

**CITY OF HARRISON
HAMILTON COUNTY, OHIO**

*General Purpose
Financial Statements*
(Audited)

For The Year Ended
December 31, 1999

TRIMBLE, JULIAN & GRUBE, INC.

TJG

**CITY OF HARRISON
HAMILTON COUNTY, OHIO**

*General Purpose
Financial Statements
(Audited)*

For The Year Ended
December 31, 1999

MARY LOU DAWSON, FINANCE DIRECTOR



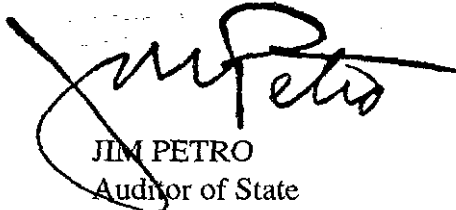
STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Members of Council
City of Harrison
112 N. Walnut Street
Harrison, Ohio 45030

We have reviewed the *Independent Auditor's Report of the City of Harrison, Hamilton County*, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

July 3, 2000

**CITY OF HARRISON
HAMILTON COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

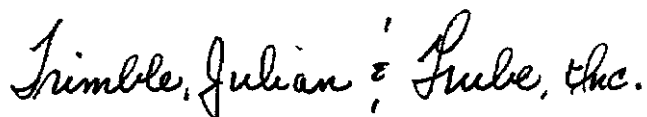
Members of Council
City of Harrison
112 N. Walnut Street
Harrison, Ohio 45030

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Harrison, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 4, 2000, on our consideration of the City of Harrison's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Trimble, Julian & Grube, Inc.
May 4, 2000

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CITY OF HARRISON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Assets and Other Debits					
Assets:					
Equity in pooled cash and cash equivalents . . .	\$331,459	\$839,331	\$85,350	\$1,419,843	\$951,325
Investments	441,510			1,891,252	1,142,138
Cash with fiscal agent					
Receivables (net of allowances for uncollectibles):					
Taxes	935,887	542,983		13,148	
Accounts	12,783	8,761			346,267
Accrued interest	73,272				
Advances to other funds	21,936				
Due from other governments		34,684			
Due from other funds	39,056				
Prepayments	16,115	20,736			8,031
Materials and supplies inventory	11,366	12,376			24,997
Restricted assets:					
Cash and cash equivalents					974,491
Investments					78,787
Property, plant and equipment (net of accumulated depreciation where applicable)					7,818,362
Other Debits:					
Amount available in debt service fund					
Amount to be provided for retirement of general long-term obligations					
Total assets and other debits	<u>\$1,887,180</u>	<u>\$1,458,871</u>	<u>\$85,350</u>	<u>\$3,324,243</u>	<u>\$11,344,398</u>

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

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
			\$3,627,308
			3,474,900
\$23,227			23,227
			1,492,018
			367,811
			73,272
			21,936
			38,480
			39,056
			44,882
			48,739
			974,491
			78,787
	\$5,278,003		13,096,365
		\$85,350	85,350
		4,102,890	4,102,890
<u>\$23,227</u>	<u>\$5,278,003</u>	<u>\$4,188,240</u>	<u>\$27,589,512</u>

CITY OF HARRISON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Equity and Other Credits					
Liabilities:					
Accounts payable	\$23,149	\$32,320		\$63,286	\$32,336
Accrued wages and benefits	22,166	17,002			5,978
Compensated absences payable	925				18,710
Advances from other funds					21,936
Deferred revenue	646,767	542,983			
Due to other governments	22,052	107,813			6,775
Due to other funds		20,411			
Accrued interest payable					57,970
OPWC loan payable					629,276
General obligation bonds payable					260,000
Bond anticipation notes payable					
Mortgage revenue bonds payable					3,800,000
Real estate revenue bonds payable					213,000
Capital lease obligations					
Accrued pension liability					
Total liabilities	715,059	720,529		63,286	5,045,981
Equity and Other Credits:					
Investment in general fixed assets					
Contributed capital					1,247,667
Retained earnings:					
Reserved					1,053,278
Unreserved					3,997,472
Fund balances:					
Reserved for encumbrances	39,440	7,132		1,017,071	
Reserved for prepayments	16,115	20,736			
Reserved for materials and supplies inventory	11,366	12,376			
Reserved for advances	21,936				
Reserved for debt service			\$85,350		
Unreserved-undesignated	1,083,264	698,098		2,243,886	
Total equity and other credits	1,172,121	738,342	85,350	3,260,957	6,298,417
Total liabilities, equity and other credits	\$1,887,180	\$1,458,871	\$85,350	\$3,324,243	\$11,344,398

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

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
			\$151,091
			45,146
		\$84,958	104,593
			21,936
			1,189,750
\$4,582			141,222
18,645			39,056
			57,970
			629,276
			260,000
		3,978,000	3,978,000
			3,800,000
			213,000
		119,235	119,235
		6,047	6,047
<u>23,227</u>		<u>4,188,240</u>	<u>10,756,322</u>
	\$5,278,003		5,278,003
			1,247,667
			1,053,278
			3,997,472
			1,063,643
			36,851
			23,742
			21,936
			85,350
			4,025,248
	<u>5,278,003</u>		<u>16,833,190</u>
<u>\$23,227</u>	<u>\$5,278,003</u>	<u>\$4,188,240</u>	<u>\$27,589,512</u>

