal Paid on General Obligation Bonds	(239,100)	-	(239,100)
Principal Paid on Notes	(2,134,400)	-	(2,134,400)
Principal Paid on OWDA Loans	(51,587)	-	(51,587)
Interest Paid on Notes and Long-Term Debt	(377,314)	-	(377,314)
Purchase of Fixed Assets	(1,022,970)	-	(1,022,970)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(1,400,371)</b>	<b>-</b>	<b>(1,400,371)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Interest	53,511	-	53,511
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,633,327)</b>	<b>53,857</b>	<b>(1,579,470)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>3,297,480</b>	<b>36,022</b>	<b>3,333,502</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,664,153</b>	<b>\$ 89,879</b>	<b>\$ 1,754,032</b>
<b>Reconciliation of Operating Income to Net Cash Provided by</b>			
<b>Operating Activities:</b>			
Operating Income	\$ 663,470	\$ 43,857	\$ 707,327
<b>Adjustments to Reconcile Operating Income to Net Cash Provided</b>			
<b>by Operating Activities:</b>			
Depreciation	245,559	-	245,559
<b>Changes in Assets and Liabilities:</b>			
<b>Increase/(Decrease) in Assets:</b>			
Accounts Receivable	(4,695)	-	(4,695)
Materials and Supplies Inventory	21,981	-	21,981
Prepaid Items	-	-	-
<b>Increase/(Decrease) in Liabilities:</b>			
Accounts Payable	(654)	-	(654)
Accrued Wages and Benefits	(6,244)	-	(6,244)
Compensated Absences Payable	65,382	-	65,382
Intergovernmental Payable	4,090	-	4,090
<b>Total Adjustments</b>	<b>325,419</b>	<b>-</b>	<b>325,419</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 988,889</b>	<b>\$ 43,857</b>	<b>\$ 1,032,746</b>

The Notes to the Financial Statements are an Integral Part of this Statement.



**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 1 - Reporting Entity and Basis of Presentation**

The City of Huron (the "City") is a home rule municipal corporation, established under the laws of the State of Ohio and operated under its own charter. The City operates under a part-time council and full-time City Manager form of government. The Mayor and Council are elected.

***A. Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City.

The City provides various services including police and fire protection, health, parks and recreation, street maintenance, planning and zoning, water services, municipal court and general administrative services. Council directly controls the operation of these activities through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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

The City is associated with the Buckeye Ohio Risk Management Association (BORMA) a jointly governed organization and the Huron Joint Recreation District a jointly governed organization that are discussed in Notes 17 and 18.

***B. Basis Of Presentation - Fund Accounting***

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

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.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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

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

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

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

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

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

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

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

**Fiduciary Fund Types** Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The City has expendable trust funds. The City's agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

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

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

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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

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

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

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

The proprietary fund types 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, regardless of the measurement focus applied. All governmental fund types, expendable trust funds, and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available, while expenditures are generally recognized when the related fund liability is incurred, with the exception of unmatured interest on general long-term debt and special assessment debt secured by interest bearing special assessment levies, which is recognized when due. Measurable means the amount of the transaction can be determined, and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is sixty days after year-end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, state-levied locally shared taxes (including gasoline tax) and income tax withheld by employers. Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2001, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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

***B. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by City Council at the object level within each department. Any budgetary modifications at this level may only be made by resolution of City Council.

***Tax Budget*** At the first Council meeting in July, the City Manager 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 substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing 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 appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

***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. Any budgetary modification at the object level may only be made by resolution of the City Council. The Director of Finance is authorized to transfer appropriations between line items below the object level.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

***Encumbrances*** As part of formal budgetary control, purchase 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 at the object

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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level within each department. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

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

***C. Cash and Cash Equivalents***

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

During 2001, investments of the cash management pool were limited to STAROhio, the State Treasurer's investment pool.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2001.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" in the municipal court agency fund since they are not required to be deposited into the City treasury.

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

***D. Inventory***

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

***E. Deferred Charges***

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

***G. Assets Held for Resale***

Assets held for resale represent land purchased by the City, which will be sold for development purposes. This amount is offset by a fund balance reserve.

