

**City of Huron
Erie County**

**General Purpose Financial Statements
For the Year Ended December 31, 1999**



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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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, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

September 22, 2000

City of Huron
General Purpose Financial Statements
For the Year Ended December 31, 1999
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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 City of Huron, Ohio, as of and for the year ended December 31, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2000 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.

weber • O'Brien, LTD.

May 31, 2000
(Except note 19, as to which the date is September 5, 2000)

City of Huron, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$557,804	\$502,142	\$134,184	\$510,009
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	382,402	442,389	0	22,827
Accounts	55,915	1,803	0	0
Interfund	0	0	176,300	0
Special Assessments	0	0	523,007	0
Loans	0	2,538	0	0
Intergovernmental	62,723	45,515	0	0
Materials and Supplies				
Inventory	0	4,292	0	0
Deferred Charges	0	0	0	0
Prepaid Items	7,722	4,709	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Assets Held for Resale	0	0	0	524,541
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$1,066,566</u>	<u>\$1,003,388</u>	<u>\$833,491</u>	<u>\$1,057,377</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$1,116,989	\$3,700	\$55,317	\$0	\$0	\$2,880,145
0	0	12,522	0	0	12,522
0	0	0	0	0	847,618
372,697	0	0	0	0	430,415
0	0	0	0	0	176,300
0	0	0	0	0	523,007
0	0	0	0	0	2,538
0	0	0	0	0	108,238
112,694	0	0	0	0	116,986
57,144	0	0	0	0	57,144
6,404	0	0	0	0	18,835
5,668,705	0	0	6,116,458	0	11,785,163
0	0	0	0	0	524,541
0	0	0	0	294,484	294,484
0	0	0	0	2,830,183	2,830,183
<u>\$7,334,633</u>	<u>\$3,700</u>	<u>\$67,839</u>	<u>\$6,116,458</u>	<u>\$3,124,667</u>	<u>\$20,608,119</u>

(continued)

City of Huron, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$68,133	\$24,277	\$0	\$76,109
Interfund Payable	0	0	0	176,300
Accrued Wages and Benefits	22,341	12,555	0	0
Compensated Absences Payable	10,873	271	0	0
Intergovernmental Payable	29,315	4,744	0	36,723
Deferred Revenue	176,956	442,389	523,007	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	1,141	0	6,113
Accrued Litigation Costs	0	0	0	0
Notes Payable	0	373,892	0	125,000
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<i>Total Liabilities</i>	<u>307,618</u>	<u>859,269</u>	<u>523,007</u>	<u>420,245</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	57,112	25,787	16,000	342,051
Reserved for Inventory	0	4,292	0	0
Reserved for Assets Held for Resale	0	0	0	524,541
Reserved for Loans Receivable	0	2,538	0	0
Reserved for Debt Service	0	0	294,484	0
Unreserved, Undesignated (Deficit)	701,836	111,502	0	(229,460)
<i>Total Fund Equity, and Other Credits</i>	<u>758,948</u>	<u>144,119</u>	<u>310,484</u>	<u>637,132</u>
<i>Total Liabilities, Fund Equity, and Other Credits</i>	<u><u>\$1,066,566</u></u>	<u><u>\$1,003,388</u></u>	<u><u>\$833,491</u></u>	<u><u>\$1,057,377</u></u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$30,056	\$0	\$0	\$0	\$0	\$198,575
0	0	0	0	0	176,300
4,719	0	0	0	0	39,615
23,847	0	0	0	138,602	173,593
16,531	0	0	0	103,234	190,547
0	0	0	0	0	1,142,352
0	0	12,522	0	0	12,522
10,514	0	0	0	0	17,768
0	0	0	0	200,000	200,000
215,000	0	0	0	0	713,892
1,549,850	0	0	0	343,548	1,893,398
3,088,572	0	0	0	2,283,201	5,371,773
0	0	0	0	56,082	56,082
<u>4,939,089</u>	<u>0</u>	<u>12,522</u>	<u>0</u>	<u>3,124,667</u>	<u>10,186,417</u>
0	0	0	6,116,458	0	6,116,458
674,640	0	0	0	0	674,640
1,720,904	3,700	0	0	0	1,724,604
0	0	4,761	0	0	445,711
0	0	0	0	0	4,292
0	0	0	0	0	524,541
0	0	0	0	0	2,538
0	0	0	0	0	294,484
0	0	50,556	0	0	634,434
<u>2,395,544</u>	<u>3,700</u>	<u>55,317</u>	<u>6,116,458</u>	<u>0</u>	<u>10,421,702</u>
<u>\$7,334,633</u>	<u>\$3,700</u>	<u>\$67,839</u>	<u>\$6,116,458</u>	<u>\$3,124,667</u>	<u>\$20,608,119</u>