CITY OF HARRISON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Taxes	\$3,238,722	\$806,341		\$36,873	\$4,081,936
Charges for services	870	86,969			87,839
Licenses, permits and fees	108,160	261			108,421
Fines and forfeitures	255,767				255,767
Intergovernmental	330,179	477,005			807,184
Investment income	124,553	43,775		3,786	172,114
Other	19,096	40,822			59,918
Total revenue	4,077,347	1,455,173		40,659	5,573,179
Expenditures:					
Current:					
General government	729,475				729,475
Security of persons and property	1,416,129	1,523,987			2,940,116
Public health and welfare	13,367	197,246			210,613
Transportation		314,400			314,400
Community environment	39,146				39,146
Leisure time activity	36,940	94,923			131,863
Other			\$4,439		4,439
Capital outlay	41,340	279,867		873,639	1,194,846
Debt service:					
Principal retirement	14,768	28,732		35,612	79,112
Interest and fiscal charges		12,642		20,307	32,949
Total expenditures	2,291,165	2,451,797	4,439	929,558	5,676,959
Excess (deficiency) of revenues over (under) expenditures	1,786,182	(996,624)	(4,439)	(888,899)	(103,780)
Other financing sources (uses):					
Proceeds from sale of notes	504,000	474,000		3,000,000	3,978,000
Proceeds of capital lease transactions	41,340			50,690	92,030
Operating transfers in		818,500	33,595	1,927,145	2,779,240
Operating transfers out	(1,717,700)	(56,540)		(1,005,000)	(2,779,240)
Total other financing sources (uses)	(1,172,360)	1,235,960	33,595	3,972,835	4,070,030
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	613,822	239,336	29,156	3,083,936	3,966,250
Fund balances, January 1	554,254	488,487	56,194	177,021	1,275,956
Increase in reserve for inventory	4,045	10,519			14,564
Fund balances, December 31	\$1,172,121	\$738,342	\$85,350	\$3,260,957	\$5,256,770

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

CITY OF HARRISON, OHIO

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Income taxes	\$2,447,857	\$2,453,402	\$5,545			
Property and other taxes	763,249	700,633	(62,616)	\$881,133	\$817,619	(\$63,514)
Charges for services	1,600	870	(730)	199,975	175,319	(24,656)
Licenses, permits and fees	94,225	95,455	1,230	252	261	9
Fines and forfeitures	249,700	248,018	(1,682)			
Intergovernmental	345,525	346,470	945	367,066	370,228	3,162
Investment income	104,000	101,179	(2,821)	43,364	43,775	411
Other	37,800	30,176	(7,624)	40,944	40,167	(777)
Total revenues	4,043,956	3,976,203	(67,753)	1,532,734	1,447,369	(85,365)
Expenditures:						
Current:						
General government	905,007	782,102	122,905			
Security of persons and property	1,625,753	1,500,122	125,631	1,602,740	1,482,385	120,355
Public health and welfare	7,800	7,520	280	211,037	193,422	17,615
Transportation				336,275	318,448	17,827
Community environment	43,059	39,026	4,033			
Leisure time activity	67,849	43,398	24,451	120,157	94,523	25,634
Other						
Capital outlay				293,024	281,469	11,555
Debt service:						
Principal retirement	404,000	404,000	0	402,668	402,668	0
Interest and fiscal charges				3,525	3,525	0
Total expenditures	3,053,468	2,776,168	277,300	2,969,426	2,776,440	192,986
Excess (deficiency) of revenues over (under) expenditures	990,488	1,200,035	209,547	(1,436,692)	(1,329,071)	107,621
Other financing sources (uses):						
Proceeds from sale of notes	504,000	504,000	0	474,000	474,000	0
Operating transfers in				812,417	838,911	26,494
Operating transfers (out)	(1,313,700)	(1,334,111)	(20,411)	(173,700)	(173,700)	0
Total other financing sources (uses)	(809,700)	(830,111)	(20,411)	1,112,717	1,139,211	26,494
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	180,788	369,924	189,136	(323,975)	(189,860)	134,115
Fund balances, January 1	227,344	227,344	0	770,862	770,862	0
Prior year encumbrances appropriated	114,154	114,154	0	225,583	225,583	0
Fund balances, December 31	\$522,286	\$711,422	\$189,136	\$672,470	\$806,585	\$134,115