***H. Fixed Assets and Depreciation***

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

All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

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

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation of water lines, equipment, and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful life. Improvements to proprietary fund type fixed assets are depreciated over the remaining useful lives of the related proprietary fund type fixed assets. The lives used are as follows:

Water Lines	40 years
Water Plant	40 years
Equipment and Vehicles	10 years

Interest is capitalized on proprietary fund fixed 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 interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project less 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. For 2001, interest incurred on proprietary fund construction projects was immaterial.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

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

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

***J. Fund Equity***

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. During 2001, there was no change in contributed capital. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory, debt service, and assets held for sale.

***K. Interfund Transactions***

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***L. Interfund Assets and Liabilities***

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

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

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

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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

***N. 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.

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

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 the aggregation of this data.

***P. Change in Accounting Principle***

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the City for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the City at December 31, 2000.

**Note 3 - Budgetary Basis of Accounting**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

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



**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

Excess (Deficiency) of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trusts</u>
GAAP Basis	(\$277,171)	\$ 357,283	(\$90,438)	\$ 263,402	\$97,512
Net Adjustment for Revenue Accruals	69,392	( 5,691)	( 9,000)	( 1,036,100)	( 5,078)
Net Adjustment for Expenditure Accruals	( 34,235)	( 240,575)	9,000	95,690	5,850
Encumbrances	( 7,510)	( 17,352)	-0-	( 163,987)	-0-
Budget Basis	<u>(\$249,524)</u>	<u>\$ 93,665</u>	<u>(\$90,438)</u>	<u>( 840,995)</u>	<u>\$98,284</u>

**Note 4 - Deposits and Investments**

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

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

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

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

Interim monies can be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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 treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or custodian.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3.

*Cash on hand:* At year-end, the City had \$3,085 in undeposited cash on hand, which is included on the Balance Sheet as part of "equity in pooled cash and cash equivalents".

*Deposits:* At year-end, the carrying amount of the City's deposits was \$1,933,566 and the bank balance was \$2,008,106. Of the bank balance, \$1,343,000 was covered by federal depository insurance. Collateralized pools securing all public funds on deposit with specific financial institutions secured the uninsured bank balance.

*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 counter party'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 counter party, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3, is as follows:

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$3,036,324	\$ -0-
STAR Ohio	( 1,099,673)	1,099,673
Cash on Hand	( 3,085)	-0-
GASB Statement 3	\$1,933,566	\$1,099,673

**Note 5 - Receivables**

Receivables at December 31, 2001 consist primarily of taxes, accounts, and money due from other governments. All receivables are considered fully collectible. The City's receivables at December 31, 2001, consist of the following by fund type:

	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	Enterprise
Taxes & Special Assessments Receivable:						
Property	\$235,826	\$522,240	\$ 0	\$ 0	\$ 0	\$ 0
Income	152,784	0	0	16,976	0	0
Special Assessments	0	0	356,135	0	0	0
Total Taxes	\$388,610	\$522,240	\$356,135	\$ 16,976	\$ 0	\$ 0
Accounts Receivable:						
Cable Franchise	\$ 59,476	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Water Service	0	0	0	0	0	384,942
Total Accounts	\$ 59,476	\$ 0	\$ 0	\$ 0	\$ 0	\$384,942
Loans Receivable	\$ 0	\$120,158	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental:						
Inheritance Tax	\$ 21,153	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Local Government Tax	32,974	31,569	0	3,399	2,235	0
Total Intergovernmental	\$ 54,127	\$ 31,569	\$ 0	\$ 3,399	\$ 2,235	\$ 0
Interest Receivable	\$ 21,928	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2001 for real and public utility property taxes represents collections of the 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections were made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$4.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$149,591,710
Public Utility Personal	4,582,370
Tangible Personal	14,536,962
Total	\$168,711,042

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. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due June 15; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Huron. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2001. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is offset by deferred revenue.