City of Huron, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1999*

	Governmental Fund	
	General	Special Revenue
Revenues		
Municipal Income Taxes	\$1,803,343	\$0
Property Taxes	176,764	321,877
Charges for Services	336,358	215,388
Fees and Permits	101,322	12,891
Intergovernmental	672,084	474,484
Special Assessments	0	81
Interest	136,521	3,734
Fines and Foreitures	239,971	29,748
Contributions and Donations	0	0
Other	45,629	35,823
<i>Total Revenues</i>	<u>3,511,992</u>	<u>1,094,026</u>
Expenditures		
Current:		
General Government	673,574	30,443
Security of Persons and Property	1,273,024	582,984
Transportation	0	338,121
Community Environment	57,554	0
Basic Utility Services	346,537	0
Leisure Time Activities	0	248,764
Other	0	0
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	40,000
Interest and Fiscal Charges	0	2,717
Refunding Bond Issuance Costs	0	0
<i>Total Expenditures</i>	<u>2,350,689</u>	<u>1,243,029</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,161,303</u>	<u>(149,003)</u>
Other Financing Sources (Uses)		
Proceeds of Refunding Bonds	0	0
Proceeds of Bonds	0	0
Sale of Fixed Assets	0	0
Payment to Refunded Bond Escrow Agent	0	0
Operating Transfers In	0	206,797
Operating Transfers Out	(1,156,303)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,156,303)</u>	<u>206,797</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	5,000	57,794
<i>Fund Balances Beginning of Year</i>		
Restated (See Note 3)	753,948	89,894
Decrease in Reserve for Inventory	0	(3,569)
<i>Fund Balances End of Year</i>	<u>\$758,948</u>	<u>\$144,119</u>

The notes to the financial statements are an integral part of this statement.

Types		Fiduciary Fund Type		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$0	\$0	\$0		\$1,803,343
0	0	0		498,641
0	0	0		551,746
0	0	14,753		128,966
100,609	166,991	0		1,414,168
86,119	0	0		86,200
0	3,106	1,808		145,169
0	0	0		269,719
0	0	24,803		24,803
0	20,935	501		102,888
<u>186,728</u>	<u>191,032</u>	<u>41,865</u>		<u>5,025,643</u>
3,337	0	0		707,354
0	0	29,807		1,885,815
0	0	0		338,121
0	0	0		57,554
0	0	0		346,537
0	0	0		248,764
0	0	376		376
0	722,550	0		722,550
1,171,521	0	0		1,211,521
132,585	6,113	0		141,415
31,352	0	0		31,352
<u>1,338,795</u>	<u>728,663</u>	<u>30,183</u>		<u>5,691,359</u>
<u>(1,152,067)</u>	<u>(537,631)</u>	<u>11,682</u>		<u>(665,716)</u>
504,880	0	0		504,880
696,700	0	0		696,700
0	4,255	0		4,255
(504,880)	0	0		(504,880)
606,491	547,303	0		1,360,591
0	(174,168)	0		(1,330,471)
<u>1,303,191</u>	<u>377,390</u>	<u>0</u>		<u>731,075</u>
151,124	(160,241)	11,682		65,359
159,360	797,373	43,635		1,844,210
0	0	0		(3,569)
<u>\$310,484</u>	<u>\$637,132</u>	<u>\$55,317</u>		<u>\$1,906,000</u>

City of Huron, Ohio
*Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended December 31, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Taxes	\$1,795,849	\$1,804,537	\$8,688
Property Taxes	167,452	176,764	9,312
Charges for Services	389,948	398,370	8,422
Fines, Fees and Permits	91,203	97,419	6,216
Intergovernmental	603,360	619,598	16,238
Special Assessments	0	0	0
Interest	128,769	136,521	7,752
Fines and Foreitures	231,309	239,971	8,662
Other	50,670	45,629	(5,041)
<i>Total Revenues</i>	<u>3,458,560</u>	<u>3,518,809</u>	<u>60,249</u>
Expenditures			
Current:			
General Government	692,309	717,058	(24,749)
Security of Persons and Property	1,373,844	1,355,173	18,671
Transportation	0	30,005	(30,005)
Community Environment	54,390	51,619	2,771
Basic Utility Services	383,794	346,537	37,257
Leisure Time Activities	0	0	0
Other	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Refunding Bond Issuance Costs	0	0	0
<i>Total Expenditures</i>	<u>2,504,337</u>	<u>2,500,392</u>	<u>3,945</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>954,223</u>	<u>1,018,417</u>	<u>64,194</u>
Other Financing Sources (Uses)			
Proceeds of Notes	0	0	0
Proceeds of Bonds	0	0	0
Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(959,950)	(1,133,476)	(173,526)
<i>Total Other Financing Sources (Uses)</i>	<u>(959,950)</u>	<u>(1,133,476)</u>	<u>(173,526)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(5,727)	(115,059)	(109,332)
<i>Fund Balances Beginning of Year</i>	518,089	518,089	0
Prior Year Encumbrances Appropriated	5,930	5,930	0
<i>Fund Balances End of Year</i>	<u>\$518,292</u>	<u>\$408,960</u>	<u>(\$109,332)</u>