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

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Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$45,000	\$44,553	(\$447)	\$2,447,857	\$2,453,402	\$5,545
						1,689,382	1,562,805	(126,577)
						201,575	176,189	(25,386)
						94,477	95,716	1,239
						249,700	248,018	(1,682)
			155,125	55,125	(100,000)	867,716	771,823	(95,893)
			0	3,786	3,786	147,364	148,740	1,376
\$6,200	\$0	(\$6,200)				84,944	70,343	(14,601)
6,200	0	(6,200)	200,125	103,464	(96,661)	5,783,015	5,527,036	(255,979)
						905,007	782,102	122,905
						3,228,493	2,982,507	245,986
						218,837	200,942	17,895
						336,275	318,448	17,827
						43,059	39,026	4,033
						188,006	137,921	50,085
6,200	4,439	1,761				6,200	4,439	1,761
			2,357,365	1,879,315	478,050	2,650,389	2,160,784	489,605
611,103	591,103	20,000				1,417,771	1,397,771	20,000
303,827	290,232	13,595				307,352	293,757	13,595
921,130	885,774	35,356	2,357,365	1,879,315	478,050	9,301,389	8,317,697	983,692
(914,930)	(885,774)	29,156	(2,157,240)	(1,775,851)	381,389	(3,518,374)	(2,790,661)	727,713
			3,000,000	3,000,000	0	3,978,000	3,978,000	0
914,930	914,930	0	1,405,000	1,405,000	0	3,132,347	3,158,841	26,494
			(1,005,000)	(1,005,000)	0	(2,492,400)	(2,512,811)	(20,411)
914,930	914,930	0	3,400,000	3,400,000	0	4,617,947	4,624,030	6,083
0	29,156	29,156	1,242,760	1,624,149	381,389	1,099,573	1,833,369	733,796
56,194	56,194	0	411,111	411,111	0	1,465,511	1,465,511	0
0	0	0	195,477	195,477	0	535,214	535,214	0
\$56,194	\$85,350	\$29,156	\$1,849,348	\$2,230,737	\$381,389	\$3,100,298	\$3,834,094	\$733,796

CITY OF HARRISON, OHIO
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$2,211,453
Other operating revenues	9,994
Total operating revenues	2,221,447
Operating expenses:	
Personal services	497,007
Contract services	269,507
Materials and supplies	130,652
Depreciation	227,611
Utilities	200,697
Other operating expense	2,188
Total operating expenses	1,327,662
Operating income	893,785
Nonoperating revenues (expenses):	
Intergovernmental	4,863
Interest and fiscal charges	(254,617)
Investment earnings	102,120
Other nonoperating revenue	21,120
Other nonoperating expense	(8,923)
Total nonoperating revenues (expenses)	(135,437)
Net income	758,348
Retained earnings, January 1 (restated)	4,292,402
Retained earnings, December 31	\$5,050,750

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

CITY OF HARRISON, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$2,167,677
Cash received from other operations	9,537
Cash payments for personal services	(502,460)
Cash payments for contract services	(278,464)
Cash payments for materials and supplies	(144,035)
Cash payments for utilities	(195,165)
Cash payments for other expenses	(2,188)
	<u>1,054,902</u>
Net cash provided by operating activities.	
Cash flows from noncapital financing activities:	
Cash received from operating grants	6,600
Cash received from nonoperating activities	21,120
Cash payments for nonoperating activities	(8,923)
Transfers in from other funds.	100,000
Transfers out to other funds.	(100,000)
	<u>18,797</u>
Net cash used in noncapital financing activities.	
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(202,252)
Principal retirement.	(391,104)
Interest and fiscal charges paid.	(254,926)
	<u>(848,282)</u>
Net cash used in capital and related financing activities	
Cash flows from investing activities:	
Sale of investments	663,341
Interest received.	102,120
	<u>765,461</u>
Net cash provided by investing activities	
Net increase in cash and cash equivalents	
	990,878
Cash and cash equivalents at January 1	934,938
Cash and cash equivalents at December 31	<u>\$1,925,816</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$893,785
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	227,611
Changes in assets and liabilities:	
Increase in materials and supplies inventory.	(4,325)
Increase in accounts receivable.	(44,234)
Decrease in prepayments.	569
Decrease in accounts payable	(13,053)
Decrease in accrued wages and benefits	(1,417)
Increase in compensated absences payable.	1,468
Decrease in due to other governments	(5,502)
	<u>\$1,054,902</u>
Net cash provided by operating activities	

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

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CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - DESCRIPTION

The City of Harrison, Ohio (the "City"), is a charter city and operates under the Mayor-Council form of government. The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Harrison, this includes police and fire protection, emergency medical services, parks, recreation, planning, zoning, street maintenance, the Mayor's Court, the Harrison Community Center and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City's reporting entity has been defined according to GASB Statement No. 14, "The Financial Reporting Entity". For financial reporting purposes, the City's GPFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's GPFS to be misleading or incomplete. Based upon the foregoing criteria, the City has no component units. The City is a member of two insurance purchasing pools which are described in Note 16.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

Included as part of the City's primary government in the determination of the City's reporting entity is the Harrison Mayor's Court (the "Court"). The Court's operations are not legally separate from the City. Monies held by the Court in a fiduciary capacity are included in an agency fund in the accompanying GPFS.

B. Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of fund or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate. The various funds are summarized by type in the GPFS.

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.

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 accounts for the general operating revenues and expenditures of the City not recorded elsewhere.

