

City of Huron, Ohio

**General Purpose Financial Statements
For the Year Ended December 31, 2002**



**Auditor of State
Betty Montgomery**

City Council
City of Huron
Huron, Ohio

We have reviewed the Independent Auditor's Report of the City of Huron, Erie County, prepared by Weber O'Brien, Ltd., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 14, 2003

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City of Huron, Ohio
General Purpose Financial Statements
For the Year Ended December 31, 2002
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the City of Huron, Ohio, as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Huron, Ohio's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Huron, Ohio as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 2003 on our consideration of the City of Huron, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

W. O'Brien Ltd.

May 29, 2003

City of Huron, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE TRUSTS	GENERAL FIXED ASSETS		GENERAL LONG-TERM OBLIGATION
Assets and Other Debits										
Assets:										
Equity in pooled cash & cash equivalents	\$ 16,687	\$ 682,761	\$ -	\$ 96,324	\$ 852,134	\$ 112,499	\$ 100,899	\$ -	\$ -	\$ 1,861,304
Segregated Cash Accounts	-	-	-	-	-	-	6,533	-	-	6,533
Receivables:										
Taxes	457,298	521,062	270,919	24,567	-	-	-	-	-	1,273,846
Accounts	62,775	8,517	-	-	419,631	-	-	-	-	490,923
Loans	-	345,483	-	-	-	-	-	-	-	345,483
Intergovernmental	78,642	29,874	-	-	-	-	-	-	-	108,516
Interest	10,588	-	-	-	-	-	-	-	-	10,588
Due from Other Funds	-	64,638	176,300	-	512,000	-	110,150	-	-	863,088
Inventory of Supplies	-	-	-	-	122,755	-	-	-	-	122,755
Deferred Charges	-	-	-	-	48,120	-	-	-	-	48,120
Prepaid Items	12,825	8,016	-	-	11,222	-	-	-	-	32,063
Fixed Assets (Net, where applicable of Accumulated Depreciation)	-	-	-	-	6,735,955	-	-	7,211,845	-	13,947,800
Assets Held for Sale	-	-	-	458,889	-	-	-	-	-	458,889
Work in Progress	-	-	-	-	123,002	-	-	-	-	123,002
Other Debits:										
Amount Available in Debt Service Fund	-	-	-	-	-	-	-	-	102,662	102,662
Amount to be Provided for Retirement of Gen'l and Long Term Obligations	-	-	-	-	-	-	-	-	3,243,467	3,243,467
Total Assets and Other Debits	\$ 638,815	\$ 1,660,351	\$ 447,219	\$ 579,780	\$ 8,824,819	\$ 112,499	\$ 217,582	\$ 7,211,845	\$ 3,346,129	\$ 23,039,039

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

City of Huron, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE	EXPENDABLE TRUSTS	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATION	(MEMORANDUM ONLY)
Liabilities										
Accounts Payable	\$ 71,082	\$ 24,475	\$ -	\$ 107,025	\$ 17,613	\$ 690	\$ 967	\$ -	\$ -	\$ 221,852
Accrued Wages and Benefits	47,843	19,889	-	-	8,359	-	-	-	-	76,091
Compensated Absences Payable	30,211	-	-	-	100,020	-	-	-	437,565	567,796
Claims Payable	-	-	-	-	-	160,702	-	-	-	160,702
Intergovernmental Payable	16,898	9,025	-	-	13,059	-	-	-	109,806	148,788
Unapportioned Monies	-	-	-	-	-	-	6,533	-	-	6,533
General Obligation Bonds	-	-	-	-	4,905,578	-	-	-	1,861,564	6,767,142
Notes Payable	-	240,904	-	-	150,000	-	-	-	-	390,904
OWDA Loans Payable	-	-	-	-	1,401,549	-	-	-	937,194	2,338,743
Deferred Revenue	236,195	521,062	270,919	-	-	-	-	-	-	1,028,176
Due to Other Funds	-	110,150	73,638	679,300	-	-	-	-	-	863,088
Total Liabilities	402,229	925,505	344,557	786,325	6,596,178	161,392	7,500	-	3,346,129	12,569,815
Fund Equity and Other Credits										
Investment-General Fixed Assets	-	-	-	-	-	-	-	7,211,845	-	7,211,845
Contributed Capital	-	-	-	-	674,640	-	-	-	-	674,640
Retained Earnings	-	-	-	-	1,554,001	(48,893)	-	-	-	1,505,108
Fund Balances Reserved for:										
Reserved for Encumbrances	12,015	23,136	-	150,644	-	-	-	-	-	185,795
Reserved for Assets Held for Sale	-	-	-	458,889	-	-	-	-	-	458,889
Reserved for Debt Service	-	-	102,662	-	-	-	-	-	-	102,662
Fund Balances Unreserved	224,571	711,710	-	(816,078)	-	-	210,082	-	-	330,285
Total Fund Equity and Other Credits	236,586	734,846	102,662	(206,545)	2,228,641	(48,893)	210,082	7,211,845	-	10,469,224
Total Liabilities and Fund Equity	\$ 638,815	\$ 1,660,351	\$ 447,219	\$ 579,780	\$ 8,824,819	\$ 112,499	\$ 217,582	\$ 7,211,845	\$ 3,346,129	\$ 23,039,039

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

City of Huron, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For The Fiscal Year Ended December 31, 2002