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
62,637	321,877	259,240	0	0	0
436,112	192,627	(243,485)	0	0	0
11,500	12,891	1,391	0	0	0
443,071	456,157	13,086	89,218	100,609	11,391
0	81	81	78,789	88,468	9,679
3,484	3,734	250	0	0	0
22,216	29,748	7,532	0	0	0
31,907	34,109	2,202	0	0	0
<u>1,010,927</u>	<u>1,051,224</u>	<u>40,297</u>	<u>168,007</u>	<u>189,077</u>	<u>21,070</u>
21,734	33,634	(11,900)	2,000	18,180	(16,180)
596,569	651,963	(55,394)	0	0	0
400,316	370,874	29,442	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
230,977	252,481	(21,504)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,360	40,000	(36,640)	1,130,407	1,139,406	(8,999)
1,640	1,576	64	145,768	165,587	(19,819)
0	0	0	20,258	31,352	(11,094)
<u>1,254,596</u>	<u>1,350,528</u>	<u>(95,932)</u>	<u>1,298,433</u>	<u>1,354,525</u>	<u>(56,092)</u>
<u>(243,669)</u>	<u>(299,304)</u>	<u>(55,635)</u>	<u>(1,130,426)</u>	<u>(1,165,448)</u>	<u>(35,022)</u>
37,784	35,000	(2,784)	57,641	65,000	7,359
0	0	0	1,123,864	1,201,580	77,716
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	(176,300)	(176,300)
0	0	0	(504,880)	(504,880)	0
265,139	206,797	(58,342)	518,027	584,168	66,141
0	0	0	0	0	0
<u>302,923</u>	<u>241,797</u>	<u>(61,126)</u>	<u>1,194,652</u>	<u>1,169,568</u>	<u>(25,084)</u>
59,254	(57,507)	(116,761)	64,226	4,120	(60,106)
456,005	456,005	0	207,074	207,074	0
14,492	14,492	0	0	0	0
<u>\$529,751</u>	<u>\$412,990</u>	<u>(\$116,761)</u>	<u>\$271,300</u>	<u>\$211,194</u>	<u>(\$60,106)</u>

(continued)

City of Huron, Ohio
*Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types (continued)
 For the Year Ended December 31, 1999*

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$0	\$0	\$0
Property Taxes	0	0	0
Charges for Services	0	0	0
Fines, Fees and Permits	0	0	0
Intergovernmental	348,974	166,991	(181,983)
Special Assessments	0	0	0
Interest	7,470	3,106	(4,364)
Fines and Foreitures	0	0	0
Other	42,174	46,431	4,257
<i>Total Revenues</i>	<u>398,618</u>	<u>216,528</u>	<u>(182,090)</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Other	0	0	0
Capital Outlay	867,053	1,110,145	(243,092)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Refunding Bond Issuance Costs	0	0	0
<i>Total Expenditures</i>	<u>867,053</u>	<u>1,110,145</u>	<u>(243,092)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(468,435)</u>	<u>(893,617)</u>	<u>(425,182)</u>
Other Financing Sources (Uses)			
Proceeds of Notes	56,024	60,000	3,976
Proceeds of Bonds	0	0	0
Sale of Fixed Assets	3,978	4,255	277
Advances In	164,616	176,300	11,684
Advances Out	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Operating Transfers In	587,967	524,476	(63,491)
Operating Transfers Out	(77,211)	(174,168)	(96,957)
<i>Total Other Financing Sources (Uses)</i>	<u>735,374</u>	<u>590,863</u>	<u>(144,511)</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	266,939	(302,754)	(569,693)
<i>Fund Balances Beginning of Year</i>	183,227	183,227	0
Prior Year Encumbrances Appropriated	94,953	94,953	0
<i>Fund Balances End of Year</i>	<u>\$545,119</u>	<u>(\$24,574)</u>	<u>(\$569,693)</u>

The notes to the financial statements are an integral part of this statement.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,795,849	\$1,804,537	\$8,688
0	0	0	230,089	498,641	268,552
0	0	0	826,060	590,997	(235,063)
0	0	0	102,703	110,310	7,607
0	0	0	1,484,623	1,343,355	(141,268)
0	0	0	78,789	88,549	9,760
0	0	0	139,723	143,361	3,638
0	0	0	253,525	269,719	16,194
30,273	41,865	11,592	155,024	168,034	13,010
30,273	41,865	11,592	5,066,385	5,017,503	(48,882)
0	0	0	716,043	768,872	(52,829)
0	0	0	1,970,413	2,007,136	(36,723)
0	0	0	400,316	400,879	(563)
0	0	0	54,390	51,619	2,771
0	0	0	383,794	346,537	37,257
0	0	0	230,977	252,481	(21,504)
28,200	36,127	(7,927)	28,200	36,127	(7,927)
0	0	0	867,053	1,110,145	(243,092)
0	0	0	1,133,767	1,179,406	(45,639)
0	0	0	147,408	167,163	(19,755)
0	0	0	20,258	31,352	(11,094)
28,200	36,127	(7,927)	5,952,619	6,351,717	(399,098)
2,073	5,738	3,665	(886,234)	(1,334,214)	(447,980)
0	0	0	151,449	160,000	8,551
0	0	0	1,123,864	1,201,580	77,716
0	0	0	3,978	4,255	277
0	0	0	164,616	176,300	11,684
0	0	0	0	(176,300)	(176,300)
0	0	0	(504,880)	(504,880)	0
0	0	0	1,371,133	1,315,441	(55,692)
0	0	0	(1,037,161)	(1,307,644)	(270,483)
0	0	0	1,272,999	868,752	(404,247)
2,073	5,738	3,665	386,765	(465,462)	(852,227)
44,772	44,772	0	1,409,167	1,409,167	0
47	47	0	115,422	115,422	0
\$46,892	\$50,557	\$3,665	\$1,911,354	\$1,059,127	(\$852,227)