Special Revenue Funds - These funds are used to account for specific governmental revenues (other than for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

**CITY OF HARRISON
HAMILTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

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

Debt Service Funds - These funds are used to account for revenues received and used to pay principal and interest on debt reported to the City's general long-term obligations account group.

Capital Projects Fund - This fund is used to account for the acquisition or construction of major capital assets other than those financed by proprietary funds.

Proprietary Fund Type:

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

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Type:

This fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the City's fiduciary fund type:

Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The City maintains an agency fund which is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

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

**CITY OF HARRISON
HAMILTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

General Fixed Assets Account Group - This account group is used to present the general fixed assets of the City utilized in its general operations, exclusive of those accounted for in the enterprise funds. General fixed assets include land, buildings, building improvements, furniture and equipment owned by the City.

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

C. Measurement Focus and Basis of Accounting

The modified accrual basis of accounting is followed for the governmental funds and the agency fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the sixty days after year-end to be used to pay liabilities of the current year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: reimbursements from other governments, amounts receivable from city income tax withholdings, charges for services, interest on investments and state-levied, locally-shared taxes. The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general and special assessment long-term debt are recorded as fund liabilities when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

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

All proprietary funds are accounted for on a capital maintenance 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., total net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

D. Budgetary Data

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 appropriation ordinance are subject to amendment throughout the year.*

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

Tax Budget

By July 15, the Mayor submits an annual tax 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 20th of each year, for the period January 1 to December 31, of the following year.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

Estimated Resources

The City Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—All Governmental Fund Types are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end are reported as expenditures in the budgetary basis statements included in the GPFS. Encumbered funds accrued at year end are not reported as a reservation of fund balance.

Lapsing of Appropriations

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

E. Cash and Investments

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

During 1999, investments were limited to STAR Ohio, federal agency securities, U. S. government money market mutual funds, certificates of deposit and U.S. treasury notes.

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

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

Following Ohio statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. The following funds were credited with more interest revenue than would have been received based upon their share of the City's cash fund balance as follows:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Cash Fund Balance</u>	<u>Interest Assigned by Other Funds</u>
General Fund	\$124,553	\$24,392	\$100,161
<u>Special Revenue Funds</u>			
Street Maintenance and Repair	13,854	6,641	7,213
Fire Improvement	23,254	17,142	6,112

The City has a segregated bank account for the Mayor's Court which is held separate from the City's central bank account. This depository account is presented on the combined balance sheet as "Cash with Fiscal Agent" since they are not required to be deposited into the City treasury.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

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 original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

F. Inventories of Materials and Supplies

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

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the general fixed assets account group. The City follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the City, (i.e., roads, bridges, etc.) No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized. The City has established a capitalization criteria of \$300.

General fixed asset values were initially determined at December 31, 1990 by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

2. Enterprise Funds

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. The City has established a capitalization criteria of \$300. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Autos and trucks	5
Machinery, equipment, furniture and fixtures	5-20
Buildings	50
Improvements other than buildings	50-65

The City also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned, on the proceeds of such debt.

H. Compensated Absences

Compensated absences of the City consist of vacation leave, sick leave and compensatory time to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave and compensatory time is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future in accordance with GASB Statement No. 16.

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

Accumulated vacation leave, compensatory time and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from proprietary funds are recorded as an expense when earned and the related liability is reported within the fund.

I. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs (to the extent they are intended to finance the current fiscal year). Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

J. Long-Term Obligations

Long-term obligations for general obligation bonds, real estate revenue bonds, mortgage revenue bonds, Ohio Public Works Commission (OPWC) loans, bond anticipation notes, vested sick and vacation leave, capital leases, accrued pension liability and any other claims or judgements that are expected to be paid from the governmental funds are shown in the general long-term obligations account group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction of expenditures/expenses in the reimbursed fund.
3. Short-term interfund balances, related to changes for goods and services rendered, are reflected as "due to/from other funds."
4. Long-term interfund loans that will not be repaid within the next year are termed "advances". They are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The City had long-term advances receivable and payable at December 31, 1999.

An analysis of interfund transactions is presented in Note 5.

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventory, advances made to other funds, and amount available for debt service as reservations of fund balance in the governmental funds.

M. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues is recorded as an operating expense and closed along with other operating expenses directly to retained earnings.

N. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

O. Estimates

The preparation of GPFS in conformity with GAAP 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.

P. Restricted Assets

Certain cash and cash equivalents are classified as restricted cash on the balance sheet because these funds are being held by a trustee as designated by the bond indenture.

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

Q. Total Columns on General Purpose Financial Statements

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

The following funds had a deficit fund balance as of December 31, 1999:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds</u>	
Police Pension Fund	\$ 3,151
State Highway Fund	19,274

The Police Pension special revenue fund complied with Ohio state law, which does not permit a cash basis deficit at year end. The deficit fund balance in this fund is caused by accruing a liability for pension obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at December 31.