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUSTS	(MEMORANDUM ONLY)
Revenues						
Municipal Income Taxes	\$ 1,923,093	\$ -	\$ -	\$ -	\$ -	\$ 1,923,093
Property Taxes	210,893	396,633	-	-	-	607,526
Intergovernmental	586,083	758,084	-	953,361	-	2,297,528
Special Assessments	-	-	82,203	-	-	82,203
Charges for Services	433,552	354,969	-	-	-	788,521
Fines, Fees, and Permits	425,255	54,191	-	-	23,673	503,119
Interest Earnings	58,097	14,462	-	4,219	1,636	78,414
Contributions and Donations	-	12,515	-	-	9,073	21,588
Other	105,547	103,752	-	-	3,395	212,694
Total Revenues	3,742,520	1,694,606	82,203	957,580	37,777	6,514,686
Expenditures						
Security of Persons and Property	1,598,843	862,841	-	-	44,948	2,506,632
Leisure Time Activities	-	547,525	-	-	-	547,525
Community Development	67,135	-	-	-	-	67,135
Basic Utilities	401,366	-	-	-	-	401,366
Transportation	-	370,499	-	-	-	370,499
General Government	1,081,697	94,201	30,444	-	-	1,206,342
Capital Outlay	-	-	-	1,890,463	-	1,890,463
Debt Service:						
Principal	-	-	225,179	-	-	225,179
Interest and Fiscal Charges	-	-	104,194	-	-	104,194
Total Expenditures	3,149,041	1,875,066	359,817	1,890,463	44,948	7,319,335
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	593,479	(180,460)	(277,614)	(932,883)	(7,171)	(804,649)

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

City of Huron, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For The Fiscal Year Ended December 31, 2002

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTAL
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUSTS	(MEMORANDUM ONLY)
<u>Other Financing Sources (Uses)</u>						
Proceeds from Bonds	-	-	-	78,063	-	78,063
Transfers-In	25,000	388,000	244,000	228,114	-	885,114
Transfers-Out	(735,115)	(59,000)	-	-	-	(794,115)
Total Other Financing Sources(Uses)	<u>(710,115)</u>	<u>329,000</u>	<u>244,000</u>	<u>306,177</u>	<u>-</u>	<u>169,062</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses						
	<u>(116,636)</u>	<u>148,540</u>	<u>(33,614)</u>	<u>(626,706)</u>	<u>(7,171)</u>	<u>(635,587)</u>
Beginning Fund Balance - As Previously Reported	353,222	506,913	136,276	420,161	217,253	1,633,825
Prior Period Adjustment	-	79,393	-	-	-	79,393
Beginning Fund Balance - As Restated	<u>353,222</u>	<u>586,306</u>	<u>136,276</u>	<u>420,161</u>	<u>217,253</u>	<u>1,713,218</u>
Fund Balance End of Year	<u>\$ 236,586</u>	<u>\$ 734,846</u>	<u>\$ 102,662</u>	<u>\$ (206,545)</u>	<u>\$ 210,082</u>	<u>\$ 1,077,631</u>

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

City of Huron, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Funds
For The Fiscal Year Ended December 31, 2002

	GENERAL FUND			SPECIAL REVENUE FUND		
	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)
Revenues						
Municipal Income Taxes	\$ 1,856,290	\$ 1,854,745	\$ (1,545)	\$ -	\$ -	\$ -
Property Taxes	250,461	210,893	(39,568)	398,272	396,633	(1,639)
Intergovernmental	559,523	561,598	2,075	689,488	722,779	33,291
Special Assessments	-	-	-	-	-	-
Charges for Services	397,930	433,552	35,622	343,253	346,452	3,199
Fines, Fees, and Permits	414,712	421,946	7,234	54,282	54,191	(91)
Interest Earnings	66,871	69,437	2,566	14,750	14,462	(288)
Contributions and Donations	1,337	-	(1,337)	11,776	12,515	739
Other	108,198	105,547	(2,651)	118,489	108,269	(10,220)
Total Revenues	<u>3,655,322</u>	<u>3,657,718</u>	<u>2,396</u>	<u>1,630,310</u>	<u>1,655,301</u>	<u>24,991</u>
Expenditures						
Security of Persons & Property	1,608,800	1,582,531	26,269	881,586	729,591	151,995
Leisure Time Activities	-	-	-	603,865	553,423	50,442
Community Development	70,987	68,347	2,640	-	-	-
Basic Utilities	406,700	404,424	2,276	-	-	-
Contractual Services	-	-	-	-	-	-
Transportation	-	-	-	444,407	380,177	64,230
General Government	1,198,734	1,092,078	106,656	305,579	237,174	68,405
Capital Outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>3,285,221</u>	<u>3,147,380</u>	<u>137,841</u>	<u>2,235,437</u>	<u>1,900,365</u>	<u>335,072</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>370,101</u>	<u>510,338</u>	<u>140,237</u>	<u>(605,127)</u>	<u>(245,064)</u>	<u>360,063</u>
Other Financing Sources (Uses)						
Proceeds from Bonds	-	-	-	-	-	-
Transfers-In	25,000	25,000	-	450,080	425,000	(25,080)
Transfers-Out	(1,066,780)	(735,115)	331,665	(102,500)	(87,500)	15,000
Total Other Financing Sources(Uses)	<u>(1,041,780)</u>	<u>(710,115)</u>	<u>331,665</u>	<u>347,580</u>	<u>337,500</u>	<u>(10,080)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses	<u>(671,679)</u>	<u>(199,777)</u>	<u>471,902</u>	<u>(257,547)</u>	<u>92,436</u>	<u>349,983</u>
Fund Balance Beginning of Year	93,025	93,025	-	627,665	627,665	-
Prior Year Encumbrances Appropriated	<u>7,510</u>	<u>7,510</u>	<u>-</u>	<u>17,352</u>	<u>17,352</u>	<u>-</u>
Fund Balance End of Year	<u>\$ (571,144)</u>	<u>\$ (99,242)</u>	<u>\$ 471,902</u>	<u>\$ 387,470</u>	<u>\$ 737,453</u>	<u>\$ 349,983</u>