City of Huron, Ohio
*Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 1999*

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues			
Charges for Services	\$1,430,316	\$5,000	\$1,435,316
Operating Expenses			
Personal Services	436,852	0	436,852
Materials and Supplies	79,339	0	79,339
Contractual Services	161,683	5,473	167,156
Depreciation	232,906	0	232,906
Other	5,950	0	5,950
<i>Total Operating Expenses</i>	<u>916,730</u>	<u>5,473</u>	<u>922,203</u>
<i>Operating Income (Loss)</i>	<u>513,586</u>	<u>(473)</u>	<u>513,113</u>
Non-Operating Revenues (Expenses)			
Interest Income	11,659	0	11,659
Loss on Sale of Fixed Assets	(57,940)	0	(57,940)
Interest and Fiscal Charges	(225,330)	0	(225,330)
<i>Total Non-Operating Revenues</i>	<u>(271,611)</u>	<u>0</u>	<u>(271,611)</u>
<i>Income (Loss) Before Operating Transfers</i>	241,975	(473)	241,502
Operating Transfers Out	(30,120)	0	(30,120)
<i>Net Income (Loss)</i>	211,855	(473)	211,382
<i>Retained Earnings Beginning of Year</i>	<u>1,509,049</u>	<u>4,173</u>	<u>1,513,222</u>
<i>Retained Earnings End of Year</i>	1,720,904	3,700	1,724,604
<i>Contributed Capital Beginning and End of Year</i>	<u>674,640</u>	<u>0</u>	<u>674,640</u>
<i>Total Fund Equity End of Year</i>	<u>\$2,395,544</u>	<u>\$3,700</u>	<u>\$2,399,244</u>

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, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$1,396,141	\$0	\$1,396,141
Cash Payments from Quasi-External	0	5,000	5,000
Cash Payments for Goods and Services	(87,404)	0	(87,404)
Cash Payments to Employees for Services and Benefits	(430,825)	0	(430,825)
Cash Payments for Contractual Services	(269,504)	(5,473)	(274,977)
Cash Payments for Other Operating Expenses	(5,950)	0	(5,950)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>602,458</u>	<u>(473)</u>	<u>601,985</u>
Cash Flows from Noncapital Financing Activities			
Transfer Out	<u>(7,797)</u>	<u>0</u>	<u>(7,797)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(209,444)	0	(209,444)
Proceeds from Bonds	250,745	0	250,745
Proceeds from Notes	215,000	0	215,000
Proceeds from OWDA Loans	712,487	0	712,487
Principal Paid on General Obligation Bonds	(221,000)	0	(221,000)
Interest Paid on General Obligation Bonds	(159,194)	0	(159,194)
Principal Paid on Notes	(862,000)	0	(862,000)
Interest Paid on Notes	(40,202)	0	(40,202)
Principal Paid on OWDA Loans	(43,444)	0	(43,444)
Interest Paid on OWDA Loans	(91,601)	0	(91,601)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(448,653)</u>	<u>0</u>	<u>(448,653)</u>
Cash Flows from Investing Activities			
Interest	<u>11,659</u>	<u>0</u>	<u>11,659</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	157,667	(473)	157,194
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>959,322</u>	<u>4,173</u>	<u>963,495</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$1,116,989</u></u>	<u><u>\$3,700</u></u>	<u><u>\$1,120,689</u></u> (continued)

City of Huron, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types (continued)
For the Year Ended December 31, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
<i>Operating Income (Loss)</i>	\$513,586	(\$473)	\$513,113
Adjustments:			
Operating Activities:			
Depreciation	232,906	0	232,906
(Increase)/Decrease in Assets:			
Accounts Receivable	(34,175)	0	(34,175)
Materials and Supplies Inventory	(1,398)	0	(1,398)
Prepaid Items	(46)	0	(46)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(108,084)	0	(108,084)
Accrued Wages and Benefits	(5,493)	0	(5,493)
Compensated Absences Payable	(498)	0	(498)
Intergovernmental Payable	5,660	0	5,660
<i>Total Adjustments</i>	88,872	0	88,872
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$602,458	(\$473)	\$601,985

Noncash Capital Financing Activities

The City issued bonds to refund debt issued in 1992. \$2,252,520 of proceeds were deposited immediately into an irrevocable trust for the defeasance of outstanding bonds. Issuance costs were deducted from bond proceeds. The \$57,144 difference between net and gross bond proceeds was recorded as an asset and is being amortized over the debt payment period.

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 Year Ended December 31, 1999

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 18 and 19.

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 Year Ended December 31, 1999

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 Year Ended December 31, 1999

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

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, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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

The 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 1999.

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.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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 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 1999, 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, 1999.

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.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, 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 the 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 sewer lines, equipment, and vehicles in the proprietary fund type is computed using the straight-line method over an estimated useful

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

life. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fund 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 difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1999, interest incurred on proprietary fund construction projects was immaterial.

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 1999, 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, and loans receivable (moneys loaned to local businesses).

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.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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.

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.

Note 3 - Restatement of Prior Year Fund Balance

Assets Available for Sale were understated in the Capital Projects Fund by \$524,541 at December 31, 1998, which caused the fund balance to be understated from \$272,832 to \$797,373. The understatement in the Capital Projects caused a overstatement of the General Fixed Assets Account Grouping of \$524,541 and a corresponding overstatement of Investment in General Fixed Assets at December 31, 1998.

