

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, OHIO**

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 1998

Charles E. Harris & Associates, Inc.
Certified Public Accountants



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

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City Council
City of Upper Sandusky
Upper Sandusky, Ohio 43351

We have reviewed the Independent Auditor's Report of the City of Upper Sandusky, Wyandot County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 1998 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 Upper Sandusky 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 29, 2000

CITY OF UPPER SANDUSKY
WYANDOT COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 1998

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT ACCOUNTANTS	1
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS	2
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES	3
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES	4 -5
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPES	6
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES	7
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS) ALL PROPRIETARY FUNDS	8
NOTES TO THE COMBINED FINANCIAL STATEMENTS	9 - 28
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENTAL AUDITING STANDARDS</i>	29 - 30
STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS	31

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

**The Honorable Mayor and City Council
City of Upper Sandusky
Upper Sandusky, Ohio**

We have audited the accompanying general purpose financial statements of City of Upper Sandusky (the City), as of and for the years ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 18 to the financial statements, the City changed its method of accounting for investments and certain deferred compensation plans.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 2, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Charles E. Harris & Associates, Inc.
August 2, 2000

Combined Balance Sheet
All Fund Types and Account Groups

December 31, 1998

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits									
Assets									
Equity in Pooled Cash	\$519,202	\$323,960	\$419,332	\$482,987	\$0	\$0	\$0	\$0	\$1,745,481
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	13,821	0	0	13,821
Receivables:									
Taxes	396,031	57,989	193,296	0	0	0	0	0	647,316
Accounts	34,472	1,428	0	204,642	0	0	0	0	240,542
Accrued Interest	6,583	6,794	3,666	7,457	0	0	0	0	24,500
Due from Other Funds	0	0	0	0	27,902	0	0	0	27,902
Due from Other Governments	72,027	16,629	25,935	0	0	0	0	0	114,591
Materials and Supplies									
Inventory	4,625	14,455	0	31,213	0	0	0	0	50,293
Notes Receivable	0	111,406	0	0	0	0	0	0	111,406
Prepaid Items	16,645	6,894	0	11,743	0	0	0	0	35,282
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	11,817,461	0	0	2,560,502	0	14,377,963
Other Debits									
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	3,003,583	3,003,583
Total Assets	1,049,585	539,555	642,229	12,555,503	27,902	13,821	2,560,502	3,003,583	20,392,680
Liabilities									
Accounts Payable	39,436	4,671	30,337	43,237	0	0	0	0	117,681
Accrued Wages and Benefits	71,135	11,007	0	36,776	0	0	0	0	118,918
Compensated Absences Payable	16,746	2,779	0	41,707	0	0	0	78,571	139,803
Due to Other Funds	15,626	2,232	0	10,044	0	0	0	0	27,902
Deferred Revenue	259,288	0	0	0	0	0	0	0	259,288
Claims Payable	0	0	0	0	27,902	0	0	0	27,902
Undistributed Monies	0	0	0	0	0	10,414	0	0	10,414
Payroll Withholdings	0	0	0	0	0	3,407	0	0	3,407
Police & Fire Accrued Pension Payable	0	0	0	0	0	0	0	78,821	78,821
Capital Leases Payable	0	0	0	0	0	0	0	67,401	67,401
OWDA Loans Payable	0	0	0	0	0	0	0	2,778,790	2,778,790
Total Liabilities	402,231	20,689	30,337	131,764	27,902	13,821	0	3,003,583	3,630,327
Fund Equity and Other Credits									
Investment in General Fixed Assets	0	0	0	0	0	0	2,560,502	0	2,560,502
Contributed Capital	0	0	0	6,940,129	0	0	0	0	6,940,129
Retained Earnings	0	0	0	5,483,610	0	0	0	0	5,483,610
Fund Balance:									
Reserved for Encumbrances	0	7,086	66,588	0	0	0	0	0	73,674
Reserved for Inventory	4,625	14,455	0	0	0	0	0	0	19,080
Reserved for Prepaid Items	16,645	6,894	0	0	0	0	0	0	23,539
Reserved for Notes Receivable	0	111,406	0	0	0	0	0	0	111,406
Unreserved:									
Undesignated	626,084	379,025	545,304	0	0	0	0	0	1,550,413
Total Fund Equity	647,354	518,866	611,892	12,423,739	0	0	2,560,502	0	16,762,353
Total Liabilities and Fund Equity	\$1,049,585	\$539,555	\$642,229	\$12,555,503	\$27,902	\$13,821	\$2,560,502	\$3,003,583	\$20,392,680

See accompanying notes to the combined financial statements.

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

For the Year December 31, 1998

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Municipal Income Tax	\$786,550	\$186,014	\$833,418	\$1,805,982
Property and Other Taxes	369,094	0	0	369,094
Charges for Services	9,451	33,238	0	42,689
Licenses and Permits	4,861	0	0	4,861
Fines and Forfeitures	406,421	19,439	0	425,860
Intergovernmental	388,652	235,750	71,126	695,528
Investment Income	47,058	15,113	44,353	106,524
Other	7,798	8,430	0	16,228
Total Revenue	2,019,885	497,984	948,897	3,466,766
Expenditures:				
Current:				
General Government:				
Legislative and Executive	600,966	0	0	600,966
Judicial	412,568	1,924	0	414,492
Security of Persons and Property	913,301	4,525	0	917,826
Public Health and Welfare	59,096	0	0	59,096
Transportation	0	216,792	0	216,792
Community Environment	9,727	0	0	9,727
Leisure Time Activities	0	219,793	0	219,793
Capital Outlay	0	0	471,715	471,715
Debt Service:				
Principal Retirement	4,305	0	161,130	165,435
Interest and Fiscal Charges	575	0	58,995	59,570
Total Expenditures	2,000,538	443,034	691,840	3,135,412
Excess of Revenues Over (Under) Expenditures	19,347	54,950	257,057	331,354
Other Financing Sources (Uses):				
Other Financial Sources	47,357	4,597	0	51,954
Total Other Sources (Uses)	47,357	4,597	0	51,954
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	66,704	59,547	257,057	383,308
Fund Balances (Deficit) at Beginning of Year	579,897	463,228	354,835	1,397,960
Increase (Decrease) in Reserve for Inventory	753	(3,909)	0	(3,156)
Fund Balances (Deficits) at End of Year	\$647,354	\$518,866	\$611,892	\$1,778,112

See accompanying notes to the combined financial statements.

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types

For the Year Ended December 31, 1998

	-----General Fund-----			--Governmental Fund Types-- -----Special Revenue Funds-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Municipal Income Tax	\$1,950,000	\$1,797,287	(\$152,713)	\$0	\$0	\$0
Property and Other Taxes	390,000	369,094	(20,906)	0	0	0
Charges for Services	16,050	9,431	(6,619)	41,000	33,238	(7,762)
Licenses and Permits	13,510	4,861	(8,649)	0	0	0
Fines and Forfeitures	407,000	372,820	(34,180)	24,000	19,183	(4,817)
Intergovernmental	343,200	346,160	2,960	226,600	234,472	7,872
Investment Income	85,000	45,310	(39,690)	12,800	10,453	(2,347)
Other	66,300	8,679	(57,621)	23,000	8,430	(14,570)
Total Revenue	3,271,060	2,953,642	(317,418)	327,400	305,776	(21,624)
Expenditures:						
Current:						
General Government:						
Legislative and Executive	866,418	617,186	249,232	0	0	0
Judicial	587,120	387,759	199,361	32,000	1,924	30,076
Security of Persons and Property	1,133,109	899,471	233,638	18,000	4,525	13,475
Public Health and Welfare	65,000	59,096	5,904	0	0	0
Transportation	0	0	0	272,800	228,916	43,884
Community Environment	38,000	10,153	27,847	50,000	0	50,000
Leisure Time Activities	0	0	0	255,766	219,921	35,845
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	4,305	4,305	0	0	0	0
Interest and Fiscal Charges	575	575	0	0	0	0
Total Expenditures	2,694,527	1,978,545	715,982	628,566	455,286	173,280
Excess of Revenues Over (Under) Expenditures	576,533	975,097	398,564	(301,166)	(149,510)	151,656
Other Financing Sources (Uses):						
Other Financing Sources	57,700	47,357	(10,343)	18,500	17,894	(606)
Operating Transfers - In	0	0	0	180,500	165,850	(14,650)
Operating Transfers - Out	(1,083,000)	(995,100)	87,900	0	0	0
Total Other Sources (Uses)	(1,025,300)	(947,743)	77,557	199,000	183,744	(15,256)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(448,767)	27,354	476,121	(102,166)	34,234	136,400
Fund Balances (Deficit) at Beginning of Year	359,329	359,329	0	275,943	275,943	0
Prior Year Encumbrances Appropriated	108,528	108,528	0	2,566	2,566	0
	\$19,090	\$495,211	\$476,121	\$176,343	\$312,743	\$136,400

See accompanying notes to the combined financial statements.