Contrary to Ohio Revised Code Section 5705.10, the State Highway special revenue fund had a negative cash fund balance of \$19,274. The deficit fund balance on a GAAP basis is the result of this negative cash fund balance. This deficit balance will be eliminated through the collection of intergovernmental grants and subsidies not recognized at December 31.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Prior Period Adjustments

During fiscal year 1998, the City entered into an agreement to purchase land for the Water enterprise fund. The land was purchased with proceeds of \$284,000 from the issuance of real estate revenue bonds on June 30, 1998. The City did not report a liability for the repayment of these bonds at December 31, 1998. The City also overstated its liability for accrued interest payable in the Water and Sewer enterprise funds at December 31, 1998. The effect of these adjustments on retained earnings as previously reported as of December 31, 1998 are as follows:

	<u>Enterprise</u>
Retained earnings as previously reported	\$4,438,410
Restatement for debt liability	(284,000)
Restatement for accrued interest payable	<u>137,992</u>
Restated retained earnings as of January 1, 1999	<u><u>\$4,292,402</u></u>

C. Budgetary (Non-GAAP) Basis Restatement

Balances at January 1, 1999 in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types has been restated to present true unencumbered cash balances at January 1, 1999.

D. Compliance

The following fund had appropriations in excess of estimated resources for the year ended December 31, 1999, in noncompliance with Ohio Revised Code Section 5705.39.

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Capital Projects:			
Capital Improvements	\$2,016,236	\$2,357,365	\$341,129

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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

Cash on Hand: At year end, the City had \$425 in undeposited cash on hand which is included on the Balance Sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

Deposits: At December 31, 1999, the carrying amount of the City's deposits, which includes cash with fiscal agent and nonnegotiable certificates of deposit, was \$1,777,988 and the bank balance was \$1,867,841. Of the bank balance:

1. \$625,321 was covered by federal deposit insurance; and
2. \$1,242,520 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by a third party trustee, pursuant to Ohio Revised Code Section 135.181, in collateralized pools securing all public funds on deposits with specific depository institutions.

Investments: The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name. STAR Ohio (an investment pool operated by the Ohio State Treasurer) and U.S. government money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

The following is a listing of investments, by category, as of December 31, 1999:

	Category 3	Fair Value
Federal Agency Securities	\$1,236,535	\$1,236,535
U.S. Treasury Notes	576,414	576,414
	<u>\$1,812,949</u>	
U. S. Government Money Market Mutual Funds		982,028
State Treasurer's Investment Pool		<u>3,605,323</u>
Total Investments		<u>\$6,400,300</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
Per GASB Statement No. 9	\$4,625,026	\$3,553,687
Investments of the		
Cash Management Pool:		
State Treasurer's Investment Pool	(3,605,323)	3,605,323
U. S. Government		
Money Market Mutual Funds	(982,028)	982,028
Certificates of Deposit	1,740,738	(1,740,738)
Cash on Hand	<u>(425)</u>	<u>---</u>
Per GASB Statement No. 3	<u>\$1,777,988</u>	<u>\$6,400,300</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the City's operating transfers for 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>	\$ ---	\$(1,717,700)
<u>Special Revenue Funds</u>		
Police Pension	151,000	---
Fire Improvement	440,000	(56,540)
Community Center	86,000	---
Senior Fund	91,500	---
Fire Capital Reserve	50,000	---
Debt Service	33,595	---
<u>Capital Projects</u>		
Capital Improvements	1,927,145	---
Street/Safety Construction	<u>---</u>	<u>(1,005,000)</u>
Total	<u>\$2,779,240</u>	<u>\$(2,779,240)</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund balances at December 31, 1999, related to charges for goods and services rendered, consist of the following amounts due to and from other funds:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$39,056	\$ - - -
<u>Special Revenue Funds</u>		
State Highway	- - -	(20,411)
<u>Agency Fund</u>		
Mayor's Court	<u>- - -</u>	<u>(18,645)</u>
Total	<u>\$39,056</u>	<u>\$(39,056)</u>

C. The City had the following long-term advances outstanding at December 31, 1999:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$21,936	\$ - - -
<u>Enterprise Funds</u>		
Water	- - -	12,960
Sewer	<u>- - -</u>	<u>8,976</u>
Total	<u>\$21,936</u>	<u>\$21,936</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible (used in business) personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. The Hamilton County Auditor reappraises real property every six years with a triennial update. The last update was completed in the tax year 1996. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20.

The full tax rate applied to real property for the fiscal year ended December 31, 1999 was \$13.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$13.00 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$13.00 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback reductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 1999 was \$13.00 per \$1,000 of assessed valuation. The assessed valuation upon which 1999 taxes were collected is as follows:

Residential/Agricultural Real Property	\$ 59,699,870
Commercial/Industrial/Public Utility Real Property	36,761,070
Tangible/Public Utility Personal Property	<u>29,583,980</u>
Total Assessed Value	<u>\$126,044,920</u>

The Hamilton County Treasurer collects property tax on behalf of all taxing districts within the County. The Hamilton County Auditor periodically remits to the taxing districts their share of the taxes collected.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 1999. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 1999 operations. Accordingly, the receivable is offset by a credit to "Deferred Revenue".