The Unappropriated Monies Fund Balance was overstated in the Trust Fund by \$13,942 at December 31, 1998, which caused the fund balance to be understated from \$29,693 to \$43,635.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

Note 4 - 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.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Funds				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts
GAAP Basis	\$ 5,000	\$57,794	\$151,124	(\$160,241)	\$11,682
Net Adjustment for Revenue Accruals	6,817	(7,802)	45,026	238,969	-0-
Net Adjustment for Expenditure Accruals	(69,764)	(81,712)	(176,030)	(39,431)	(1,183)
Encumbrances	(57,112)	(25,787)	(16,000)	(342,051)	(4,761)
Budget Basis	<u>(\$115,059)</u>	<u>(\$57,507)</u>	<u>\$ 4,120</u>	<u>(\$302,754)</u>	<u>\$ 5,738</u>

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

Note 5 - Accountability and Compliance

Contrary to Section 5705.41B, Ohio Revised Code, the following funds had expenditures plus encumbrances in excess of appropriations at December 31, 1999:

Fund	Appropriations	Expenditures and Encumbrances	Excess
General Fund	\$3,464,287	\$3,633,868	\$169,581
Special Revenue Funds			
Parks and Recreation	228,677	252,481	23,804
Court Computer	5,000	43,342	38,342
Police Grants	35,465	89,646	54,181
Capital Projects Fund			
Capital Improvements	944,264	1,284,313	340,049

Note 6 - 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;

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement 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 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 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 \$130,723 and the bank balance was \$206,609. \$112,522 of the bank balance was covered by federal depository insurance. \$94,087 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$2,892,667	\$0
STAR Ohio	(2,761,944)	2,761,944
Cash on Hand	(3,085)	0
GASB Statement 3	\$127,638	\$2,761,944

Note 7 - Receivables

Receivables at December 31, 1999 consist primarily of taxes, accounts, and money due from other governments. All receivables are considered fully collectible. The City's receivables at December 31, 1999, consist of the following by fund type:

	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Taxes & Special					
Assessments Receivables:					
Property	\$176,956	\$442,389	\$0	\$0	\$0
Income	205,446	0	0	22,827	0
Special Assessments	0	0	523,007	0	0
Total Taxes	\$382,402	\$442,389	\$523,007	\$22,827	\$0
Accounts Receivable:					
Cable Franchise	\$55,915	\$0	\$0	\$0	\$0
Miscellaneous	0	1,803	0	0	0
Water Service	0	0	0	0	372,697
Total Accounts	\$55,915	\$1,803	\$0	\$0	\$372,697
Intergovernmental:					
Inheritance Tax	\$24,612	\$0	\$0	\$0	\$0
Local Government Tax	38,111	0	0	0	0
Motor Vehicle License	0	\$3,339	0	0	0
Motor Vehicle Permissive	0	5,226	0	0	0
Gasoline Tax	0	13,971	0	0	0
Police Grants	0	22,979	0	0	0
Total Intergovernmental	\$62,723	\$45,515	\$0	\$0	\$0

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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 1999 for real and public utility property taxes represents collections of the 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 real property taxes are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1999 real property taxes are collected in and intended to finance 2000.

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after October 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1999, was \$4.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$123,701,520
Public Utility Personal	5,560,030
Tangible Personal	13,008,332
Total	\$142,269,882

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 April 30; 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, 1999. 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 1999 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.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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 1999, the proceeds were allocated one hundred percent to the general fund.

Note 8 - Fixed Assets and Depreciation

A summary of the enterprise fund fixed assets at December 31, 1999, follows:

Buildings, Structures and Improvements	\$6,557,070
Equipment and Vehicles	<u>909,059</u>
 Total	 7,466,129
 Less: Accumulated Depreciation	 <u>(1,797,424)</u>
 Net Fixed Assets	 <u><u>\$5,668,705</u></u>

A summary of changes in general fixed assets follows:

	Balance January 1, 1999	Additions	Deductions	Balance December 31, 1999
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Buildings, Structures and Improvements	\$3,953,937	\$0	\$0	\$3,953,937
Furniture, Fixtures and Equipment	<u>2,129,311</u>	<u>169,349</u>	<u>136,139</u>	<u>2,162,521</u>
 Total	 <u><u>\$6,083,248</u></u>	 <u><u>\$169,349</u></u>	 <u><u>\$136,139</u></u>	 <u><u>\$6,116,458</u></u>

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 1999, the City procured insurance through the Buckeye Ohio Risk Management Association as follows:

City of Huron, Ohio
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Type of Coverage	Coverage	Deductible
Property (Building and Contents)	\$221,000,000	\$1,000
Subject to the Following Sublimits		
Earthquake	10,000,000	25,000
Flood	10,000,000	25,000
Business Interruption	2,000,000	0
Valuable Papers	500,000	1,000
Accounts Receivable	600,000	1,000
Computer and Electronic Data Processing Equipment	3,950,000	1,000
Fine Arts	60,000	1,000
Mobile Equipment	8,000,000	1,000
Paved Surfaces, Bridges	100,000	1,000
Commandeered or Impounded	100,000	1,000
Emergency Service Equipment	250,000	1,000
Communications Equipment	50,000	1,000
Personal Property Off Premises	100,000	1,000
Personal Property in Transit	100,000	1,000
Builders Risk	500,000	1,000
Employees and Volunteers Property	50,000	1,000
Pollutant Clean-up	50,000	1,000
Utility Interruption	100,000	1,000
Sewer Backup During Flooding	25,000	1,000
Fire Department Service Charge	25,000	1,000
Debris Removal	50,000	1,000
General Liability	1,000,000 Occurrence	
	3,000,000 Aggregate	0
Employee Benefits Liability	1,000,000	0
Ohio Stop Gap	1,000,000	0
Law Enforcement Professional Liability	1,000,000 Occurrence	
	Aggregate included in	
	General Liability	0
Employee Dishonesty	1,000,000	0
Computer Fraud	1,000,000	0
Money and Securities	1,000,000	0
Depositors Forgery	1,000,000	0
Auto Fleet Liability	1,000,000	0
Auto Uninsured – Underinsured	1,000,000	0
Auto Physical Damage	Actual cash value	
	except for replacement	
	cost for specific vehicles	2,000
Public Official Liability Policy	1,000,000 Occurrence	
	1,000,000 Aggregate	0
Umbrella Liability	9,000,000 Occurrence	
	9,000,000 Aggregate	0

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 salaries. This rate is calculated based on accident history and administrative costs.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

Note 10 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All City full-time employees, other than Police and Firemen, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 9.35 percent was the portion used to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 1999, 1998, and 1997 were \$150,552, \$137,496, and \$124,744, respectively. The full amount has been contributed for 1998 and 1997. 72.41 percent has been contributed for 1999 with the remainder being reported as a fund liability and within 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.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and for 1999, the City was required to contribute 19.5 percent for police (12.5 percent was the portion used to fund pension obligations) and 24 percent for firefighters (17 percent was the portion used to fund pension obligations). For 1998 the City contributions were 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters were \$111,554 and \$139,911 respectively for the year ended December 31, 1999, \$235,075 for the year ended December 31, 1998, and \$204,133 for 1997. The full amount has been contributed for 1998 and 1997. 67.22 and 73.86 percent, respectively, have been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

Note 11- Postemployment Benefits

A. Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on the authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll for employees; 4.2 percent was the portion that was used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB is financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investments income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641.

At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999, which were used to fund OPEB, were \$46,665.

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

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 Postemployment 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 contribution rate is 24 percent of covered payroll, of which 7 percent of covered payroll is applied to the postemployment health care program during 1999. For 1998 the percent used to fund healthcare was 6.5 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 1999 that were used to fund postemployment benefits were \$40,045 for police and \$40,807 for fire. OP&F's total health care expenses for the year ended December 31, 1998, (the date of the last actuarial valuation available) were \$78,596,790, which was net of member contributions of \$5,331,515. The number of OP&F participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

Note 12- 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 third of total accumulated hours with the additional restriction of a maximum of 120 hours.

B. Health Insurance

The City has contracted with Buckeye Ohio Risk Management Association to provide employee health care coverage. For 1999 the City's share of the monthly premium are \$767.20 for family coverage and \$353.84 for single coverage.

Note 13 - Long-Term Obligations

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

	Outstanding 12/31/98	Additions	Reductions	Outstanding 12/31/99
Enterprise Debt				
General Obligation Bonds				
Waterworks 1986 6.3750%	\$240,000	\$0	\$40,000	\$200,000
Water System 1992 5.1% to 6.40%	2,635,000	0	2,205,000	430,000
Water System Refunding 1999 3.15% to 4.85%	0	2,307,675	30,687	2,276,988
Various Purpose 1999 3.15% to 4.85%	0	250,745	3,334	247,411
Water Intake Cleaning 1996 4.65% to 6.15%	110,000	0	10,000	100,000
<i>Total General Obligation Bonds</i>	<u>2,985,000</u>	<u>2,558,420</u>	<u>2,289,021</u>	<u>3,254,399</u>
				(1)
Ohio Water Development Authority Debt				
Chaska Beach 1998 6.32%	657,539	0	28,880	628,659
Various Water Projects 1998 5.66%	223,268	712,487	14,564	921,191
<i>Total Ohio Water Development Authority Debt</i>	<u>880,807</u>	<u>712,487</u>	<u>43,444</u>	<u>1,549,850</u>
<i>Total Enterprise Debt</i>	<u>3,865,807</u>	<u>3,270,907</u>	<u>2,332,465</u>	<u>4,804,249</u>

(1) Amount reported is before \$165,827 unamortized portion of accounting loss on refunding