-----Capital Projects Funds-----			Totals ----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,950,000	\$1,797,287	(\$152,713)
0	0	0	390,000	369,094	(20,906)
0	0	0	57,050	42,669	(14,381)
0	0	0	13,510	4,861	(8,649)
0	0	0	431,000	392,003	(38,997)
72,500	45,191	(27,309)	642,300	625,823	(16,477)
50,000	42,924	(7,076)	147,800	98,687	(49,113)
0	0	0	89,300	17,109	(72,191)
122,500	88,115	(34,385)	3,720,960	3,347,533	(373,427)
0	0	0	866,418	617,186	249,232
0	0	0	619,120	389,683	229,437
0	0	0	1,151,109	903,996	247,113
0	0	0	65,000	59,096	5,904
0	0	0	272,800	228,916	43,884
0	0	0	88,000	10,153	77,847
0	0	0	255,766	219,921	35,845
939,308	783,473	155,835	939,308	783,473	155,835
161,130	161,130	0	165,435	165,435	0
55,000	54,592	408	55,575	55,167	408
1,155,438	999,195	156,243	4,478,531	3,433,026	1,045,505
(1,032,938)	(911,080)	121,858	(757,571)	(85,493)	672,078
0	0	0	76,200	65,251	(10,949)
902,500	829,250	(73,250)	1,083,000	995,100	(87,900)
0	0	0	(1,083,000)	(995,100)	87,900
902,500	829,250	(73,250)	76,200	65,251	(10,949)
(130,438)	(81,830)	48,608	(681,371)	(20,242)	661,129
161,263	161,263	0	796,535	796,535	0
242,974	242,974	0	354,068	354,068	0
\$273,799	\$322,407	\$48,608	\$469,232	\$1,130,361	\$661,129

City of Upper Sandusky, Ohio

Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Types

For the Year Ended December 31, 1998

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$1,883,941	\$251,824	\$2,135,765
Other	33,912	0	33,912
Total Operating Revenues	1,917,853	251,824	2,169,677
Operating Expenses:			
Personal Services	699,778	0	699,778
Contractual Services	525,927	251,824	777,751
Materials and Supplies	230,382	0	230,382
Other Non-Operating Expenses	52,277	0	52,277
Depreciation	271,340	0	271,340
Total Operating Expenses	1,779,704	251,824	2,031,528
Operating Income (Loss)	138,149	0	138,149
Non-Operating Revenues (Expenses):			
Interest Income	18,653	0	18,653
Total Non-Operating Revenues (Expenses)	18,653	0	18,653
Net Income (Loss)	156,802	0	156,802
Depreciation on Fixed Assets Acquired by Contributed Capital	49,915	0	49,915
Retained Earnings at Beginning of Year	5,276,893	0	5,276,893
Retained Earnings at End of Year	5,483,610	0	5,483,610
Contributed Capital at Beginning of Year	6,688,722	0	6,688,722
Contributions from Other Funds, Net	301,322	0	301,322
Depreciation on Fixed Assets Acquired by Contributed Capital	(49,915)	0	(49,915)
Contributed Capital at End of Year	6,940,129	0	6,940,129
Total Fund Equity at End of Year	\$12,423,739	\$0	\$12,423,739

See accompanying notes to the combined financial statements.

City of Upper Sandusky, Ohio

Combined Statement of Cash Flows
Proprietary Fund Types

For the Year Ended December 31, 1998

	Proprietary Fund Types		Total Proprietary Funds
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Customers	\$1,899,570	\$223,224	\$2,122,794
Cash Paid to Employees	(689,990)	0	(689,990)
Cash Paid for Goods and Services	(802,532)	(223,224)	(1,025,756)
Net Cash Provided by Operating Activities	407,048	0	407,048
Cash Flows from Investing Activities:			
Interest on Investments	13,696	0	13,696
Net Cash Provided by Investing Activities	13,696	0	13,696
Cash Flows from Capital & Related Financing Activities:			
Purchase of Fixed Assets	(305,039)	0	(305,039)
Net Cash Provided by Capital and Related Financing Activities	(305,039)	0	(305,039)
Change in Cash	115,705	0	115,705
Cash Balance, Beginning of Year	367,282	0	367,282
Cash Balance, End of Year	\$482,987	\$0	\$482,987
Operating Income	\$138,149	\$0	\$138,149
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Depreciation Expense	271,340	0	271,340
Net (Increase) Decrease in Accounts Receivable	(18,283)	0	(18,283)
(Increase) Decrease in Due from Other Funds	0	(13,402)	(13,402)
(Increase) Decrease in Inventories	9,842	0	9,842
(Increase) Decrease in Prepaid Items	(11,743)	0	(11,743)
Increase (Decrease) in Accounts Payable	(9,924)	0	(9,924)
Increase (Decrease) in Accrued Wages and Benefits	13,173	0	13,173
Increase (Decrease) in Compensated Absences Payable	7,607	0	7,607
Increase (Decrease) in Due to Other Funds	7,787	0	7,787
Increase (Decrease) in Claims Payable	0	13,402	13,402
Increase (Decrease) in Accounts Payable from Fixed Ass	(900)	0	(900)
Total Adjustments	268,899	0	268,899
Net Cash Provided by Operating Activities	\$407,048	\$0	\$407,048

See accompanying notes to the combined financial statements.

Combined Statement of Revenues, Expenses, and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Funds

For the Year Ended December 31, 1998

	Proprietary Fund Types			Internal Service			Totals		
	Enterprise			(Memorandum Only)					
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:									
Charges for Services	\$1,840,000	\$1,865,658	\$25,658	\$380,000	\$223,224	(\$156,776)	\$2,220,000	\$2,088,882	(\$131,118)
Other Operating Revenues	106,000	33,912	(72,088)	0	0	0	106,000	33,912	(72,088)
Total Operating Revenues	1,946,000	1,899,570	(46,430)	380,000	223,224	(156,776)	2,326,000	2,122,794	(203,206)
Operating Expenses:									
Current:									
Personal Services	787,200	689,990	97,210	0	0	0	787,200	689,990	97,210
Contractual Services	709,970	555,156	154,814	0	0	0	709,970	555,156	154,814
Claims and Judgments	0	0	0	380,000	223,224	156,776	380,000	223,224	156,776
Materials and Supplies	357,858	259,139	98,719	0	0	0	357,858	259,139	98,719
Other Non-Operating Expenses	84,711	54,251	30,460	0	0	0	84,711	54,251	30,460
Capital Outlay	388,639	318,247	70,392	0	0	0	388,639	318,247	70,392
Total Operating Expenses	2,328,378	1,876,783	451,595	380,000	223,224	156,776	2,708,378	2,100,007	608,371
Operating Income (Loss)	(382,378)	22,787	405,165	0	0	0	(382,378)	22,787	405,165
Non-Operating Revenues (Expenses):									
Interest Income	22,000	13,696	(8,304)	0	0	0	22,000	13,696	(8,304)
Total Non-Operating Revenues(Expenses)	22,000	13,696	(8,304)	0	0	0	22,000	13,696	(8,304)
Net Income (Loss)	(360,378)	36,483	396,861	0	0	0	(360,378)	36,483	396,861
Fund Equity (Deficit) at Beginning of Year	280,605	280,605	0	0	0	0	280,605	280,605	0
Prior Year Encumbrances Appropriated	86,378	86,378	0	0	0	0	86,378	86,378	0
Fund Equity (Deficit) at End of Year	\$6,605	\$403,466	\$396,861	\$0	\$0	\$0	\$6,605	\$403,466	\$396,861

See accompanying notes to the combined financial statements.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Upper Sandusky, Ohio (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB No. 20 the City has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989 to its proprietary activities. Election of this approach to accounting for proprietary activities by the city has required no change from prior years. The more significant of the City's accounting policies are described below:

A. DESCRIPTION OF THE ENTITY

The City of Upper Sandusky is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under the mayor-council form of charter government as approved on October 25, 1976. The City provides police protection within its boundaries, and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, waste water treatment and sanitation pick up. The City constructs and maintains streets and sidewalks within the City. The City also operates a swimming pool and maintains three parks.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. There are no component units of the City.