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

City of Huron, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Funds
For The Fiscal Year Ended December 31, 2002

	DEBT SERVICE FUND			CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)
Revenues						
Municipal Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	516,979	949,169	432,190
Special Assessments	76,203	82,203	6,000	-	-	-
Charges for Services	-	-	-	-	-	-
Fines, Fees, and Permits	-	-	-	-	-	-
Interest Earnings	-	-	-	2,817	4,219	1,402
Contributions and Donations	-	-	-	-	-	-
Other	-	-	-	2,551	-	(2,551)
Total Revenues	<u>76,203</u>	<u>82,203</u>	<u>6,000</u>	<u>522,347</u>	<u>953,388</u>	<u>431,041</u>
Expenditures						
Security of Persons & Property	-	-	-	-	-	-
Leisure Time Activities	-	-	-	-	-	-
Community Environment	-	-	-	-	-	-
Basic Utilities	-	-	-	-	-	-
Contractual Services	34,500	30,444	4,056	326,300	130,093	196,207
Transportation	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Capital Outlay	-	-	-	2,847,519	2,012,828	834,691
Other	-	-	-	-	-	-
Debt Service:						
Principal	216,227	216,179	48	-	-	-
Interest and Fiscal Charges	105,641	104,194	1,447	-	-	-
Total Expenditures	<u>356,368</u>	<u>350,817</u>	<u>5,551</u>	<u>3,173,819</u>	<u>2,142,921</u>	<u>1,030,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(280,165)</u>	<u>(268,614)</u>	<u>11,551</u>	<u>(2,651,472)</u>	<u>(1,189,533)</u>	<u>1,461,939</u>
Other Financing Sources (Uses)						
Proceeds from Bonds	-	-	-	78,063	78,063	-
Transfers-In	250,000	244,000	(6,000)	537,250	228,114	(309,136)
Transfers-Out	-	-	-	-	-	-
Total Other Financing Sources(Uses)	<u>250,000</u>	<u>244,000</u>	<u>(6,000)</u>	<u>615,313</u>	<u>306,177</u>	<u>(309,136)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses	<u>(30,165)</u>	<u>(24,614)</u>	<u>5,551</u>	<u>(2,036,159)</u>	<u>(883,356)</u>	<u>1,152,803</u>
Fund Balance Beginning of Year	24,975	24,975	-	(232,867)	(232,867)	-
Prior Year Encumbrances Appropriated	-	-	-	163,987	163,987	-
Fund Balance End of Year	<u>\$ (5,190)</u>	<u>\$ 361</u>	<u>\$ 5,551</u>	<u>\$ (2,105,039)</u>	<u>\$ (952,236)</u>	<u>\$ 1,152,803</u>

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

City of Huron, Ohio
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types and Expendable Trust Funds
For The Fiscal Year Ended December 31, 2002

	EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE: FAVORABLE (UNFAVORABLE)
Revenues						
Municipal Income Taxes	\$ -	\$ -	\$ -	\$ 1,856,290	\$ 1,854,745	\$ (1,545)
Property Taxes	-	-	-	648,733	607,526	(41,207)
Intergovernmental	-	-	-	1,765,990	2,233,546	467,556
Special Assessments	-	-	-	76,203	82,203	6,000
Charges for Services	-	-	-	741,183	780,004	38,821
Fines, Fees, and Permits	20,733	23,487	2,754	489,727	499,624	9,897
Interest Earnings	2,903	1,636	(1,267)	87,341	89,754	2,413
Contributions and Donations	12,440	11,308	(1,132)	25,553	23,823	(1,730)
Other	3,750	3,593	(157)	232,988	217,409	(15,579)
Total Revenues	39,826	40,024	198	5,924,008	6,388,634	464,626
Expenditures						
Security of Persons & Property	-	-	-	2,490,386	2,312,122	178,264
Leisure Time Activities	-	-	-	603,865	553,423	50,442
Community Environment	-	-	-	70,987	68,347	2,640
Basic Utilities	-	-	-	406,700	404,424	2,276
Contractual Services	-	-	-	360,800	160,537	200,263
Transportation	-	-	-	444,407	380,177	64,230
General Government	-	-	-	1,504,313	1,329,252	175,061
Capital Outlay	-	-	-	2,847,519	2,012,828	834,691
Other	50,850	49,831	1,019	50,850	49,831	1,019
Debt Service:						
Principal	-	-	-	216,227	216,179	48
Interest and Fiscal Charges	-	-	-	105,641	104,194	1,447
Total Expenditures	50,850	49,831	1,019	9,101,695	7,591,314	1,510,381
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,024)	(9,807)	1,217	(3,177,687)	(1,202,680)	1,975,007
Other Financing Sources (Uses)						
Proceeds from Bonds	-	-	-	78,063	78,063	-
Transfers-In	-	-	-	1,262,330	922,114	(340,216)
Transfers-Out	(110,150)	-	110,150	(1,279,430)	(822,615)	456,815
Total Other Financing Sources(Uses)	(110,150)	-	110,150	60,963	177,562	116,599
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Uses	(121,174)	(9,807)	111,367	(3,116,724)	(1,025,118)	2,091,606
Fund Balance Beginning of Year	218,026	218,026	-	730,824	730,824	-
Prior Year Encumbrances Appropriated	-	-	-	188,849	188,849	-
Fund Balance End of Year	\$ 96,852	\$ 208,219	\$ 111,367	\$ (2,197,051)	\$ (105,445)	\$ 2,091,606