NOTE 7 - LOCAL INCOME TAX

The City levies a tax of one percent on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue is reported to the extent that it was measurable and available to finance current operations at December 31.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999, consisted of income taxes, real estate and other taxes, accounts (billings for user charged services), amounts due from other funds, accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet. Receivables have been recorded to the extent that they are both measurable and available at December 31, 1999, as well as intended to finance fiscal 1999 operations.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 8 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

<u>Fund Type/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Income taxes	\$335,987
Real and other taxes	599,900
Accounts	12,783
Due from other governments	3,796
Accrued interest	73,272
Due from other funds	39,056
<u>Special Revenue Funds</u>	
Real and other taxes	542,983
Accounts	8,761
Due from other governments	34,684
<u>Capital Projects Funds</u>	
Real and other taxes	13,148
<u>Enterprise Funds</u>	
Accounts	346,267

NOTE 9 - FIXED ASSETS

A. Enterprise Fixed Assets

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

Land	\$ 485,420
Buildings	4,391,626
Improvements	4,902,540
Machinery and equipment	701,256
Accumulated depreciation	<u>(2,662,480)</u>
Total net fixed assets	<u>\$7,818,362</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 9 - FIXED ASSETS - (Continued)

B. General Fixed Assets

A summary of the changes in general fixed assets during 1999 follows:

	<u>Balance at</u> <u>1/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/99</u>
Land	\$ 849,190	\$ ---	\$ ---	\$ 849,190
Buildings	1,560,264	410,356	---	1,970,620
Improvements other than buildings	30,934	---	---	30,934
Machinery and equipment	<u>2,262,343</u>	<u>206,102</u>	<u>(41,186)</u>	<u>2,427,259</u>
Total fixed assets	<u>\$4,702,731</u>	<u>\$616,458</u>	<u>\$(41,186)</u>	<u>\$5,278,003</u>

NOTE 10 - CONTRIBUTED CAPITAL

The following changes to contributed capital were reported by the City:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance at January 1, 1999	\$490,660	\$757,007	\$1,247,667
Current Contributions	<u>---</u>	<u>---</u>	<u>---</u>
Balance at December 31, 1999	<u>\$490,660</u>	<u>\$757,007</u>	<u>\$1,247,667</u>

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior year, the City entered into capitalized leases for the acquisition of a heavy rescue vehicle and a street sweeper. During 1999, the City entered into capitalized leases for the acquisition of two police cruisers and a dump truck. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFs for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$252,075. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$79,048 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 1999:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2000	\$ 86,257
2001	28,675
2002	<u>13,906</u>
Total	128,838
Less: amount representing interest	<u>(9,603)</u>
Present value of net minimum lease payments	<u>\$119,235</u>

NOTE 12 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group. Vacation and sick leave earned by proprietary fund type employees is expensed when earned.

Upon termination of City service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 1999, vested benefits for sick leave for governmental fund type employees totaled \$83,600, and vested benefits for vacation leave totaled \$1,358 (these amounts are reported net of payments made using current available resources which are presented as fund liabilities). For proprietary fund types, vested benefits for sick leave totaled \$18,710. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 13 - LONG-TERM OBLIGATIONS

A. Defeased Debt

The City defeased Water Mortgage Revenue Bonds dated May 16, 1963, May 15, 1970, and May 17, 1974, in the amounts of \$259,000, \$100,000, and \$125,000, respectively. The City defeased Sewer Mortgage Revenue Bonds dated November 1, 1989, in the amount of \$2,310,000.

At the time of the defeasance, funds were deposited with the City's trustee, the Chase Manhattan Trust Company, N. A. (formally the PNC Bank), for the Water and Wastewater Issues. The principal and interest on the investments in these escrow funds are used solely to pay the principal and interest requirements on the mortgage revenue bonds as they come due. As of December 31, 1999, there was \$2,767,928 of principal and interest on deposit with the Chase Manhattan Trust Company, N.A.

As the money on deposit with the trustee is adequate to service the defeased debt, the City is not required to service any portion of this debt directly. Accordingly, the mortgage revenue debt is not included in the long-term obligations schedule or in the water or wastewater funds' balance sheet at December 31, 1999. Similarly, as no obligation is recorded, neither are the funds held on deposit with the trustee, which will be used to service that obligation.

B. General Long-Term Obligations

The City's general long-term obligations at year-end consist of the following:

	<u>Balance at</u> <u>1/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/99</u>
<u>General Long-Term Obligations</u>				
Compensated Absences Payable	\$ 77,174	\$ 7,784	\$ ---	\$ 84,958
Accrued Pension Liability	6,111	---	(64)	6,047
Capital Leases	106,253	92,030	(79,048)	119,235
Bond Anticipation Notes	<u>0</u>	<u>3,978,000</u>	<u>---</u>	<u>3,978,000</u>
Total General Long-Term Obligations	<u>\$189,538</u>	<u>\$4,077,814</u>	<u>\$(79,112)</u>	<u>\$4,188,240</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The City's liability for past service related to the Police and Firemen's Pension Fund at December 31, 1999 was \$12,636 in principal and interest payments through the year 2035. Only the principal amount of \$6,047 is included in the general long-term obligations account group. Principal and interest payments are reported in the Police Pension special revenue fund.