The City of Upper Sandusky's Municipal Court has been included in the City's financial statements as an agency fund. The Judge is an elected City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

B. 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

Account Groups make a clear distinction between fixed assets related to a specific fund 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:

The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

The General Long-Term Debt Account Group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

C. BASIS OF ACCOUNTING

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

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

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers income taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, city income taxes, intergovernmental revenues, interest revenue and charges for services, billed and unbilled.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Property taxes measurable as of December 31, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue as further described in Note 5.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established time-table. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution 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 required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of Council.

Tax Budget:

A budget of estimated revenue and expenditures 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 measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998.

Appropriations:

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by a resolution of Council. Several supplemental appropriation resolutions were legally enacted by

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Council during the year. The budget figures which appear in the statement 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 encumbered and 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. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

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 fiscal year and need not be reappropriated.

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

E. CASH AND INVESTMENTS

To improve cash management, cash received by the City is pooled in a central bank account. Monies for all funds are maintained in this account or are temporarily used to purchased short term investments. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. Under existing Ohio statues all investment earnings accrue to the general fund except those specifically related to certain special revenue, capital projects, and enterprise funds.

During fiscal year 1998, investments were limited to repurchase agreements and Certificates of Deposits.

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

For purposes of the combined statements of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturity of three months or less are considered to be cash equivalents.

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 1998 are recorded as prepaid items.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. INVENTORIES

Inventories of governmental funds are stated at cost while inventories of proprietary funds are valued at the lower of cost (first in, first out) or market. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the enterprise funds when used. Recorded inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net current assets.

H. FIXED ASSETS

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

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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 and proprietary fund types are depreciated. Depreciation of buildings, equipment and vehicles is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. COMPENSATED ABSENCES

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. 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 these the City has identified as probable of receiving payment in the future.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. LONG-TERM OBLIGATIONS

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

K. INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for goods received or services provided and agency fund assets due to operating funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables / payables." For 1998 there were no such transactions.

L. FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves of fund balance in governmental fund types represent those portions of fund balance that are not available for current appropriation or are legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory, prepaid items and notes receivable. Designated fund balances represent tentative plans for future use of financial resources.

M. INTERFUND TRANSACTIONS

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

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

N. MEMORANDUM ONLY - TOTAL COLUMNS

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

NOTE 2 - COMPLIANCE

The City Auditor did not always certify that funds were available and free from encumbrances prior to the contract or order of goods and services.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 3 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State Statute into three categories. Active monies mean an amount of public moneys determined to be necessary to meet current demand upon the City treasury. Active monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly with the City;
5. Time certificate of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

9. High grade commercial paper in an amount not to exceed five percent of the City's total average portfolio.
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the City's total average portfolio.

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 presented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

The following information classifies deposits and investments by categories of risk as defined in GASB 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

Deposits. At year-end, the carrying amount of the City's deposits, including cash on hand was \$1,626,011 and the bank balance was \$1,760,769. Of the bank balance:

1. \$183,220 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City;
2. \$1,577,549 was uninsured and uncollateralized. Although all statutory requirements for these deposits of money had been followed, non-compliance with federal requirements could potentially subject the City a successful claim by the FDIC.

Investments: Governmental Accounting Standards Board Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the City to categorized investments to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by its trust department or agent but not in the City's name. The repurchase agreement is classified as category 3.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1998**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments In:		
Repurchase Agreement	\$132,791	\$132,791

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

	<u>Cash and cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$1,759,302	-
Repurchase Agreement	(132,791)	\$132,791
Cash on Hand	<u>(500)</u>	<u>-</u>
GASB Statement 3	<u>\$1,626,011</u>	<u>\$132,791</u>

NOTE 4 - MUNICIPAL INCOME TAX

The City levies and collects an income tax of one percent on all income earned within the City as well as on incomes of residents earned outside the city. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 5 - PROPERTY TAXES

Property taxes, include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property assessments are 27% of true value.

The assessed value upon which the 1998 taxes were collected was \$102,001,460. The full tax rate for all City operations applied to real property for fiscal year ended December 31, 1998 was \$4.90 per \$1,000 of assessed valuation.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1998**

NOTE 5 - PROPERTY TAXES (continued)

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$2.74 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$3.42 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Real Property - 1997 Valuation:

Residential/Agricultural	\$ 48,004,520
Public Utilities	27,100
Commercial/Industrial/Mineral	22,801,960

Tangible Personal Property - 1998 Valuation:

General	\$27,067,810
Public Utilities	<u>4,100,070</u>
Total Assessed Valuation	<u>\$ 102,001,460</u>

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 1998. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 1998 operations. The receivable is therefore offset by a credit to deferred revenue.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1998**

NOTE 6 - RECEIVABLES

Receivables at December 31, 1998, consisted of taxes, interest, accounts (billings for user charged services, including unbilled utility services) and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectible in full, including accounts receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of the principal items of receivables follows:

<u>General Fund:</u>	<u>Amount</u>
Taxes:	
Accrued Property Taxes - Current	\$ 255,000
Accrued Property Taxes - Delinquent	5,724
Accrued City Income Taxes	135,307
Due from Other Governments	72,027
Accounts Receivable	34,472
Accrued Interest	<u>6,583</u>
	<u>509,113</u>
<u>Special Revenue Funds:</u>	
Due from Other Governments	\$ 16,629
Accounts Receivable	1,428
Accrued Interest	6,794
Notes Receivable	111,406
Accrued City Income Tax	<u>57,989</u>
	<u>194,246</u>
<u>Capital Projects Funds:</u>	
Accrued Interest	\$ 3,666
Due from Other Governments	25,935
Accrued City Income Tax	<u>193,296</u>
	<u>222,897</u>
<u>Enterprise Funds:</u>	
Accounts Receivable Billed	\$ 13,484
Accounts Receivable Unbilled	191,158
Accrued Interest	<u>7,457</u>
	<u>212,099</u>
<u>Internal Service Fund:</u>	
Due From Other Funds	<u>27,902</u>
	<u>27,902</u>
TOTAL	<u>\$1,166,257</u>

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1998**

NOTE 7 - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Balance</u> <u>1/1/98</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/98</u>
Land	\$ 437,129	\$ 31,803	\$ -	\$ 468,932
Buildings	1,006,592	26,385	-	1,032,978
Improvements Other than Buildings	23,384	-	-	23,384
Machinery & Equip.	804,140	160,242	4,714	959,668
Vehicles	<u>1,012,901</u>	<u>75,938</u>	<u>-</u>	<u>1,088,838</u>
Total	\$3,284,146	294,368	4,714	3,573,800
Less: Accum. Deprec.	<u>867,141</u>	<u>150,871</u>	<u>4,714</u>	<u>1,013,298</u>
Total Assets	<u>\$2,417,005</u>	<u>\$ 143,497</u>	<u>\$ -</u>	<u>\$2,560,502</u>

The following is a summary of proprietary fund-type fixed assets at December 31, 1998:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
Land	\$ 481,819	\$ 270,820	\$ -
Buildings	1,205,060	3,843,929	-
Improvements Other Than Buildings	29,555	15,987	-
Vehicles	20,791	84,449	369,215
Equipment	540,412	484,148	95,542
Infrastructure	841,779	2,079,709	-
Infrastructure Cont.	<u>661,543</u>	<u>3,385,509</u>	<u>-</u>
Total Fixed Assets	3,780,959	10,164,551	464,757
Less: Accumulated Depreciation	<u>1,026,636</u>	<u>1,421,109</u>	<u>145,061</u>
Net Fixed Assets	<u>\$2,754,323</u>	<u>\$8,743,442</u>	<u>\$ 319,696</u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	8-20 years
Vehicles	3-5 years
Infrastructure	80 years

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 8 - CONTRIBUTED CAPITAL

During the year, contributed capital increased by the following amounts:

Capital Improvement Fund-Construction	<u>\$ 301,322</u>
Total Additions	301,322
Depreciation on Contributed Capital	(49,915)
Contributed Capital, January 1	<u>6,688,722</u>
Contributed Capital, December 31	<u>\$ 6,940,129</u>

NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-Term debt and other obligations of the City at December 31, 1998, were as follows:

	<u>1/1/98 Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>12/31/98 Balance</u>
General Obligation Debt:				
1996 Sewer Construction Refinancing 2.2% Issued 1/1/97 Matures 2014	\$ 479,693	\$ -	\$ 21,985	\$ 457,708
WWTP Improvements 242 SRF Interest Free	239,157	-	11,889	227,268
Sewer Construction 217 SRF Matures 2014	490,929	-	25,437	465,492
WWTP Improvements 240 SRF Matures 2015	1,230,875	-	61,553	1,169,322
Ohio Publics Works Loan Interest Free	<u>486,000</u>	<u>-</u>	<u>27,000</u>	<u>459,000</u>
Total General Obliga. Debt	<u>\$2,926,654</u>	<u>\$ -</u>	<u>\$147,864</u>	<u>\$2,778,790</u>
Other:				
Compensated Absences	70,538	78,571	70,538	78,571
Unfunded Police & Fire Pension	79,714	-	893	78,821
Capital Leases	<u>84,972</u>	<u>-</u>	<u>17,571</u>	<u>67,401</u>
Total Debt	<u>\$3,161,878</u>	<u>\$78,571</u>	<u>\$236,866</u>	<u>\$3,003,583</u>