***B. Income Taxes***

The City levies a municipal income tax of one percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Huron. In 2001, the proceeds were allocated to the general and the capital projects funds.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 6 - Fixed Assets and Depreciation**

A summary of the enterprise fund fixed assets at December 31, 2001, follows:

Buildings, Structures and Improvements	\$7,537,616
Equipment and Vehicles	<u>1,104,043</u>
 Total	 8,641,659
 Less: Accumulated Depreciation	 <u>( 2,281,720)</u>
 Net Fixed Assets	 <u><u>\$6,359,939</u></u>

A summary of changes in the general fixed assets account group follows:

	Balance January 1, 2001	Additions	Deductions	Balance December 31, 2001
Buildings, Structures and Improvements	\$3,953,937	\$750,000	\$ 0	\$4,703,937
Furniture, Fixtures and Equipment	<u>2,136,930</u>	<u>328,951</u>	<u>15,092</u>	<u>2,450,789</u>
 Total	 <u><u>\$6,090,867</u></u>	 <u><u>\$1,078,951</u></u>	 <u><u>\$15,092</u></u>	 <u><u>\$7,154,726</u></u>

**Note 7 - Risk Management**

The City participates with other cities in The Buckeye Ohio Risk Management Association, Inc. (BORMA) in jointly funded risk financing programs administered by Arthur J. Gallagher & Co. The City participates in the pool in the following areas of risks: Property (Building and Contents), Commercial Automobile Liability, Automobile Physical Damage, Comprehensive General Liability, Crime and Property Liability, and Public Officials Liability. This program includes the following municipalities: Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard. A third party administrator, Arthur J. Gallagher and Co. - Cleveland, reviews all claims, which are then paid by the Pool. Member contributions are calculated to annually produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2001, the Pool has cash reserves, which in the opinion of BORMA management, is adequate for any claims against the Pool. The City contributed \$12,400 towards the reserve, \$33,849 towards the premium and administration costs of the Pool and \$-0- towards claims for which the City is directly liable. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 8 - Defined Benefit Pension Plans**

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

The employees of the City, other than Police and Firemen, are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The 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. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees other than law enforcement. The total 2001 employer contribution rate was 13.55% of covered payroll. The PERS Board issued a temporary employer contribution rate rollback for 2000. The rate rollback was 20% for local government employees resulting in a 2000 employer contribution rate of 10.84% on covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to PERS for the years ending December 31, 2001, 2000 and 1999 were \$146,481, \$161,385, and \$150,552, respectively. The full amount has been contributed for 2000 and 1999. 76.4 percent has been contributed for 2001 with the remainder being reported as a liability within the enterprise fund and the general long-term obligations account group.

***B. Police and Firemen's Disability and Pension***

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2001, 2000, and 1999 were \$276,571, \$332,103, \$251,465, respectively. The full amount has been contributed for 2000 and 1999. 74.4 percent has been contributed for 2001 with the remainder being reported as a liability within the general long-term obligations account group.

**Note 9- Postemployment Benefits**

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

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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Revised Code provides statutory authority for employer contributions. The 2001 and 2000 employer contribution rates were 13.55% and 10.84%, respectively, of covered payroll; 4.3% was the portion that was used to fund health care for 2001 and 2000, which is \$46,778 and \$48,188 for 2001.

The Ohio Revised code provides the statutory authority requiring public employers to fund post retirement health care through their contribution to PERS.

OPEB is financed through employer contributions and investment earnings thereon. PERS has elected advance funding of its OPEB's on an actuarially determined basis. The most recent actuarial valuation of PERS' OPEB liability was performed as of December 31, 2000. The following significant actuarial assumptions were used in this valuation:

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

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

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

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

Health Care Costs Health care costs was assumed to increase 4.75% annually.

The number of active contributing participants of PERS as of December 31, 2000 was 411,076. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$11,735,900,000 as of December 31, 2000. The actuarial accrued liability as of that date was \$14,364,600,000 resulting in an unfunded actuarial accrued liability of \$2,628,700,000.