The following is a summary of the City's future annual debt service requirements for the accrued pension obligation:

<u>Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 67	\$ 284	\$ 351
2001	71	280	351
2002	74	277	351
2003	77	274	351
2004	81	270	351
Thereafter	<u>5,677</u>	<u>5,204</u>	<u>10,881</u>
Total	<u>\$6,047</u>	<u>\$6,589</u>	<u>\$12,636</u>

On December 9, 1999, the City issued \$3,978,000 in bond anticipation notes for the purpose of paying the cost of constructing various improvements related to roads and safety in the City and to retire prior obligations used for City improvements. These notes bear an annual interest rate of 4.63% and mature on June 15, 2000. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to be Refinanced," the bond anticipation notes are considered a long term obligation since, prior to the financial statements being issued, the City has entered into a financing agreement that insured that the notes will be refinanced on a long-term basis. Proceeds from the bond anticipation notes were receipted into the general fund, Fire Improvement special revenue fund, and Safety/Street Construction capital projects fund.

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

C. Enterprise Fund Obligations

The City had the following general obligation bonds and long-term loans payable outstanding at year-end related to enterprise fund operations:

	<u>Interest Rates</u>	<u>Restated Balance at 1/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 12/31/99</u>
<u>General Obligation Bonds</u>					
Water System Improvements - 1975	6.75%	\$ 10,000	\$ ---	\$ (5,000)	\$ 5,000
Water System Improvements - 1995	5.40%	<u>310,000</u>	<u>---</u>	<u>(55,000)</u>	<u>255,000</u>
Total General Obligation Bonds		<u>\$ 320,000</u>	<u>\$ ---</u>	<u>\$(60,000)</u>	<u>\$ 260,000</u>
<u>Mortgage Revenue Bonds</u>					
Water System Improvements - 1992	3.5-6.0%	\$ 555,000	\$ ---	\$ (55,000)	\$ 500,000
Sewer System Improvements - 1993	2.85-5.4%	<u>3,435,000</u>	<u>---</u>	<u>(135,000)</u>	<u>3,300,000</u>
Total Mortgage Revenue Bonds		<u>\$3,990,000</u>	<u>\$ ---</u>	<u>\$(190,000)</u>	<u>\$3,800,000</u>
<u>Real Estate Revenue Bonds</u>					
Water System Improvements - 1998	4.75%	<u>\$ 284,000</u>	<u>\$ ---</u>	<u>\$(71,000)</u>	<u>\$ 213,000</u>
<u>Other Long-Term Obligations</u>					
OWDA Loan	5.25%	<u>\$ 12,385</u>	<u>\$ ---</u>	<u>\$(12,385)</u>	<u>\$ 0</u>
OPWC Loan - Transmission Lines	3.00%	\$ 239,555	\$ ---	\$ (20,875)	\$ 218,680
OPWC Loan - Reservoir	3.00%	<u>447,440</u>	<u>---</u>	<u>(36,844)</u>	<u>410,596</u>
Total OPWC Loans		<u>\$ 686,995</u>	<u>\$ ---</u>	<u>\$(57,719)</u>	<u>\$ 629,276</u>
Total Other Long-Term Obligations		<u>\$ 699,380</u>	<u>\$ ---</u>	<u>\$(70,104)</u>	<u>\$ 629,276</u>
Total Enterprise Fund Obligations		<u>\$5,293,380</u>	<u>\$ ---</u>	<u>\$(391,104)</u>	<u>\$4,902,276</u>

The general obligation bonds, mortgage revenue bonds and real estate revenue bonds are expected to be retired with revenues of the enterprise funds. General obligation bonds are secured by the City's ability to levy a voted or unvoted property tax within limitations of Ohio law.

Improvements to the City's water treatment facilities were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 1999, the City has two loans outstanding through the OPWC. The loans are payable in semi-annual installments of principal and interest.

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the City's future annual debt service principal and interest requirements for enterprise fund obligations:

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Mortgage Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 60,000	\$13,833	\$ 73,833	\$ 205,000	\$ 194,918	\$ 399,918
2001	45,000	10,635	55,635	215,000	185,148	400,148
2002	40,000	8,250	48,250	230,000	174,480	404,480
2003	40,000	6,130	46,130	250,000	162,963	412,963
2004	40,000	4,010	44,010	265,000	150,023	415,023
Thereafter	<u>35,000</u>	<u>1,890</u>	<u>36,890</u>	<u>2,635,000</u>	<u>872,081</u>	<u>3,507,081</u>
Total	<u>\$260,000</u>	<u>\$44,748</u>	<u>\$304,478</u>	<u>\$3,800,000</u>	<u>\$1,739,613</u>	<u>\$5,539,613</u>