Outstanding general obligation notes consist of a WWTP Improvement issue. General obligation notes are direct obligation of the City of Upper Sandusky for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

The annual requirements to amortize all bonded and loans outstanding as of December 31, 1998, including interest payments of \$466,139 are as follows:

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1998**

NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS

<u>Year Ending December 31</u>	General Obligation Debt	
	<u>Principal</u>	<u>Interest</u>
1999	150,537	51,919
2000	153,269	49,186
2001	156,064	46,493
2002	158,919	43,539
2003	161,837	40,618
2004-2008	855,268	155,992
2009-2013	938,537	73,844
2014-2015	<u>204,359</u>	<u>4,548</u>
Total Debt	<u>\$2,778,790</u>	<u>\$466,139</u>

NOTE 10 - CAPITAL LEASE

The City has entered into a lease agreement as lessee for financing the acquisition of a municipal court copier, general office copier, and a fire truck. These lease agreements qualify as capital leases for accounting purposes (titles transferable at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 1998:

<u>Year Ending December 31</u>	<u>General Long-Term Debt</u>
1999	20,624
2000	19,350
2001	19,069
2002	<u>17,669</u>
Total Minimum Lease Payments	\$ 76,712
Less Amount Representing Interest	<u>(9,311)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 67,401</u>

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 11 - PENSION AND RETIREMENT PLANS

The employees of the City are covered by either the Public Employees Retirement System of Ohio or the Police and Fireman's Disability and Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Public Employees Retirement System (PERS) - The Public Employees Retirement System (PERS) of Ohio is a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1998 was 8.5 percent for employees. The employer contribution rate was 13.55 percent of covered payroll. The City's contributions for pension obligations to PERS for the years ended December 31, 1998, 1997, and 1996 were \$164,925, 156,355, and \$148,779; respectively; 77% representing the paid contribution for 1998 and 100% for 1997 and 1996. \$38,178 representing the unpaid contribution for 1998 is recorded as a liability within the General Long Term Debt Account Group.

Police and Fireman's Disability and Pension Fund - The Police and Fireman's Disability and Pension Fund (PFDPF), is a cost-sharing, multiple-employer defined benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to PFDPF for the years ending December 31, 1998, 1997 and 1996 were \$68,480, \$67,377, and \$62,388, respectively, equal to the required contributions for the year. 68% has been contributed for 1998 and 100 percent for 1996 and 1995. \$22,206 representing the unpaid contribution for 1998, is recorded as a liability within the General Long Term Debt Account Group.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Public Employees Retirement System--Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1998.

The Ohio Revised Code provides the statutory authority requiring public employees to fund post retirement health care through their contributions to PERS.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

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

Expenditures for OPEB during 1998 were \$440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were \$9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

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

Police and Firemen's Disability and Pension Fund

The Fund provides post retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firemen's employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. Currently, 6.5% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1997 (the latest information available) are 11,239 for police and 9,025 for firefighters.

The amount that the City contributed as the employer's share to pay postemployment benefits was \$17,215 for police and \$5,380 for fire.

The Fund's total health care expenses for the year ending December 31, 1997 (the latest information available) were \$76,459,832.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1998**

NOTE 13 - COMPENSATED ABSENCES

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment become probable.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of thirty-five percent for all employees, to a maximum of 480 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 1998, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the city would have to paid all accumulated sick leave if the city ceased operations approximated \$26,600. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment. A liability for accrued vacation for \$113,203 has been recognized.

Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<u>Vacation Credit</u>
After 1 year	2 weeks
After 8 years	3 weeks
After 15 years	4 weeks
After 22 years	5 weeks

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the Employer. Without this, such excess leave is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 14 - BUDGET BASIS OF ACCOUNTING

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances, Budget and Actual, All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP).
- (d) Note Proceeds and note debt payments are treated as revenues and expenditures (budget basis) rather than as a liability and reduction of a liability (GAAP).

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1998**

NOTE 14 - BUDGET BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Income(Loss)			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Budget Basis	\$ 27,354	\$ 34,234	\$(81,830)	\$ 36,483
Adjustments:				
Revenue Accruals	61,343	13,061	31,532	23,240
Expenditure Accruals	(45,983)	1,164	210,430	17,558
Encumbrances	<u>23,990</u>	<u>11,088</u>	<u>96,925</u>	<u>79,521</u>
<u>GAAP Basis</u>	<u>\$ 66,704</u>	<u>\$ 59,547</u>	<u>\$257,057</u>	<u>\$ 156,802</u>

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, and damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 1998, the City purchased from OHIO Municipal League liability , fleet, and property/casualty insurance.

Workers compensation coverage is provided by the State. The City pays 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.

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last five years.

The City has elected to provided a comprehensive medical benefits package to the employees through a self-insured program. The City maintains a self-insured internal service fund to account for the finances of its uninsured risks of loss in this program. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Included in this plan is a mail-in prescription drug plan with a \$10 per prescription deductible for drugs. The plan is administered by Compscript located in Boca Raton, Florida. A third party administrator, Administrative Services Consultants, located in Findlay, Ohio, reviews all claims for the medical and prescription drug plan which are then paid by the City. The City purchases stop-loss coverage of \$10,000 per individual, and a maximum aggregate excess loss of \$1,000,000 from Lincoln National Life Insurance Company. The total monthly premium paid into the Internal Service Fund for medical and prescription drug plan is \$57.89 for single coverage and \$143.12 for family coverage paid out of the same fund that pays the salary for the employee.

The City's amounts are capped by negotiated union contracts and cannot be increased except by negotiations. The non-certified and certified employee monthly portion of the premium is \$25 for single coverage, \$40 per two party coverage and \$60 for family coverage which is withheld from their biweekly payroll.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 15 - RISK MANAGEMENT

The City provides \$500 per year, per employee to be used for the reimbursement of dental and optical expenses upon presentation of a paid receipt for such services.

Life insurance is provided in full to full time employees in the amount of \$20,000 per employee.

The claims liability of \$27,902 reported in the internal service fund at December 31, 1998 is based on the requirements of GASB Statement 10 which requires that a liability for unpaid claims costs, including estimates for costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in 1998 and 1997 were:

<u>Year</u>	<u>Beginning of Of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Of Year</u>
1998	\$14,500	\$265,226	\$251,824	\$27,902
1997	\$39,924	\$240,191	\$265,615	\$14,500

NOTE 16 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City operates Enterprise Funds which provide water, disposal and treatment of sewage, and waste disposal. The key financial information for the year ended December 31, 1998 for these enterprise activities is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating Revenue	\$ 724,528	\$ 631,603	\$561,722	\$1,917,853
Operating Expenses less Depreciation	680,166	379,931	448,267	1,508,364
Depreciation	96,228	149,069	26,043	271,340
Operating Income	(51,866)	102,603	87,412	138,149
Investment Income	4,480	8,425	5,748	18,653
Net Income (Loss)	(47,386)	111,028	93,160	156,802
Fixed Assets	2,754,323	8,743,442	319,696	11,817,461
Asset Additions	20,151	192,142	93,646	305,939
Total Assets	3,013,651	9,016,889	524,963	12,555,503
Net Cash Flow	41,367	50,163	24,175	115,705
Net Working Capital	190,928	251,874	163,476	606,278
Contributed Capital	623,492	6,309,147	7,490	6,940,129
Total Equity	\$ 2,945,251	\$8,995,316	\$ 483,172	12,423,739

NOTE 17 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1998**

NOTE 18 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 1998, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools" and early implemented Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

Statement No. 31 established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The implementation of Statement No. 31 had no effect on the beginning Fund Equity.

Statement No. 32 eliminated the reporting of funds on deposit with Deferred Compensation Boards. In the past, these funds were reported as agency fund assets/liabilities and had no effect on the revenue and expenditures of the City. The implementation of Statement No. 32 had no effect on the beginning Fund Equity.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

The Honorable Mayor and Members of City Council
City of Upper Sandusky
Upper Sandusky, Ohio

We have audited the financial statements of the City of Upper Sandusky (the City) as of and for the year ended December 31, 1998, and have issued our report thereon dated August 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 2, 2000.