***B. Police and Firemen's Disability Pension Fund***

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

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OP&F's board of trustees to provide health care coverage and states that health care cost paid from the OP&F 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

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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contribution rate is 24 percent of covered payroll, of which 7.5 and 7.25 percent of covered payroll is applied to the postemployment health care program during 2001 and 2000, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$106,480 for police and \$86,567 for fire. OP&F's total health care expenses for the year ended December 31, 2000, (the date of the last actuarial valuation available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

**Note 10- Other Employee Benefits**

**A. *Compensated Absences***

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Vacation leave is earned at rates that vary depending upon length of service and standard workweek. Vacation accumulation is limited to a maximum of one hundred and sixty days. All accumulated unused vacation time is paid upon termination of employment. Employees earn sick leave at the rate of 1.25 workdays with pay for each month of completed service. Sick leave is paid upon retirement limited to one half of total accumulated hours with the additional restriction of a maximum of 480 hours. This amount paid upon retirement was adjusted by the City effective January 1, 2002 to allow all accumulated hours to be paid out up to 1,750 hours.

**B. *Health and Dental***

The City is self-insured for health and dental benefits. The health and dental programs are administered by Anthem Benefit Administrators, Inc., which provides claims review and processing services. Because the City is self-insured for its health and dental programs, it has a potential liability for incurred but not yet reported claims (IBNR). IBNR claims are claims for insured events that have occurred but were not reported to the third party administrator as of December 31, 2001. These claims include known loss events that are expected to be presented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported. The City accounts for claims activity in the General Fund.

	<u>2001</u>	<u>2000</u>
Unpaid Claims at Beginning of the Year	\$23,815	\$ -0-
Provision for Insured Events of Current Year	244,511	83,514
Payments Attributable to Insured Claims of Current Year	(227,853)	(59,699)
Payments Attributable to Insured Claims of Prior Year	( 23,815)	-0-
 Total Unpaid Claims at End of Year	 \$ <u>16,658</u>	 \$ <u>23,815</u>

The City has contracted for stop loss insurance on health and dental benefits, which limits the City's liability to \$25,000 per participant per fiscal year and to an aggregate liability of \$1,000,000 for the fiscal year ended December 31, 2001.



**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

**Note 11 - Long-Term Obligations**

The changes in long-term obligations during the year were as follows:

	Outstanding 12/31/00	Additions	Reductions	Outstanding 12/31/01
<b>Enterprise Debt</b>				
<b>General Obligation Bonds</b>				
Waterworks 1986 6.3750%	\$160,000	\$0	\$40,000	\$120,000
Water System 1992 5.1% to 6.40%	295,000	0	145,000	150,000
Water System Refunding 1999 3.15% to 4.85%	2,261,588	0	15,400	2,246,188
Various Purpose 1999 3.15% to 4.85%	222,811	0	28,700	194,111
Water Intake Cleaning 1996 4.65% to 6.15%	90,000	0	10,000	80,000
<i>Total General Obligation Bonds</i>	<u>3,029,399</u>	<u>0</u>	<u>239,100</u>	<u>2,790,299</u>
				(1)
<b>Ohio Water Development Authority Debt</b>				
Chaska Beach 1998 6.32%	607,979	0	21,988	585,991
Various Water Projects 1998 5.66%	899,596	0	29,599	869,997
<i>Total Ohio Water Development Authority Debt</i>	<u>1,507,575</u>	<u>0</u>	<u>51,587</u>	<u>1,455,988</u>
<i>Total Enterprise Debt</i>	<u>4,536,974</u>	<u>0</u>	<u>290,687</u>	<u>4,246,287</u>
<b>General Obligation Bonds</b>				
Vehicle Maintenance 1986 6.375%	126,000	0	18,000	108,000
Fire Department Vehicle 1992 2.95% to 5.40%	55,000	0	25,000	30,000
Municipal Boat Basin 1992 5.1% to 6.40%	65,000	0	30,000	35,000
Radio System 1996 4.65% to 6.15%	140,000	0	20,000	120,000
City Hall Addition 1996 4.65% to 6.15%	505,000	0	20,000	485,000
Ambulance 1998 4.65%	56,400	0	17,900	38,500
Refunding Bonds 1999 3.15% to 4.85%	504,865	0	6,300	498,565
Various Purpose 1999 3.15% to 4.85%	655,736	0	19,600	636,136
<i>Total General Obligations Bonds</i>	<u>2,108,001</u>	<u>0</u>	<u>156,800</u>	<u>1,951,201</u>
<b>Ohio Water Development Authority Loan</b>				
Industrial Park 2001 3.0%	0	703,222	0	703,222
Chaska Beach 1998 6.32%	309,236	0	36,479	272,757
<i>Total Ohio Water Development Authority Loans</i>	<u>309,236</u>	<u>703,222</u>	<u>36,479</u>	<u>975,979</u>
<b>Special Assessment Bond - Ryebeach - D</b>				
	<u>37,388</u>	<u>0</u>	<u>18,694</u>	<u>18,694</u>
Compensated Absences	132,277	213,165	0	345,442
Intergovernmental Payable	81,242	23,543	0	104,785
<i>Total General Long-Term Obligations</i>	<u>2,668,144</u>	<u>939,930</u>	<u>211,973</u>	<u>3,396,101</u>
<i>Total Long-Term Debt</i>	<u>\$7,205,118</u>	<u>\$939,930</u>	<u>\$502,660</u>	<u>\$7,642,388</u>