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

City of Huron, Ohio
Combined Statement of Revenues, Expenses and Changes in Fund Equity
All Proprietary Fund Types
For The Fiscal Year Ended December 31, 2002

	PROPRIETARY FUND TYPES		
	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL (MEMO ONLY)</u>
<u>Operating Revenues</u>			
Charges for Services	\$ 1,698,628	\$ 474,531	\$ 2,173,159
<u>Operating Expenses</u>			
Personal Services	417,967	484,250	902,217
Contractual Services	179,688	149,553	329,241
Materials & Supplies	101,532	-	101,532
Depreciation	281,982	-	281,982
Total Operating Expenses	<u>981,169</u>	<u>633,803</u>	<u>1,614,972</u>
Operating Income	<u>717,459</u>	<u>(159,272)</u>	<u>558,187</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Income	1,551	-	1,551
Interest Expense and Fiscal Charges	(313,599)	-	(313,599)
Other Income	2,309	-	2,309
Total Non-Operating Revenues (Expenses)	<u>(309,739)</u>	<u>-</u>	<u>(309,739)</u>
Income Before Operating Transfers	<u>407,720</u>	<u>(159,272)</u>	<u>248,448</u>
Operating Transfer In	-	20,500	20,500
Operating Transfer Out	(111,500)	-	(111,500)
Net Operating Transfers	<u>(111,500)</u>	<u>20,500</u>	<u>(91,000)</u>
Net Income	296,220	(138,772)	157,448
Retained Earnings Beginning of Year	<u>1,257,781</u>	<u>89,879</u>	<u>1,347,660</u>
Retained Earnings End of Year	1,554,001	(48,893)	1,505,108
Contributed Capital Beginning and End of Year	<u>674,640</u>	<u>-</u>	<u>674,640</u>
Total Fund Equity End of Year	<u>\$ 2,228,641</u>	<u>\$ (48,893)</u>	<u>\$ 2,179,748</u>

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

City of Huron, Ohio
Combined Statement of Cash Flows - All Proprietary Fund Types
For The Year Ended December 31, 2002

	PROPRIETARY FUND TYPE		
	ENTERPRISE	INTERNAL SERVICE	TOTAL (MEMO ONLY)
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Charges for Services	\$ 1,663,939	\$ 474,531	\$ 2,138,470
Cash Payments for Personal Services	(399,680)	(323,548)	(723,228)
Cash Payments for Contractual Services	(197,465)	(148,863)	(346,328)
Cash Payments for Materials & Supplies	(108,640)	-	(108,640)
Net Cash Provided by Operating Activities	<u>958,154</u>	<u>2,120</u>	<u>960,274</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Other Cash Receipts	2,309	-	2,309
Operating Transfers (Out To) In From Other Funds	(111,500)	20,500	(91,000)
Net Cash Used In Non-Capital Financing Activities	<u>(109,191)</u>	<u>20,500</u>	<u>(88,691)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from Bonds	2,491,937	-	2,491,937
Proceeds on Notes	150,000	-	150,000
Principal Paid on General Obligation Bonds	(249,100)	-	(249,100)
Principal Paid on Notes	(2,425,000)	-	(2,425,000)
Principal Paid on OWDA Loans	(54,438)	-	(54,438)
Interest Paid on Notes and Long-Term Debt	(322,186)	-	(322,186)
Purchase of Fixed Assets	(741,746)	-	(741,746)
Net Cash Used by Capital and Related Financing Activities	<u>(1,150,533)</u>	<u>-</u>	<u>(1,150,533)</u>
<u>Cash Flows from Investing Activities</u>			
Advances to Other Funds	(512,000)	-	(512,000)
Interest	1,551	-	1,551
Net Cash Provided (Used) by Investing Activities	<u>(510,449)</u>	<u>-</u>	<u>(510,449)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(812,019)	22,620	(789,399)
Cash and Cash Equivalents at Beginning of Year	<u>1,664,153</u>	<u>89,879</u>	<u>1,754,032</u>
Cash and Cash Equivalents at End of Year	<u>\$ 852,134</u>	<u>\$ 112,499</u>	<u>\$ 964,633</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 717,459	\$ (159,272)	\$ 558,187
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	281,982	-	281,982
Changes in Assets and Liabilities:			
Increase/(Decrease) in Assets:			
Accounts Receivable	(34,689)	-	(34,689)
Materials and Supplies Inventory	(7,108)	-	(7,108)
Prepaid Items	(1,976)	-	(1,976)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(6,555)	690	(5,865)
Claims Payable	-	160,702	160,702
Accrued Wages and Benefits	1,758	-	1,758
Compensated Absences Payable	6,564	-	6,564
Intergovernmental Payable	719	-	719
Total Adjustments	<u>240,695</u>	<u>161,392</u>	<u>402,087</u>
Net Cash Provided by Operating Activities	<u>\$ 958,154</u>	<u>\$ 2,120</u>	<u>\$ 960,274</u>

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

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 1 - Reporting Entity and Basis of Presentation

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

A. Reporting Entity

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

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

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

The City is associated with the Buckeye Ohio Risk Management Association (BORMA) and the Huron Joint Recreation District, both jointly governed organizations that are discussed in Notes 7 and 17.

B. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

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

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

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

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

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

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

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

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The City has expendable trust funds.

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

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

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

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 2 - Summary of Significant Accounting Policies

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

A. Measurement Focus and Basis of Accounting

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

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

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

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

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 2002, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

B. Budgetary Process

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

Tax Budget At the first Council meeting in July, the City Manager presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Any budgetary modification at the object level may only be made by resolution of the City Council. The Director of Finance is authorized to transfer appropriations between line items below the object level.

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

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the object

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

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

C. Cash and Cash Equivalents

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

During 2002, investments of the cash management pool were limited to STAROhio, the State Treasurer's investment pool and to Certificates of Deposit that are federally insured.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2002.

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

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

D. Inventory

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

E. Deferred Charges

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

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which it was consumed.

G. Assets Held for Resale

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

H. Fixed Assets and Depreciation

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

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

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

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

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

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

Interest is capitalized on proprietary fund fixed assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project less the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2002, interest incurred on proprietary fund construction projects was immaterial.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

I. Compensated Absences

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

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

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

J. Fund Equity

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds prior to fiscal year 2001 that is not subject to repayment. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year-end. Capital contributions received from other governments and private sources subsequent to fiscal year 2000 are recorded as revenues and reported as retained earnings. Contributions from other funds would continue to be reported as contributed capital.

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory, debt service, and assets held for sale.

K. Interfund Transactions

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

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

L. Interfund Assets and Liabilities

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

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds and loans are recognized as a liability of the general long-term obligations account group until due.

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

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Total Columns on General Purpose Financial Statements

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

Note 3 - Budgetary Basis of Accounting

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

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

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

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trusts
GAAP Basis	(\$116,636)	\$ 148,540	(\$33,614)	(\$626,706)	(\$7,171)
Net Adjustment for Revenue Accruals	(84,802)	(2,305)	-0-	(4,192)	2,247
Net Adjustment for Expenditure Accruals	13,676	(30,663)	9,000	(101,814)	(4,883)
Encumbrances	(12,015)	(23,136)	-0-	(150,644)	-0-
Budget Basis	<u>(\$199,777)</u>	<u>\$ 92,436</u>	<u>(\$24,614)</u>	<u>(\$883,356)</u>	<u>(\$9,807)</u>

Note 4 - Deposits and Investments

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

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

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

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

Interim monies can be deposited or invested in the following:

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

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the qualified trustee or custodian.

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

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

Deposits: At year-end, the carrying amount of the City's deposits was \$1,838,139 and the bank balance was \$1,797,070. Of the bank balance, \$1,436,000 was covered by federal depository insurance. Collateralized pools securing all public funds on deposit with specific financial institutions secured the uninsured bank balance.

Investments: The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the City's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$1,867,837	\$ -0-
STAR Ohio	(26,613)	26,613
Cash on Hand	(3,085)	-0-
GASB Statement 3	\$1,838,139	\$ 26,613

Note 5 - Receivables

Receivables at December 31, 2002 consist primarily of taxes, accounts, and money due from other governments. All receivables are considered fully collectible. The City's receivables at December 31, 2002, consist of the following by fund type:

	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Taxes & Special Assessments Receivable:					
Property	\$236,195	\$521,062	\$ 0	\$ 0	\$ 0
Income	221,103	0	0	24,567	0
Special Assessments	0	0	270,919	0	0
Total Taxes	\$457,298	\$521,062	\$270,919	\$ 24,567	\$ 0
Accounts Receivable:					
Cable Franchise	\$ 62,775	\$ 0	\$ 0	\$ 0	\$ 0
Charges for Services	0	8,517	0	0	0
Water Service	0	0	0	0	419,631
Total Accounts	\$ 62,775	\$ 8,517	\$ 0	\$ 0	\$419,631
Loans Receivable	\$ 0	\$345,483	\$ 0	\$ 0	\$ 0
Intergovernmental:					
Inheritance Tax	\$ 48,065	\$ 0	\$ 0	\$ 0	\$ 0
Local Government Tax	30,577	29,874	0	0	0
Total Intergovernmental	\$ 78,642	\$ 29,874	\$ 0	\$ 0	\$ 0
Interest Receivable	\$ 10,588	\$ 0	\$ 0	\$ 0	\$ 0

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of the 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections were made in 2002. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2002, was \$4.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$151,233,350
Public Utility Personal	4,175,410
Tangible Personal	12,898,002
Total	\$168,306,762

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies, which are measurable as of December 31, 2002. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is offset by deferred revenue.