Internal Controls Over Financial Reporting

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

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

Charles E. Harris & Associates, Inc.
August 2, 2000

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended December 31, 1997 did not include material citations or recommendations.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, OHIO**

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 1999

Charles E. Harris & Associates, Inc.
Certified Public Accountants

CITY OF UPPER SANDUSKY
WYANDOT COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT ACCOUNTANTS	1
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS	2
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES	3
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES	4 - 5
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPES	6
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES	7
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS) ALL PROPRIETARY FUNDS	8
NOTES TO THE COMBINED FINANCIAL STATEMENTS	9 - 28
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENTAL AUDITING STANDARDS</i>	29 - 30
STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS	31

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REPORT OF INDEPENDENT ACCOUNTANTS

**The Honorable Mayor and City Council
City of Upper Sandusky
Upper Sandusky, Ohio**

We have audited the accompanying general purpose financial statements of the City of Upper Sandusky (the City), as of and for the years ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and 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 August 2, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Charles E. Harris & Associates, Inc.
August 2, 2000

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

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits									
Assets									
Equity in Pooled Cash	\$313,645	\$429,749	\$261,895	\$521,686	\$0	\$0	\$0	\$0	\$1,526,976
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	14,684	0	0	14,684
Receivables:									
Taxes	437,403	65,863	219,542	0	0	0	0	0	722,808
Accounts	61,457	619	0	189,002	0	0	0	0	251,078
Accrued Interest	3,816	4,515	8,642	7,695	0	0	0	0	24,668
Due from Other Funds	0	0	0	0	11,674	0	0	0	11,674
Due from Other Governments	34,990	16,585	377,100	0	0	0	0	0	428,675
Materials and Supplies									
Inventory	3,192	20,682	0	39,133	0	0	0	0	63,007
Notes Receivable	0	99,342	0	0	0	0	0	0	99,342
Prepaid Items	17,467	10,318	0	10,217	0	0	0	0	38,002
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	11,712,120	0	0	3,234,706	0	14,946,826
Other Debits									
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	2,787,046	2,787,046
Total Assets	871,970	647,673	867,179	12,479,853	11,674	14,684	3,234,706	2,787,046	20,914,786
Liabilities									
Accounts Payable	26,830	7,619	1,364	37,979	0	0	0	0	73,792
Accrued Wages and Benefits	70,929	8,906	0	37,359	0	0	0	0	117,194
Compensated Absences Payable	14,497	3,960	0	48,274	0	0	0	93,934	160,665
Due to Other Funds	6,537	934	0	4,203	0	0	0	0	11,674
Deferred Revenue	282,288	0	0	0	0	0	0	0	282,288
Claims Payable	0	0	0	0	11,674	0	0	0	11,674
Undistributed Monies	0	0	0	0	0	11,812	0	0	11,812
Payroll Withholdings	0	0	0	0	0	2,872	0	0	2,872
Capital Leases Payable	0	0	0	0	0	0	0	64,860	64,860
OWDA Loans Payable	0	0	0	0	0	0	0	2,628,252	2,628,252
Total Liabilities	401,081	21,419	1,364	127,815	11,674	14,684	0	2,787,046	3,365,083
Fund Equity and Other Credits									
Investment in General Fixed Assets	0	0	0	0	0	0	3,234,706	0	3,234,706
Contributed Capital	0	0	0	6,942,918	0	0	0	0	6,942,918
Retained Earnings	0	0	0	5,409,120	0	0	0	0	5,409,120
Fund Balance:									
Reserved for Encumbrances	0	0	78,228	0	0	0	0	0	78,228
Reserved for Inventory	3,192	20,682	0	0	0	0	0	0	23,874
Reserved for Prepaid Items	17,467	10,318	0	0	0	0	0	0	27,785
Reserved for Notes Receivable	0	99,342	0	0	0	0	0	0	99,342
Unreserved:									
Undesignated	450,230	495,912	787,587	0	0	0	0	0	1,733,729
Total Fund Equity	470,889	626,254	865,815	12,352,038	0	0	3,234,706	0	17,549,702
Total Liabilities and Fund Equity	\$871,970	\$647,673	\$867,179	\$12,479,853	\$11,674	\$14,684	\$3,234,706	\$2,787,046	\$20,914,785

See accompanying notes to the combined financial statements.

City of Upper Sandusky, Ohio

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

For the Year December 31, 1999

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Municipal Income Tax	\$800,490	\$295,048	\$985,584	\$2,081,122
Property and Other Taxes	296,874	0	0	296,874
Charges for Services	18,347	38,014	0	56,361
Licenses and Permits	9,922	0	0	9,922
Fines and Forfeitures	515,551	16,061	0	531,612
Intergovernmental	627,116	242,230	561,266	1,430,612
Investment Income	31,843	21,752	24,619	78,214
Other	71,781	24,703	0	96,484
Total Revenue	2,371,924	637,808	1,571,469	4,581,201
Expenditures:				
Current:				
General Government:				
Legislative and Executive	717,178	0	0	717,178
Judicial	388,475	3,040	0	391,515
Security of Persons and Property	1,358,235	0	0	1,358,235
Public Health and Welfare	60,593	0	0	60,593
Transportation	0	230,984	0	230,984
Community Environment	16,688	0	0	16,688
Leisure Time Activities	0	303,251	0	303,251
Capital Outlay	0	0	1,097,422	1,097,422
Debt Service:				
Principal Retirement	5,017	0	164,586	169,603
Interest and Fiscal Charges	770	0	55,538	56,308
Total Expenditures	2,546,956	537,275	1,317,546	4,401,777
Excess of Revenues Over (Under) Expenditures	(175,032)	100,533	253,923	179,424
Fund Balances (Deficit) at Beginning of Year	647,354	518,866	611,892	1,778,112
Increase (Decrease) in Reserve for Inventory	(1,433)	6,855	0	5,422
Fund Balances (Deficits) at End of Year	\$470,889	\$626,254	\$865,815	\$1,962,958

See accompanying notes to the combined financial statements.

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types

For the Year Ended December 31, 1999

	-----General Fund-----			--Governmental Fund Types--		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Municipal Income Tax	\$2,100,000	\$2,028,147	(\$71,853)	\$0	\$0	\$0
Property and Other Taxes	424,000	296,874	(127,126)	0	0	0
Charges for Services	19,050	18,369	(681)	34,000	37,824	3,824
Licenses and Permits	14,400	9,822	(4,578)	0	0	0
Fines and Forfeitures	428,500	509,746	81,246	19,500	17,060	(2,440)
Intergovernmental	548,700	664,153	115,453	230,900	242,274	11,374
Investment Income	60,000	34,610	(25,390)	13,600	24,031	10,431
Other	32,500	71,785	39,285	7,000	24,703	17,703
Total Revenue	3,627,150	3,633,506	6,356	305,000	345,892	40,892
Expenditures:						
Current:						
General Government:						
Legislative and Executive	862,538	726,519	136,019	0	0	0
Judicial	457,715	416,177	41,538	32,000	3,040	28,960
Security of Persons and Property	1,453,050	1,371,697	81,353	20,000	0	20,000
Public Health and Welfare	67,000	60,593	6,407	0	0	0
Transportation	0	0	0	280,788	235,462	45,326
Community Environment	19,600	16,262	3,338	5,000	0	5,000
Leisure Time Activities	0	0	0	318,830	301,567	17,263
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	5,017	5,017	0	0	0	0
Interest and Fiscal Charges	770	770	0	0	0	0
Total Expenditures	2,865,690	2,597,035	268,655	656,618	540,069	116,549
Excess of Revenues Over (Under) Expenditures	761,460	1,036,471	275,011	(351,618)	(194,176)	157,442
Other Financing Sources (Uses):						
Other Financing Sources	0	0	0	12,000	12,064	64
Operating Transfers - In	0	0	0	291,000	287,801	(3,199)
Operating Transfers - Out	(1,261,000)	(1,247,138)	13,862	0	0	0
Total Other Sources (Uses)	(1,261,000)	(1,247,138)	13,862	303,000	299,865	(3,135)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(499,540)	(210,667)	288,873	(48,618)	105,689	154,307
Fund Balances (Deficit) at Beginning of Year	495,211	495,211	0	312,743	312,743	0
Prior Year Encumbrances Appropriated	23,990	23,990	0	11,218	11,218	0
Fund Balances (Deficit) at End of Year	\$19,661	\$308,534	\$288,873	\$275,343	\$429,650	\$154,307

See accompanying notes to the combined financial statements.