(1) Amount reported is before \$140,315 unamortized portion of accounting loss on refunding.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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General obligation bonds will be paid from money transferred to the debt service fund as well as user charges from the appropriate enterprise fund. The special assessment bonds will be paid from the proceeds of special assessments levied against benefited property owners. The OWDA loans will be paid partly with special assessments levied against benefited property owners as well as user charges from the appropriate enterprise fund. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

The City entered into contractual agreements for new construction loans from OWDA. Under the terms of these agreements, OWDA will reimburse, advance, or directly pay the construction costs of the approved projects. OWDA will capitalize administrative costs and construction interest and add them to the total amounts of the final loans. A line of credit has been established for various projects: however, since the loans have not been finalized, repayment schedules are not included in the schedule of debt service requirements. The liability is reflected in the enterprise fund.

Bonds Payable in the enterprise fund is made up of an outstanding balance of \$2,790,299 and an unamortized accounting loss of \$140,315, resulting in net bonds payable reported of \$2,649,984.

In prior years, the City defeased certain general obligation bonds by placing funds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's general purpose financial statements. On December 31, 2001, \$180,000 of such bonds is considered defeased.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001, are as follows:

	General Obligation Bonds	Special Assessment Bonds	Enterprise Fund Bonds
2002	\$ 258,615	\$ 87,483	\$ 544,284
2003	260,071	77,117	496,454
2004	234,620	77,117	489,744
2005	229,132	77,117	442,705
2006	225,089	77,117	446,380
2007 & Thereafter	1,438,307	941,770	3,646,285
Total	\$2,645,834	\$1,337,721	\$6,065,852

**Note 12- Industrial Development Revenue Bonds**

The City has issued industrial development revenue bonds in the aggregate outstanding principal amount of approximately \$2,520,000 at December 31, 2001 for facilities used by private corporations or other entities. The City is not obligated in any way to pay debt related charges on the bonds from any of its funds, and therefore, they have been excluded entirely from the City's debt presentation. There has not been and there is not currently any condition of default under the bonds or the related financing documents.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 13 - Notes Payable**

Note activity for the year ended December 31, 2001, consisted of the following:

	Balance 12/31/00	Issued	Retired	Balance 12/31/01
<b>Special Revenue Funds</b>				
Industrial Park Promissory Note 1997 6.00%	\$ 338,892	\$ 0	\$ 97,988	\$ 240,904
Computer System Improvement 2000 4.5%	36,200	0	36,200	0
<i>Total Special Revenue Funds</i>	<u>\$ 375,092</u>	<u>\$ 0</u>	<u>\$ 134,188</u>	<u>\$ 240,904</u>
<b>Capital Projects Fund</b>				
Various Purpose Improvements 2000 4.6%	\$ 900,000	\$ 0	\$ 900,000	\$ 0
Various Improvements 2000 4.5%	129,400	0	129,400	0
<i>Total Capital Projects Fund</i>	<u>\$1,029,400</u>	<u>\$ 0</u>	<u>\$1,029,400</u>	<u>\$ 0</u>
<b>Enterprise Fund</b>				
Various Purpose Improvements 2001 2.75%	\$ 0	\$2,425,000	\$ 0	\$2,425,000
Various Purpose Improvements 2000 4.6%	1,925,000	0	1,925,000	0
Various Purpose Improvements 2000 4.5%	209,400	0	209,400	0
<i>Total Enterprise Fund</i>	<u>\$2,134,400</u>	<u>\$2,425,000</u>	<u>\$2,134,400</u>	<u>\$2,425,000</u>
<i>Total Notes Payable</i>	<u>\$3,538,892</u>	<u>\$2,425,000</u>	<u>\$3,297,988</u>	<u>\$2,665,904</u>