B. Income Taxes

The City levies a municipal income tax of one percent on substantially all income earned within the City; in addition, residents are required to pay tax on income earned outside of the City. The City allows a credit of fifty percent for income tax paid to another municipality. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City. In 2002, the proceeds were allocated to the general and the capital projects funds.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 6 - Fixed Assets and Depreciation

A summary of the enterprise fund fixed assets at December 31, 2002, follows:

Buildings, Structures and Improvements	\$8,195,679
Equipment and Vehicles	<u>1,104,043</u>
 Total	 9,299,722
 Less: Accumulated Depreciation	 <u>(2,563,767)</u>
 Net Fixed Assets	 <u><u>\$6,735,955</u></u>

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

	Balance January 1, 2002	Additions	Deductions	Balance December 31, 2002
Buildings, Structures and Improvements	\$4,703,937	\$ 0	\$ 0	\$4,703,937
Furniture, Fixtures and Equipment	<u>2,450,789</u>	<u>94,439</u>	<u>37,320</u>	<u>2,507,908</u>
 Total	 <u><u>\$7,154,726</u></u>	 <u><u>\$ 94,439</u></u>	 <u><u>\$37,320</u></u>	 <u><u>\$7,211,845</u></u>

Note 7 - Risk Management

The City participates with other cities in The Buckeye Ohio Risk Management Association, Inc. (BORMA) in jointly funded risk financing programs administered by Arthur J. Gallagher & Co. The City participates in the pool in the following areas of risks: Property (Building and Contents), Commercial Automobile Liability, Automobile Physical Damage, Comprehensive General Liability, Crime and Property Liability, and Public Officials Liability. This program includes the following municipalities: Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard. A third party administrator, Arthur J. Gallagher and Co. - Cleveland, reviews all claims, which are then paid by the Pool. Member contributions are calculated to annually produce a sufficient sum of money within the pool to fund administrative expenses and to create reserves for claims. As of December 31, 2002, the Pool has cash reserves, which in the opinion of BORMA management, is adequate for any claims against the Pool. The City contributed \$16,500 towards the reserve, \$42,750 towards the premium and administration costs of the Pool and \$-0- towards claims for which the City is directly liable. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 8 - Defined Benefit Pension Plans

A. Public Employees Retirement System

The employees of the City, other than Police and Firemen, are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees other than law enforcement. The total 2002 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to PERS for the years ending December 31, 2002, 2001 and 2000 were \$177,156, \$146,481, and \$161,385, respectively. The full amount has been contributed for 2001 and 2000 while 76.4 percent has been contributed for 2002 with the remainder being reported as a liability within the enterprise fund and the general long-term obligations account group.

B. Police and Firemen's Disability and Pension

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2002, 2001, and 2000 were \$299,521, \$276,571, \$332,103, respectively. The full amount has been contributed for 2001 and 2000 while 74 percent has been contributed for 2002 with the remainder being reported as a liability within the general long-term obligations account group.

Note 9- Postemployment Benefits

A. Public Employees Retirement System

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and to primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 and 2001 employer

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

contribution rate was 13.55% of covered payroll; 5.0% and 4.3% was the portion that was used to fund health care for 2002 and 2001, respectively, which is \$65,153 and \$46,778 for 2002 and 2001, respectively.

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

OPEB is financed through employer contributions and investment earnings thereon. PERS has elected advance funding of its OPEB's on an actuarially determined basis. The most recent actuarial valuation of PERS' OPEB liability was performed as of December 31, 2001. The following significant actuarial assumptions were used in this valuation:

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

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

Investment Return The investment assumption rate for 2001 was 8.0%.

Active Employee Total Payroll An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.50% to 6.30%.

Health Care Costs Health care costs was assumed to increase 4.0% annually.

The number of active contributing participants of PERS as of December 31, 2001 was 402,041. The contribution rates discussed above are the actuarially determined contribution requirements for PERS. The Retirement System's net assets available for OPEB had an actuarial value of \$11,600,000,000 as of December 31, 2001. The actuarial accrued liability as of that date was \$16,400,000,000 resulting in an unfunded actuarial accrued liability of \$4,800,000,000.

B. Police and Firemen's Disability Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OP&F's board of trustees to provide health care coverage and states that health care cost paid from the OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 and 7.5 percent of covered payroll is applied to the postemployment health care program during 2002 and 2001, respectively. In addition, since July 1,

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$53,932 for police and \$52,924 for fire. OP&F's total health care expenses for the year ended December 31, 2001, (the date of the last actuarial valuation available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

Note 10- Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Vacation leave is earned at rates that vary depending upon length of service and standard workweek. Vacation accumulation is limited to a maximum of one hundred and sixty days. All accumulated unused vacation time is paid upon termination of employment. Employees earn sick leave at the rate of 1.25 workdays with pay for each month of completed service. Sick leave is paid upon retirement based on accumulated hours with the restriction of a maximum of 1,750 hours.

B. *Health and Dental*

The City is self-insured for health and dental benefits. The health and dental programs are administered by Anthem Benefit Administrators, Inc., which provides claims review and processing services. Because the City is self-insured for its health and dental programs, it has a potential liability for incurred but not yet reported claims (IBNR). IBNR claims are claims for insured events that have occurred but were not reported to the third party administrator as of December 31, 2002. These claims include known loss events that are expected to be presented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported. The City accounts for claims activity in the General Fund.