-----Capital Projects Funds-----			Totals ----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,100,000	\$2,028,147	(\$71,853)
0	0	0	424,000	296,874	(127,126)
0	0	0	53,050	56,193	3,143
0	0	0	14,400	9,822	(4,578)
0	0	0	448,000	526,806	78,806
111,000	210,101	99,101	890,600	1,116,528	225,928
20,000	19,643	(357)	93,600	78,285	(15,315)
0	0	0	39,500	96,488	56,988
131,000	229,745	98,745	4,063,150	4,209,143	145,993
0	0	0	862,538	726,519	136,019
0	0	0	489,715	419,217	70,498
0	0	0	1,473,050	1,371,697	101,353
0	0	0	67,000	60,593	6,407
0	0	0	280,788	235,462	45,326
0	0	0	24,600	16,262	8,338
0	0	0	318,830	301,567	17,263
1,293,801	1,232,985	60,816	1,293,801	1,232,985	60,816
164,586	164,586	0	169,603	169,603	0
55,538	55,538	0	56,308	56,308	0
1,513,925	1,453,109	60,816	5,036,233	4,590,213	446,020
(1,382,925)	(1,223,364)	159,561	(973,083)	(381,069)	592,013
0	0	0	12,000	12,064	64
970,000	959,337	(10,663)	1,261,000	1,247,138	(13,862)
0	0	0	(1,261,000)	(1,247,138)	13,862
970,000	959,337	(10,663)	12,000	12,064	64
(412,925)	(237,028)	175,897	(961,083)	(342,006)	619,077
419,332	419,332	0	1,227,286	1,227,286	0
0	0	0	35,208	35,208	0
\$6,407	\$182,304	\$175,897	\$301,411	\$920,488	\$619,077

City of Upper Sandusky, Ohio

Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Types

For the Year Ended December 31, 1999

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$1,890,099	\$77,166	\$1,967,265
Other	22,627	0	22,627
Total Operating Revenues	1,912,726	77,166	1,989,892
Operating Expenses:			
Personal Services	591,263	0	591,263
Contractual Services	319,302	77,166	396,468
Materials and Supplies	910,603	0	910,603
Depreciation	280,369	0	280,369
Total Operating Expenses	2,101,537	77,166	2,178,703
Operating Income (Loss)	(188,811)	0	(188,811)
Non-Operating Revenues (Expenses):			
Interest Income	20,613	0	20,613
Total Non-Operating Revenues (Expenses)	20,613	0	20,613
Net Income (Loss)	(168,199)	0	(168,199)
Depreciation on Fixed Assets Acquired by Contributed Capital	93,711	0	93,711
Retained Earnings at Beginning of Year	5,483,608	0	5,483,608
Retained Earnings at End of Year	5,409,120	0	5,409,120
Contributed Capital at Beginning of Year	6,940,129	0	6,940,129
Contributions from Other Funds, Net	96,500	0	96,500
Depreciation on Fixed Assets Acquired by Contributed Capital	(93,711)	0	(93,711)
Contributed Capital at End of Year	6,942,918	0	6,942,918
Total Fund Equity at End of Year	\$12,352,038	\$0	\$12,352,038

See accompanying notes to the combined financial statements.

City of Upper Sandusky, Ohio

Combined Statement of Cash Flows
Proprietary Fund Types

For the Year Ended December 31, 1999

	Proprietary Fund Types		Total Proprietary Funds
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Customers	\$1,928,366	\$93,394	\$2,021,760
Cash Paid to Employees	(584,113)	0	(584,113)
Cash Paid for Goods and Services	(1,247,339)	(93,394)	(1,340,733)
Net Cash Provided by Operating Activities	96,914	0	96,914
Cash Flows from Investing Activities:			
Interest on Investments	20,375	0	20,375
Net Cash Provided by Investing Activities	20,375	0	20,375
Cash Flows from Capital & Related Financing Activities:			
Purchase of Fixed Assets	(78,588)	0	(78,588)
Net Cash Provided by Capital and Related Financing Activities	(78,588)	0	(78,588)
Change in Cash	38,701	0	38,701
Cash Balance, Beginning of Year	482,987	0	482,987
Cash Balance, End of Year	\$521,688	\$0	\$521,688
Operating Income	(188,811)	0	(188,811)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Depreciation Expense	280,369	0	280,369
Net (Increase) Decrease in Accounts Receivable	15,640	0	15,640
(Increase) Decrease in Due from Other Funds	0	16,228	16,228
(Increase) Decrease in Inventories	(7,920)	0	(7,920)
(Increase) Decrease in Prepaid Items	1,526	0	1,526
Increase (Decrease) in Accounts Payable	(5,258)	0	(5,258)
Increase (Decrease) in Accrued Wages and Benefits	583	0	583
Increase (Decrease) in Compensated Absences Payable	6,567	0	6,567
Increase (Decrease) in Due to Other Funds	(5,841)	0	(5,841)
Increase (Decrease) in Claims Payable	0	(16,228)	(16,228)
Increase (Decrease) in Accounts Payable from Fixed Ass	59	0	59
Total Adjustments	285,725	0	285,725
Net Cash Provided by Operating Activities	\$96,914	\$0	\$96,914

See accompanying notes to the combined financial statements.

Combined Statement of Revenues, Expenses, and
Changes in Fund Equity - Budget and Actual (Budget Basis)
All Proprietary Funds

For the Year Ended December 31, 1999

	Proprietary Fund Types						Totals		
	Enterprise			Internal Service			(Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:									
Charges for Services	\$1,865,000	\$1,905,739	\$40,739	\$390,000	\$93,394	(\$296,606)	\$2,255,000	\$1,999,133	(\$255,867)
Other Operating Revenues	26,000	22,627	(3,373)	0	0	0	26,000	22,627	(3,373)
Total Operating Revenue	1,891,000	1,928,366	37,366	390,000	93,394	(296,606)	2,281,000	2,021,759	(259,240)
Operating Expenses:									
Current:									
Personal Services	619,900	584,113	35,787	0	0	0	619,900	584,113	35,787
Contractual Services	396,544	344,390	52,154	0	0	0	396,544	344,390	52,154
Claims and Judgments	0	0	0	353,000	93,394	259,606	353,000	93,394	259,606
Materials and Supplies	1,010,269	935,958	74,311	0	0	0	1,010,269	935,958	74,311
Capital Outlay	280,307	266,094	14,213	0	0	0	280,307	266,094	14,213
Total Operating Expenses	2,307,020	2,130,555	176,465	353,000	93,394	259,606	2,660,020	2,223,949	436,071
Operating Income (Loss)	(416,020)	(202,190)	213,831	37,000	0	(37,000)	(379,020)	(202,190)	176,831
Non-Operating Revenues (Expenses):									
Interest Income	11,000	20,375	9,375	0	0	0	11,000	20,375	9,375
Total Non-Operating Revenues(Expenses)	11,000	20,375	9,375	0	0	0	11,000	20,375	9,375
Net Income (Loss)	(405,020)	(181,815)	223,206	37,000	0	(37,000)	(368,020)	(181,815)	186,206
Fund Equity (Deficit) at Beginning of Year	403,467	403,467	0	0	0	0	403,467	403,467	0
Prior Year Encumbrances Appropriated	79,521	79,521	0	0	0	0	79,521	79,521	0
Fund Equity (Deficit) at End of Year	\$77,968	\$301,173	\$223,206	\$37,000	\$0	(\$37,000)	\$114,968	\$301,173	\$186,206

See accompanying notes to the combined financial statements.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Upper Sandusky, Ohio (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB No. 20 the City has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989 to its proprietary activities. Election of this approach to accounting for proprietary activities by the city has required no change from prior years. The more significant of the City's accounting policies are described below:

A. DESCRIPTION OF THE ENTITY

The City of Upper Sandusky is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under the mayor-council form of charter government as approved on October 25, 1976. The City provides police protection within its boundaries, and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, waste water treatment and sanitation pick up. The City constructs and maintains streets and sidewalks within the City. The City also operates a swimming pool and maintains three parks.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. There are no component units of the City.

The City of Upper Sandusky's Municipal Court has been included in the City's financial statements as an agency fund. The Judge is an elected City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

B. 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the acquisition or construction of general fixed assets (capital projects funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. When these assets are held under the terms of a formal trust agreement, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

Account Groups make a clear distinction between fixed assets related to a specific fund 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:

The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

The General Long-Term Debt Account Group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

C. BASIS OF ACCOUNTING

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

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

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers income taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, city income taxes, intergovernmental revenues, interest revenue and charges for services, billed and unbilled.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Property taxes measurable as of December 31, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue, as further described in Note 5.

D. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established time-table. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution 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 required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of Council.