All of the notes are backed by the full faith and credit of the City of Huron and mature within one year. The note liability is reflected in the fund that received the proceeds.

The City issued a promissory note to partially fund the purchase of land for the development of an industrial park. The note has no stated maturity and principal is to be repaid in the amount of \$9,500 per acre as the City sells development sites to purchasers. Interest on the note is payable in quarterly installments. The underlying property and the full resources of the City's revolving loan special revenue fund secure the note.

**Note 14 - Interfund Receivable/Payable**

At December 31, 2001, the debt service fund had an interfund receivable of \$176,300, and the capital improvement fund capital projects fund had an interfund payable of \$176,300.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 15 – Deferred Compensation Plan**

The City's employees and elected officials participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Plan Agreement states that the City of Huron and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

**Note 16 – Segment Information – Enterprise Funds**

For 2001, the City maintained one enterprise fund, the Water Fund, which accounts for the provision of water services to all citizens. Accordingly, no segment information is required, since the Water Fund is the Enterprise Fund.

**Note 17 - Risk Sharing Pool**

The Buckeye Ohio Self Insurance Pool for Municipalities, Inc & BORMA are a shared risk pool comprised of Bowling Green, Clyde, Defiance, Harrison, Huron, Napoleon, Oberlin, Sandusky, Upper Sandusky, and Willard, and the villages of Archbold, Carey, Fayette, and Hicksville. The organization was formed to enable its members to pool their risks and share in losses. The members formed a not-for-profit corporation to administer the pool. The Buckeye Ohio Self Insurance Pool for Municipalities, Inc. & BORMA is governed by a board of trustees that consists of the highest-ranking executive from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of their membership. After the initial three-year period, each member may extend its term in three-year increments.

Each member provides operating resources to the Buckeye Ohio Self Insurance Pool for Municipalities, Inc. & BORMA based on actuarially determined rates.

**Note 18 - Jointly Governed Organization**

The Huron Area Joint Recreation District (District) is a jointly governed organization between the Huron City School District, the City of Huron, and Huron Township. The City appoints three members to the nine-member commission. In 2001 the City did not contribute to the District. Each entity's control is limited to its representation on the governing board. The District's continued existence is not dependent on the City's continued participation. The District is not accumulating significant financial resources or experiencing fiscal stress that would cause additional financial benefit or burden on the City. Financial information on the District can be obtained from Huron City School District 712 Cleveland Rd. East, Huron, Ohio 44839.

**City of Huron, Ohio**  
*Notes to the General Purpose Financial Statements*  
*For the Year Ended December 31, 2001*

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**Note 19 - Litigation**

The City of Huron is a party to various claims and legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. In the opinion of City management, the ultimate resolution of any such matters will not have a material effect, if any, on the financial condition of the City.

CITY OF HURON

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

YEAR ENDED DECEMBER 31, 2001



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

City Council  
City of Huron  
417 Main Street, P.O. Box 468  
Huron, Ohio 44839

We have audited the general purpose financial statements of the City of Huron, Ohio as of and for the year ended December 31, 2001, and have issued our report thereon dated June 6, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Huron, Ohio's general purpose 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 the compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Huron, Ohio, in a separate letter dated June 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Huron, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

City Council  
City of Huron  
Page Two

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to management of the City of Huron, Ohio in a separate letter dated June 6, 2002.

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

Weber \* O'Brien Ltd.

Weber \* O'Brien Ltd.  
June 6, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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

**CITY OF HURON**

**ERIE 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 13, 2002**