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

	Outstanding 12/31/98	Additions	Reductions	Outstanding 12/31/99
General Obligation Bonds				
City Hall 1976 7.00%	36,000	0	18,000	18,000
Fire Station 1976 7.00%	4,000	0	2,000	2,000
Vehicle Maintenance 1986 6.375%	162,000	0	18,000	144,000
Fire Department Vehicle 1992 2.95% to 5.40%	105,000	0	25,000	80,000
Municipal Boat Basin 1992 5.1% to 6.40%	590,000	0	495,000	95,000
Radio System 1996 4.65% to 6.15%	180,000	0	20,000	160,000
City Hall Addition 1996 4.65% to 6.15%	545,000	0	20,000	525,000
Ambulance 1998 4.65%	90,000	0	16,400	73,600
Refunding Bonds 1999 3.15% to 4.85%	0	517,142	6,877	510,265
Various Purpose 1999 3.15% to 4.85%	0	684,438	9,102	675,336
<i>Total General Obligations Bonds</i>	<u>1,712,000</u>	<u>1,201,580</u>	<u>630,379</u>	<u>2,283,201</u>
Note Payable				
Various Purpose Improvements 1998 3.94%	<u>\$940,000</u>	<u>\$0</u>	<u>\$940,000</u>	<u>\$0</u>
Ohio Water Development Authority Loan				
Chaska Beach 1998 6.32%	<u>390,996</u>	<u>0</u>	<u>47,448</u>	<u>343,548</u>
Special Assessment Bond				
Ryebeach – D	<u>74,776</u>	<u>0</u>	<u>18,694</u>	<u>56,082</u>
Compensated Absences	111,028	27,574	0	138,602
Intergovernmental Payable	<u>0</u>	<u>103,234</u>	<u>0</u>	<u>103,234</u>
Total General Long-Term Obligations	<u>3,228,800</u>	<u>1,332,388</u>	<u>1,636,521</u>	<u>2,924,667</u>
<i>Total Long-Term Debt</i>	<u>\$7,094,607</u>	<u>\$4,603,295</u>	<u>\$3,968,986</u>	<u>\$7,728,916</u>

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.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

During 1999, the City issued \$3,760,000 in general obligation bonds with interest rates varying from 3.15 percent to 4.85 percent. Proceeds were used to refund \$465,000 and \$2,075,000 of the outstanding 1992 municipal boat basin and water system bonds, respectively. An analysis of this information follows:

	1992 Boat Basin Bonds	1992 Water System Bonds
Outstanding 12/31/98	\$590,000	\$2,635,000
Amount Refunded	(465,000)	(2,075,000)
Non-Refunded Portion	125,000	560,000
Principal Payment on Non-Refunded Portion	(30,000)	(130,000)
Outstanding 12/31/99	\$95,000	\$430,000

Proceeds of \$2,757,400 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payment on the refunded portions of the various bonds. As a result, these bonds are considered defeased and the liability for the portion of these bonds has been removed from the general long-term obligations account group and the water enterprise fund.

The City decreased its total debt service payments by \$137,913 as a result of the advance refunding. The City also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$107,609.

The enterprise fund's portion of the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$177,520. This difference, being reported as a deduction from the bond liability in the accompanying financial statements, is being charged to operations through the year 2018 using the straight-line method.

Bonds Payable in the enterprise fund is made up of an outstanding balance of \$3,254,399 and an unamortized accounting loss of \$165,827, resulting in net bonds payable reported of \$3,088,572.

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, 1999, \$289,000 of such bonds are considered defeased.

The City's overall legal debt margin was \$7,316,609 at December 31, 1999. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999, are as follows:

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

	General Obligation Bonds	Special Assessment Bonds	Enterprise Fund Bonds
2000	\$658,812	\$81,375	\$530,055
2001	255,336	79,155	538,967
2002	258,615	76,935	544,283
2003	260,071	56,021	496,454
2004	234,620	56,021	489,744
2005 & Thereafter	2,231,420	224,084	4,595,782
Total	\$3,896,874	\$573,591	\$7,195,286

Note 14 - Industrial Development Revenue Bonds

The City has issued industrial development revenue bonds in the aggregate outstanding principal amount of \$4,287,000 at December 31, 1999 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.

Note 15 - Notes Payable

Note activity for the year ended December 31, 1999, consisted of the following:

	Balance 12/31/98	Issued	Retired	Balance 12/31/99
Special Revenue Funds				
Industrial Park Promissory Note 1997 6.00%	\$338,892	\$0	\$0	\$338,892
Computer System Improvement 1999 3.5%	40,000	35,000	40,000	35,000
<i>Total Special Revenue Funds</i>	<i>\$378,892</i>	<i>\$35,000</i>	<i>\$40,000</i>	<i>\$373,892</i>
Capital Projects Fund				
Motor Vehicle Acquisition 1999 3.5%	\$0	\$65,000	\$0	\$65,000
Computer System Improvement 1999 3.5%	0	60,000	0	60,000
<i>Total Capital Projects Fund</i>	<i>0</i>	<i>125,000</i>	<i>0</i>	<i>125,000</i>

City of Huron, Ohio
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For Year Ended December 31, 1999

	Balance 12/31/98	Issued	Retired	Balance 12/31/99
Enterprise Fund				
Various Purpose Improvements 1998 3.94%	862,000	0	862,000	0
Various Purpose Improvements 1999 3.5%	0	215,000	0	215,000
<i>Total Enterprise Fund</i>	862,000	215,000	862,000	215,000
<i>Total Notes Payable</i>	\$1,240,892	\$375,000	\$902,000	\$713,892

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 16 - Interfund Receivable/Payable

At December 31, 1999, 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.

Note 17 – 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 18 – Segment Information – Enterprise Funds

For 1999, 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.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For Year Ended December 31, 1999

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. One such matter involved an action in which the Court entered a permanent injunction against the City from acquiring certain property by eminent domain. The City appealed the injunction and, in September 2000, the Court denied the appeal. The property owner's action asked for recovery of damages estimated to be \$450,000, including attorney's fees. The City has recorded \$200,000 as of December 31, 1999 as its best estimate of any damages, primarily for attorney fees, but intends to vigorously contest against award of additional damages in excess of attorney fees. The City management is of the opinion that the awards, if any, over the amounts recorded resulting from the ultimate disposition of the various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

Note 20 - 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 Archibald, 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 21 - 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 1999 the City contributed \$500 to the District that represents 33.3 percent of total contributions. 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
MANAGEMENT COMMENT REPORT
YEAR ENDED DECEMBER 31, 1999



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

We have audited the general purpose financial statements of the City of Huron, Ohio ("City") for the year ended December 31, 1999, and have issued our report thereon dated May 31, 2000. In planning and performing our audit of the general purpose financial statements of the City, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

During our audit, we noted certain matters involving the internal control and operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are attached. This letter does not affect our report dated May 31, 2000 on the general purpose financial statements of the City.