Tax Budget:

A budget of estimated revenue and expenditures 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 measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations:

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by a resolution of Council. Several supplemental appropriation resolutions were legally enacted by

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Council during the year. The budget figures which appear in the statement 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 encumbered and 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. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures.

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 fiscal year and need not be reappropriated.

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

E. CASH AND INVESTMENTS

To improve cash management, cash received by the City is pooled in a central bank account. Monies for all funds are maintained in this account or are temporarily used to purchased short term investments. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. Under existing Ohio statues all investment earnings accrue to the general fund except those specifically related to certain special revenue, capital projects, and enterprise funds.

During fiscal year 1999, investments were limited to repurchase agreements and Certificates of Deposits.

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

For purposes of the combined statements of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturity of three months or less are considered to be cash equivalents.

F. PREPAID ITEMS

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

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. INVENTORIES

Inventories of governmental funds are stated at cost while inventories of proprietary funds are valued at the lower of cost (first in, first out) or market. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the enterprise funds when used. Recorded inventories in the governmental fund types are equally offset by a fund balance reserve which indicates that they do not constitute available expendable resources even though they are a component of net current assets.

H. FIXED ASSETS

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

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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 and proprietary fund types are depreciated. Depreciation of buildings, equipment and vehicles is computed using the straight-line method.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

I. COMPENSATED ABSENCES

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. 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 these the City has identified as probable of receiving payment in the future.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. LONG-TERM OBLIGATIONS

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

K. INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for goods received or services provided and agency fund assets due to operating funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables / payables." For 1999 there were no such transactions.

L. FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves of fund balance in governmental fund types represent those portions of fund balance that are not available for current appropriation or are legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory, prepaid items and notes receivable. Designated fund balances represent tentative plans for future use of financial resources.

M. INTERFUND TRANSACTIONS

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

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

N. MEMORANDUM ONLY - TOTAL COLUMNS

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

NOTE 2 - COMPLIANCE

The City Auditor did not always certify that funds were available and free from encumbrances prior to the contract or order of goods and services.

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 3 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State Statute into three categories. Active monies mean an amount of public moneys determined to be necessary to meet current demand upon the City treasury. Active monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly with the City;
5. Time certificate of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. 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
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

9. High grade commercial paper in an amount not to exceed five percent of the City's total average portfolio.
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the City's total average portfolio.

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 presented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

Deposits. At year-end, the carrying amount of the City's deposits and cash on hand was \$1,540,901 and the bank balance was \$1,739,818. Of the bank balance:

1. \$233,703 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City;
2. \$1,506,115 was uninsured and uncollateralized. Although all statutory requirements for these deposits of money had been followed, non-compliance with federal requirements could potentially subject the City a successful claim by the FDIC.

Investments: Governmental Accounting Standards Board Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the City to categorized investments to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by its trust department or agent but not in the City's name. The repurchase agreement is classified as category 3.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments In:		
Repurchased Agreement	\$ 259	\$ 259
<u>TOTAL INVESTMENTS</u>	<u>\$ 259</u>	<u>\$ 259</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$1,541,660	\$ -
Repurchase Agreement	(259)	259
Cash on Hand	<u>(500)</u>	<u>-</u>
GASB Statement 3	<u>\$1,540,901</u>	<u>\$ 259</u>

NOTE 4 - MUNICIPAL INCOME TAX

The City levies and collects an income tax of one percent on all income earned within the City as well as on incomes of residents earned outside the city. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 5 - PROPERTY TAXES

Property taxes, include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property assessments are 27% of true value.

The assessed value upon which the 1999 taxes were collected was \$109,747,500. The full tax rate for all City operations applied to real property for fiscal year ended December 31, 1999 was \$3.10 per \$1,000 of assessed valuation.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 5 - PROPERTY TAXES (continued)

After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$2.74 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$3.42 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Real Property - 1998 Valuation:

Residential/Agricultural	\$ 48,806,190
Public Utilities	27,760
Commercial/Industrial/Mineral	23,573,120

Tangible Personal Property - 1999 Valuation:

General	\$32,471,750
Public Utilities	<u>4,868,680</u>
Total Assessed Valuation	<u>\$109,747,500</u>

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 1999. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 1999 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 1999, consisted of taxes, interest, accounts (billings for user charged services, including unbilled utility services) and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full, including accounts receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 6 – RECEIVABLES (continued)

A summary of the principal items of receivables follows:

<u>General Fund:</u>	<u>Amount</u>
Taxes:	
Accrued Property Taxes - Current	\$ 278,000
Accrued Property Taxes - Delinquent	5,724
Accrued City Income Taxes	153,679
Due from Other Governments	34,990
Accounts Receivable	61,457
Accrued Interest	<u>3,816</u>
	<u>537,666</u>
 <u>Special Revenue Funds:</u>	
Due from Other Governments	\$ 16,585
Accounts Receivable	619
Accrued Interest	4,515
Notes Receivable	99,342
Accrued City Income Tax	<u>65,863</u>
	<u>186,924</u>
 <u>Capital Projects Funds:</u>	
Accrued Interest	\$ 8,642
Due from Other Governments	377,100
Accrued City Income Tax	<u>219,542</u>
	<u>605,284</u>
 <u>Enterprise Funds:</u>	
Accounts Receivable Billed & Unbilled	189,002
Accrued Interest	<u>7,695</u>
	<u>196,697</u>
 <u>Internal Service Fund:</u>	
Due From Other Funds	<u>11,674</u>
	<u>11,674</u>
 TOTAL	 <u>\$1,538,245</u>

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 7 - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	<u>Balance 1/1/1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/1999</u>
Land	\$ 468,932	-	-	\$ 468,932
Buildings	1,032,978	\$79,240	-	1,112,218
Improvements Other than Buildings	23,384	5,375	-	28,759
Machinery & Equip.	959,668	181,486	\$160,154	981,000
Infrastructure - Cont.	-	415,038	-	415,038
Vehicles	<u>1,088,838</u>	<u>155,641</u>	<u>17,604</u>	<u>1,226,875</u>
Total	\$3,573,800	836,780	177,758	4,232,822
Less: Accum. Deprec.	<u>1,013,298</u>	<u>162,576</u>	<u>177,758</u>	<u>998,116</u>
Total Assets	<u>\$2,560,502</u>	<u>\$ 674,204</u>	<u>\$ -</u>	<u>\$3,234,706</u>

The following is a summary of proprietary fund-type fixed assets at December 31, 1999:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
Land	\$ 481,819	\$ 270,820	-
Buildings	1,205,060	3,843,929	-
Improvements Other Than Buildings	29,555	15,987	-
Imp. Other Than Blds.Cont. Cap.	96,500	-	-
Vehicles	20,791	84,449	\$369,215
Equipment	552,400	525,429	100,802
Infrastructure	841,779	2,082,209	-
Infrastructure Cont.	<u>661,543</u>	<u>3,385,509</u>	<u>-</u>
Total Fixed Assets	3,889,447	10,208,332	470,017
Less: Accumulated Depreciation	<u>1,112,832</u>	<u>1,569,292</u>	<u>173,552</u>
Net Fixed Assets	<u>\$2,776,615</u>	<u>\$8,639,040</u>	<u>\$ 296,465</u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	8-20 years
Vehicles	3-5 years
Infrastructure	80 years

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 8 - CONTRIBUTED CAPITAL

During the year, contributed capital increased by the following amounts:

Water Fund	<u>\$ 96,500</u>
Total Additions	96,500
Depreciation on Contributed Capital	(93,711)
Contributed Capital, January 1	<u>6,940,129</u>
Contributed Capital, December 31	<u>\$ 6,942,918</u>

NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-Term debt and other obligations of the City at December 31, 1999, were as follows:

	<u>1/1/1999 Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>12/31/1999 Balance</u>
General Obligation Debt:				
1996 Sewer Construction Refinancing 2.2% Issued 1/1/97 Matures 2014	\$ 457,708	\$ -	\$ 22,471	\$ 435,237
WWTP Improvements 242 SRF Interest Free	227,268	-	12,152	215,116
Sewer Construction 217 SRF Matures 2014	465,492	-	26,000	439,492
WWTP Improvements 240 SRF Matures 2015	1,169,322	-	62,915	1,106,407
Ohio Publics Works Loan Interest Free	<u>459,000</u>	<u>-</u>	<u>27,000</u>	<u>432,000</u>
Total General Obliga. Debt	<u>\$2,778,790</u>	<u>\$ -</u>	<u>\$150,538</u>	<u>\$2,628,252</u>
Other:				
Compensated Absences	78,571	93,934	78,571	93,934
Unfunded Police & Fire Pension	78,821	-	78,821	-
Capital Leases	<u>67,401</u>	<u>16,524</u>	<u>19,065</u>	<u>64,860</u>
Total Debt	<u>\$3,003,583</u>	<u>\$110,458</u>	<u>\$326,995</u>	<u>\$2,787,046</u>