	<u>2002</u>	<u>2001</u>
Unpaid Claims at Beginning of the Year	\$ 16,658	\$ 23,815
Provision for Insured Events of Current Year	476,785	244,511
Payments Attributable to Insured Claims of Current Year	(316,083)	(227,853)
Payments Attributable to Insured Claims of Prior Year	(16,658)	(23,815)
 Total Unpaid Claims at End of Year	 <u>\$160,702</u>	 <u>\$ 16,658</u>

The City has contracted for stop loss insurance on health and dental benefits, which limits the City's liability to \$25,000 per participant per fiscal year and to an aggregate liability of \$672,500 for the fiscal year ended December 31, 2002.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 11 - Long-Term Obligations

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

	Outstanding 12/31/01	Additions	Reductions	Outstanding 12/31/02
Enterprise Debt				
General Obligation Bonds				
Various Purpose 2002 4.25% to 4.75%	\$ 0	\$2,491,937	0	\$2,491,937
Waterworks 1986 6.3750%	120,000	0	40,000	80,000
Water System 1992 5.1% to 6.40%	150,000	0	150,000	0
Water System Refunding 1999 3.15% to 4.85%	2,246,188	0	15,400	2,230,788
Various Purpose 1999 3.15% to 4.85%	194,111	0	28,700	165,411
Water Intake Cleaning 1996 4.65% to 6.15%	80,000	0	15,000	65,000
<i>Total General Obligation Bonds</i>	<u>2,790,299</u>	<u>2,491,937</u>	<u>249,100</u>	<u>5,033,136</u>
				(1)
Ohio Water Development Authority Debt				
Chaska Beach 1998 6.32%	585,991	0	23,377	562,614
Various Water Projects 1998 5.66%	869,997	0	31,062	838,935
<i>Total Ohio Water Development Authority Debt</i>	<u>1,455,988</u>	<u>0</u>	<u>54,439</u>	<u>1,401,549</u>
<i>Total Enterprise Debt</i>	<u>4,246,287</u>	<u>2,491,937</u>	<u>303,539</u>	<u>6,434,685</u>
General Obligation Bonds				
Various Purpose 2002 4.25% to 4.75%	0	78,063	0	78,063
Vehicle Maintenance 1986 6.375%	108,000	0	18,000	90,000
Fire Department Vehicle 1992 2.95% to 5.40%	30,000	0	30,000	0
Municipal Boat Basin 1992 5.1% to 6.40%	35,000	0	35,000	0
Radio System 1996 4.65% to 6.15%	120,000	0	20,000	100,000
City Hall Addition 1996 4.65% to 6.15%	485,000	0	20,000	465,000
Ambulance 1998 4.65%	38,500	0	18,800	19,700
Refunding Bonds 1999 3.15% to 4.85%	498,565	0	6,300	492,265
Various Purpose 1999 3.15% to 4.85%	636,136	0	19,600	616,536
<i>Total General Obligations Bonds</i>	<u>1,951,201</u>	<u>78,063</u>	<u>167,700</u>	<u>1,861,564</u>
Ohio Water Development Authority Loan				
Industrial Park 2001 3.0%	703,222	0	0	703,222
Chaska Beach 1998 6.32%	272,757	0	38,785	233,972
<i>Total Ohio Water Development Authority Loans</i>	<u>975,979</u>	<u>0</u>	<u>38,785</u>	<u>937,194</u>
Special Assessment Bond – Ryebeach – D	<u>18,694</u>	<u>0</u>	<u>18,694</u>	<u>0</u>
Compensated Absences	345,442	92,123	0	437,565
Intergovernmental Payable	104,785	5,021	0	109,806
Total General Long-Term Obligations	<u>3,396,101</u>	<u>175,207</u>	<u>225,179</u>	<u>3,346,129</u>
Total Long-Term Debt	<u>\$7,642,388</u>	<u>\$2,667,144</u>	<u>\$528,718</u>	<u>\$9,780,814</u>

(1) Amount reported is before \$127,558 unamortized portion of accounting loss on refunding.

City of Huron, Ohio

Notes to the General Purpose Financial Statements

For the Year Ended December 31, 2002

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

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

Bonds Payable in the enterprise fund is made up of an outstanding balance of \$5,033,136 and an unamortized accounting loss of \$127,558, resulting in net bonds payable reported of \$4,905,578.

In prior years, the City defeased certain general obligation bonds by placing funds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's general purpose financial statements. On December 31, 2002, \$150,000 of such bonds is considered defeased.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002, are as follows:

	General Obligation Bonds	OWDA Bonds	Enterprise Fund Bonds
2003	\$ 263,787	\$ 77,117	\$ 616,599
2004	240,897	77,117	692,687
2005	235,436	77,117	646,548
2006	231,265	77,117	646,063
2007	206,817	107,528	619,832
2008 & Thereafter	1,331,487	834,242	6,259,635
Total	\$2,509,689	\$1,250,238	\$9,481,364

Note 12- Industrial Development Revenue Bonds

The City has issued industrial development revenue bonds in the aggregate outstanding principal amount of approximately \$2,370,000 at December 31, 2002 for facilities used by private corporations or other entities. The City is not obligated in any way to pay debt related charges on the bonds from any of its funds, and therefore, they have been excluded entirely from the City's debt presentation. There has not been and there is not currently any condition of default under the bonds or the related financing documents.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 13 - Notes Payable

Note activity for the year ended December 31, 2002, consisted of the following:

	Balance 12/31/01	Issued	Retired	Balance 12/31/02
Special Revenue Funds				
Industrial Park Promissory Note 1997 6.00%	\$ 240,904	\$ 0	\$ 0	\$ 240,904
<i>Total Special Revenue Funds</i>	<u>\$ 240,904</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 240,904</u>
Enterprise Fund				
Various Purpose Improvements 2001 2.75%	\$2,425,000	\$ 0	\$2,425,000	\$ 0
Electric Fund 2002 1.94%	0	150,000	0	150,000
<i>Total Enterprise Fund</i>	<u>\$2,425,000</u>	<u>\$ 150,000</u>	<u>\$2,425,000</u>	<u>\$ 150,000</u>
<i>Total Notes Payable</i>	<u><u>\$2,665,904</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$2,425,000</u></u>	<u><u>\$ 390,904</u></u>

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

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

Note 14 - Interfund Receivable/Payable

The composition of interfund balances as of December 31, 2002, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Special Revenue	Debt Service	\$ 64,638
Debt Service	Capital Projects	176,300
Enterprise	Debt Service	9,000
Enterprise	Capital Projects	503,000
Expendable Trusts	Special Revenue	110,150
Total		<u><u>\$863,088</u></u>

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 15 – Deferred Compensation Plan

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

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

Note 16 – Segment Information – Enterprise Funds

For 2002, the City's enterprise fund type consists of the Water Fund and the Huron Public Power Fund. The Water Fund comprises substantially all of assets and retained earnings and operations of the enterprise fund type.

Note 17 - Jointly Governed Organization

The Huron Area Joint Recreation District (District) is a jointly governed organization between the Huron City School District, the City of Huron, and Huron Township. The City appoints three members to the nine-member commission. In 2002 the City did not contribute to the District. Each entity's control is limited to its representation on the governing board. The District's continued existence is not dependent on the City's continued participation. The District is not accumulating significant financial resources or experiencing fiscal stress that would cause additional financial benefit or burden on the City. Financial information on the District can be obtained from Huron City School District 712 Cleveland Rd. East, Huron, Ohio 44839.

Note 18 - Litigation

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

Note 19 – Restatement of Prior Year Net Assets

Net assets as of December 31, 2001 have been restated to record a loan receivable in the Special Revenue Fund that had been inadvertently expensed at such date. Accordingly, net assets of \$506,913, as previously reported at December 31, 2001, was increased by \$79,393 to \$586,306.

City of Huron, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 20 – Accountability and Compliance

The following funds had deficit fund balances/retained earnings at December 31, 2002:

Fund Type/Fund	Deficit
Capital Projects Fund	\$206,545
Internal Service Fund	48,893

The deficit in the capital project fund resulted from infrastructure expenditures and a delay in reimbursement of a portion of those expenditures from intergovernmental revenues outside the period of availability for fiscal year 2002, on certain projects. The General Fund is to fund the remaining deficit fund balance through transfers.

The deficit retained earnings in the healthcare internal service fund is the result of adjustments for accrued liabilities. The fund is subsidized by charges for services to other funds on a reimbursement basis.

CITY OF HURON

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

YEAR ENDED DECEMBER 31, 2002



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

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

We have audited the general purpose financial statements of the City of Huron, Ohio as of and for the year ended December 31, 2002, and have issued our report thereon dated May 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Huron, Ohio's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Huron, Ohio, in a separate letter dated May 29, 2003.

Internal Control Over Financial Reporting

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

City Council
City of Huron
Page Two

relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that we have reported to management of the City of Huron, Ohio in a separate letter dated May 29, 2003.

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

Weber O'Brien, LTD.

Weber • O'Brien Ltd.
May 29, 2003

CITY OF HURON
SUPPLEMENTAL INFORMATION
YEAR ENDED DECEMBER 31, 2002

CITY OF HURON

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CITY OF HURON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CASH BASIS)
 For the Year Ended December 31, 2002

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grantor Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Transportation:			
Passed through the Ohio Department of Transportation			
Highway Planning and Construction	01N147	20.205	\$ 585,559
Department of Housing and Urban Development			
Passed through the Ohio Department of Development			
<u>Community Development Block Grant Cluster</u>			
Economic Development Program	AE001331	14.228	150,786
Downtown Revitalization Program	AT011331	14.228	120,906
Sidewalks Handicap Accessibility Program	BF010211	14.228	<u>28,000</u>
Total Department of Housing and Urban Development			<u>299,692</u>
Total Expenditures of Federal Awards			<u>\$ 885,251</u>



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Huron, Ohio with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of the City of Huron, Ohio's major federal programs for the year ended December 31, 2002. The City of Huron, Ohio's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Huron, Ohio's management. Our responsibility is to express an opinion on the City of Huron, Ohio's compliance based on our audit.

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

In our opinion, the City of Huron, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City of Huron, Ohio as of and for the year ended December 31, 2002, and have issued our report thereon dated May 29, 2003. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audits of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Walter D. Zorn, CPA

January 23, 2004

CITY OF HURON, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2002

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	_X_ no
Reportable condition(s) identified not considered to be material weaknesses?	_____yes	_X_ none reported
Noncompliance material to financial statements noted?	_____yes	_X_ no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	_X_ no
Reportable conditions(s) identified not considered to be material weaknesses?	_____yes	_X_ none reported

Type of auditors' report issued on compliance for major programs:		<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	_X_ no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low risk auditee?	_____yes	_X_ no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

CITY OF HURON, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2002

NONE



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

CITY OF HURON

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2004**