The comments marked with an asterisk (*) were included in our prior year report and are generally still applicable.

This report is intended solely for the information 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 · obrien LTD.

May 31, 2000

*Encumbrances and Fiscal Officer Certification

Our tests disclosed several instances where disbursements were made either without (a) the Director of Finance's certification that the amount required for the order or contract had been lawfully appropriated and was available for expenditure free from any previous encumbrances, or (b) the use of a Then and Now certificate where the Director of Finance's certification was subsequent to the obligation date. These transactions related to legal fees, for which an estimate of the amount involved could have been made and the Director of Finance's certification issued prior to receipt of the attorney's billings for services rendered.

The City of Huron's Codified Ordinances require that all purchases be made by written purchase orders signed by the purchasing agent, and that no purchase order or contract shall be valid as an obligation of the City unless it bears a certification by the Director of Finance that the estimated amount thereof has been entered as an encumbrance in the City accounts and that the amount is available for appropriation. There are two exceptions to this requirement; the first is the use of a Then and Now certificate, which is a certification after the obligation date by the Director of Finance that a sufficient sum was appropriated and free of any encumbrance and upon which the City Council may use as a basis to authorize payment of the amount due, and the second is where the obligation involved is less than a thousand dollars, the Director of Finance may authorize it to be paid without the affirmation of Council.

In the future, we recommend that the purchasing agent estimate the cost of these services and that a Director of Finance's certificate be issued prior to receipt of any service provider's billings.

*Fixed Asset Capitalization Policy

The City has not developed a formal policy for the capitalization of fixed asset additions. In addition, the City does not have a formal policy relating to criteria to establish when depreciation should commence on components of large construction projects. Lack of a formal policy could result in inconsistent accounting treatment of similar items, and the potential loss of important financial and operating information.

We recommend that the City develop a policy establishing the criteria for the capitalization of all types of fixed assets (i.e., furniture and equipment; buildings, structures and improvements; and land and land improvements). It should also give consideration to the special capitalization practices of the City (such as the capitalization of water meters) and also define the depreciation method and period applicable to the various types or classes of assets the City is likely to acquire. Additionally, the City should develop related policies and procedures for the capitalization criteria and accounting treatment to be used for construction in progress.

Disposals of Fixed Assets

Currently the City records disposals of fixed assets once a year. In addition, upon the sale of fixed assets, the City records proceeds as miscellaneous income and does not use the proceeds in the calculation of gain or loss from the sale of the asset.

We recommend that a fixed asset list be circulated to each department head monthly and/or quarterly. These lists should be updated for disposals at the time of circulation also, and the responsible department head should sign off as having reviewed the list. Proceeds received from the sale of fixed assets should not be reported as miscellaneous income but should be used in calculating the gain and/or loss incurred from the sale.

Expenditures in Excess of Appropriations

As indicated in the notes to the financial statements and in our finding reported in our report 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, the City made expenditures of money in excess of appropriations in several funds. Ohio Revised Code Section 5705.41 (B) requires that a fund may not have expenditures plus encumbrances in excess of appropriations for the year.

We recommend that the City make supplemental appropriations in the future to correct this oversight. The City and its Council have the ability to amend the appropriations throughout the year, and should do so in the future. As stated in our citation, appropriations should be compared to the latest amended certificate of estimated resources and appropriate modifications should be made prior to submitting it to the County Auditor.

Organization of Documents

We noted that the filing and organization used for payroll and income tax returns is cumbersome and inefficient. Returns are filed in envelopes based on the day the returns were processed by City employees which results in excess time being expended to locate returns.

We recommend that the City consider other filing systems for the payroll and income tax returns. For example, a separate file in which the taxpayer's tax returns are placed would eliminate the use of envelopes and should expedite the process of locating previously filed returns.

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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, 1999



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 City of Huron, Ohio as of and for the year ended December 31, 1999, and have issued our report thereon dated May 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying attachment.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 City of Huron, Ohio in a separate letter dated May 31, 2000.

This report is intended solely for the information of and use of the City Council, management and grantor agencies 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.
May 31, 2000

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

Ohio Revised Code 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated. Supplemental appropriations were not properly approved by the City and Budget Commission. The following funds had expenditures exceeding appropriations as of December 31, 1999:

Funds Name	Variance
General Fund	(\$169,581)
Parks & Recreation Fund	(\$ 23,804)
Court Computer Fund	(\$ 38,342)
Police Grants Fund	(\$ 54,181)
Capital Improvement Fund	(\$340,049)

The City did have the revenue to obtain an amended certificate. We recommend appropriation measures be compared to the latest amended certificate of estimated resources and appropriate modifications be made prior to submitting it to the County Auditor.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
OCTOBER 3, 2000**