Outstanding general obligation notes consist of a WWTP Improvement issue. General obligation notes are direct obligation of the City of Upper Sandusky for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 9 - LONG-TERM DEBT AND OTHER OBLIGATIONS (continued)

The annual requirements to amortize all bonded and loans outstanding as of December 31, 1999, including interest payments of \$414,220 are as follows:

<u>Year Ending December 31</u>	General Obligation Debt	
	<u>Principal</u>	<u>Interest</u>
2000	153,269	49,186
2001	156,064	46,493
2002	158,919	43,539
2003	161,837	40,618
2004	164,819	36,617
2005-2008	690,449	119,375
2009-2013	938,537	73,844
2014-2015	<u>204,358</u>	<u>4,548</u>
Total Debt	<u>\$2,628,252</u>	<u>\$414,220</u>

NOTE 10 - CAPITAL LEASE

The City has entered into a lease agreement as lessee for financing the acquisition of a municipal court copier, general office copier, and a fire truck. These lease agreements qualify as capital leases for accounting purposes (titles transferable at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 1999:

<u>Year Ending December 31</u>	<u>General Long-Term Debt</u>
2000	25,754
2001	25,473
2002	24,073
2003	<u>3,202</u>
Total Minimum Lease Payments	\$ 78,502
Less Amount Representing Interest	<u>(13,462)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 64,860</u>

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 11 - PENSION AND RETIREMENT PLANS

The employees of the City are covered by either the Public Employees Retirement System of Ohio or the Police and Fireman's Disability and Pension Fund. The State of Ohio accounts for the activities of the retirement systems and the amounts of these funds are not reflected in the accompanying financial statements.

Public Employees Retirement System (PERS) - The Public Employees Retirement System (PERS) of Ohio is a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees. The employer contribution rate was 13.55 percent of covered payroll. The City's contributions for pension obligations to PERS for the years ended December 31, 1999, 1998, and 1997 were \$178,529, 164,925, and \$156,355; respectively; 76% representing the paid contribution for 1999 and 100% for 1998 and 1997. \$43,170 representing the unpaid contribution for 1999 is recorded as a liability within the General Long Term Debt Account Group.

Police and Fireman's Disability and Pension Fund - The Police and Fireman's Disability and Pension Fund (PFDPF), is a cost-sharing, multiple-employer defined benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Police and Fireman's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to PFDPF for the years ending December 31, 1999, 1998 and 1997 were \$81,950, \$68,480, and \$67,377, respectively, equal to the required contributions for the year. 66% has been contributed for 1999 and 100 percent for 1998 and 1997. \$27,887 representing the unpaid contribution for 1999, is recorded as a liability within the General Long Term Debt Account Group.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Public Employees Retirement System--Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on the authority granted by State statute. The 1999 employer contribution rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1999.

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

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)

Benefits are funded on a pay-as-you-go basis. [OPEB are financed through employer contributions and investment earnings.] During 1999, 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. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

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

Police and Firemen's Disability and Pension Fund

The Fund provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firemen's employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing the funds Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5% and 7.0% of covered payroll in 1998 and 1999, respectively. The allocation is 7.25% in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available) are 11,424 for police and 9,186 for firefighters.

The amount that the City contributed as the employer's share to pay postemployment benefits was \$22,137 for police and \$7,582 for fire.

The Fund's total health care expenses for the year ending December 31, 1999 (the latest information available) were \$78,596,790, which were net of member contributions of \$5,331,515.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 13 - COMPENSATED ABSENCES

The City accrues unpaid vacation as it is earned and certain portions of sick leave pay as payment become probable.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of thirty-five percent for all employees, to a maximum of 480 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 1999, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations approximated \$26,797. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment. A liability for accrued vacation for \$133,868 has been recognized.

Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<u>Vacation Credit</u>
After 1 year	2 weeks
After 8 years	3 weeks
After 15 years	4 weeks
After 22 years	5 weeks

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the Employer. Without this, such excess leave is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 14 - BUDGET BASIS OF ACCOUNTING

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances, Budget and Actual, All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Note Proceeds and note debt payments are treated as revenues and expenditures (budget basis) rather than as a liability and reduction of a liability (GAAP basis).

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 14 - BUDGET BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

**Excess of Revenues and Other Financing Sources Over
 (Under) Expenditures and Other Financing Uses/Net Income(Loss)**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Budget Basis	\$ (210,667)	105,689	\$(237,028)	\$ (181,815)
Adjustments:				
Revenue Accruals	(14,444)	4,742	382,387	(15,401)
Expenditure Accruals	44,969	(9,370)	28,972	(191,498)
Encumbrances	<u>5,110</u>	<u>100</u>	<u>79,592</u>	<u>220,515</u>
<u>GAAP Basis</u>	<u>\$ (175,032)</u>	<u>\$ 101,161</u>	<u>\$253,923</u>	<u>\$ 168,199</u>

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, and damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 1999, the City purchased from OHIO Municipal League liability, fleet, and property/casualty insurance.

Workers compensation coverage is provided by the State. The City pays 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.

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last five years.

The City has elected to provided a comprehensive medical benefits package to the employees through a self-insured program. The City maintains a self-insured internal service fund to account for the finances of its uninsured risks of loss in this program. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. Included in this plan is a mail-in prescription drug plan with a \$10 per prescription deductible for drugs. The plan is administered by the Buckeye Ohio Risk Management Association (BORMA). A third party administrator, Administrative Services Consultants, located in Itasca, Illinois, reviews all claims for the medical and prescription drug plan which are then paid by the City. The total monthly premium paid into the Internal Service Fund for medical and prescription drug plan is \$89.56 for single coverage and \$212.12 for family coverage which is paid out of the same fund that pays the salary for the employee.

**CITY OF UPPER SANDUSKY
 WYANDOT COUNTY, Ohio
 NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the Year Ended December 31, 1999**

NOTE 15 - RISK MANAGEMENT (continued)

The City's amounts are capped by negotiated union contracts and cannot be increased except by negotiations. The non-certified and certified employee monthly portion of the premium is \$25 for single coverage, \$40 per two party coverage and \$60 for family coverage which is withheld from their biweekly payroll.

The City provides \$500.00 per year, per employee to be used by the employee for the reimbursement of dental and optical expenses upon presentation of a paid receipt for such services.

Life insurance is provided in full to full time employees in the amount of \$20,000 per employee.

The claims liability of \$11,674 reported in the internal service fund at December 31, 1999 is based on the requirements of GASB Statement 10 which requires that a liability for unpaid claims costs, including estimates for costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in 1999 and 1998 were:

<u>Year</u>	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
1999	\$27,902	\$ 77,131	\$ 93,359	\$11,674
1998	\$14,500	\$265,226	\$251,824	\$27,902

NOTE 16 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City operates Enterprise Funds which provide water, disposal and treatment of sewage, and waste disposal. The key financial information for the year ended December 31, 1999 for these enterprise activities is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating Revenue	\$ 713,591	\$ 606,783	\$592,352	\$1,912,726
Operating Expenses less Depreciation	726,942	506,434	587,792	1,821,168
Depreciation	98,295	153,583	28,491	280,369
Operating Income	(111,646)	(53,234)	(23,931)	(188,811)
Investment Income	5,069	8,799	6,745	20,613
Net Income (Loss)	(106,577)	(44,434)	(17,188)	(168,199)
Fixed Assets	2,776,615	8,639,040	296,465	11,712,120
Asset Additions	24,087	66,645	5,260	95,992
Total Assets	2,999,387	8,980,990	499,476	12,479,853
Net Cash Flow	(33,316)	77,057	(5,040)	38,701
Net Working Capital	158,559	311,840	169,519	639,918
Contributed Capital	711,219	6,224,209	7,490	6,942,918
Total Equity	\$ 2,935,173	\$8,950,881	\$ 465,984	\$12,352,038

**CITY OF UPPER SANDUSKY
WYANDOT COUNTY, Ohio
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 1999**

NOTE 17 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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

The Honorable Mayor and Members of City Council
City of Upper Sandusky
Upper Sandusky, Ohio

We have audited the financial statements of the City of Upper Sandusky (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated August 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 2, 2000.

Internal Controls Over Financial Reporting

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

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

Charles E. Harris & Associates, Inc.
August 2, 2000

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended December 31, 1998 did not include material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF UPPER SANDUSKY

WYANDOT 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 19, 2000**