<u>Year Ended</u>	<u>Real Estate Revenue Bonds</u>			<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 71,000	\$10,118	\$ 81,118	\$ 59,463	\$18,436	\$ 77,899
2001	71,000	6,745	77,745	61,261	16,638	77,899
2002	71,000	3,373	74,373	63,112	14,787	77,899
2003	---	---	---	65,020	12,879	77,899
2004	---	---	---	66,985	10,914	77,899
Thereafter	<u>---</u>	<u>---</u>	<u>---</u>	<u>313,435</u>	<u>23,158</u>	<u>336,593</u>
Total	<u>\$213,000</u>	<u>\$20,236</u>	<u>\$233,236</u>	<u>\$629,276</u>	<u>\$96,812</u>	<u>\$726,088</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 14 - NOTES PAYABLE

The City has pledged its full faith and credit as collateral for the general obligation notes. The general obligation notes outstanding at December 31, 1998 were retired in 1999 using the proceeds of the bond anticipation note that was issued on December 9, 1999. The City's only activity for 1999 follows:

	<u>Balance</u> <u>1/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/99</u>
<u>Special Revenue Funds</u>				
Fire Equipment Notes:				
1998 Issue - 3.62%	<u>\$474,000</u>	<u>\$ ---</u>	<u>\$(474,000)</u>	<u>\$ 0</u>
<u>Capital Projects Funds</u>				
Real Estate Notes:				
1998 Issue - 3.62%	<u>\$504,000</u>	<u>\$ ---</u>	<u>\$(504,000)</u>	<u>\$ 0</u>
Total General Obligation Notes	<u>\$978,000</u>	<u>\$ ---</u>	<u>\$(978,000)</u>	<u>\$ 0</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers for water operations, sewer operations, sanitation services, and waste/sewer deposits. Segment information for the year ended December 31, 1999, is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation</u>	<u>Deposit Fund</u>	<u>Total</u>
Operating revenues	\$862,690	\$1,137,794	\$217,882	\$3,081	\$2,221,447
Operating expenses before depreciation	402,201	529,443	168,407	---	1,100,051
Depreciation expense	87,501	140,110	---	---	227,611
Operating income	372,988	468,241	49,475	3,081	893,785
Net income	359,579	349,806	45,882	3,081	758,348
Additions to property, plant and equipment	155,697	46,555	---	---	202,252
Net working capital	675,312	1,406,030	88,761	22,973	2,193,076
Total assets	4,114,261	7,102,763	104,401	22,973	11,344,398
Bonds and other long term liabilities payable from operating revenues	1,631,356	3,328,890	---	---	4,960,246
Total liabilities	1,669,709	3,360,632	15,640	---	5,045,981
Contributed capital	490,660	757,007	---	---	1,247,667
Total equity	2,444,552	3,742,131	88,761	22,973	6,298,417

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 16 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 1999, the City was insured through Acordia/RAUH Insurance through June 1, and through Arthur J. Gallagher & Co. thereafter. All coverages were underwritten by TIG Specialty Insurance Company through June 1, and by Coregis Insurance Co. thereafter. The City maintains a Management Committee of department directors and Loss Control Guidelines are followed.

B. Employee Health Insurance

The City provides employees health insurance through the Buckeye Ohio Risk Management Agency, Inc. (BORMA). BORMA is a joint insurance pool consisting of thirteen member cities. The premiums for health insurance are paid monthly with the City paying one hundred percent of the cost.

BORMA provides employee benefits that include health insurance, life insurance, accidental death and dismemberment insurance, dental insurance and prescription drug insurance. Each member has an option on the coverage it has elected to provide for its employees. The City provides to its employees all available options offered by the pool except for life insurance which is offered exclusively to steel worker employees. The employee benefits pools includes the following municipalities: Archibald, Bowling Green, Carey, Defiance, Fayette, Harrison, Huron, Napoleon, Sandusky and Willard. As of December 31, 1999, the pool had cash reserves of \$116,881 which, in the opinion of management, is adequate for any claims against the pool.

Premiums are paid to the pool at a cost of \$524 monthly for employee/family coverage. Life insurance monthly premiums are \$3 for steel worker employees. During 1999, the City paid \$334,357 in premiums and service charges to the pool for coverage. The cost of coverage is paid by the fund that pays the salary of the individual employees. The amount of the risk retained is \$75,000 per individual with excess claims coverage provided by the John Alden Insurance Company.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 16 - RISK MANAGEMENT - (Continued)

BORMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. The probability of this occurring is considered remote due to the adequacy of the pool reserves and premium levels, therefore, no amount has been reserved in the financial statements. Audited financial statements are maintained separately by BORMA, Inc.

C. Workers' Compensation

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City is a member of the Ohio Municipal Treasurers' Association Workers' Compensation Group. This group is composed of twenty cities and the City's rate is based on the entire group's accident history and administrative costs. The benefit of belonging to this group is a reduction in premiums paid to the Ohio Bureau of Workers' Compensation. The administrator of the "pool" is Acordia of Northeast Ohio.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance converge in any of the past three fiscal years.

NOTE 17 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate for employees other than law enforcement was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The employer contribution rate for law enforcement employees was 16.7 percent of covered payroll; 12.5 percent was the portion used to fund pension obligations for 1999. The City's contributions for pension obligations to the PERS for the years ended December 31, 1999, 1998, and 1997 were \$149,090, \$91,299, and \$132,830, respectively; 92 percent has been contributed for 1999 and 100 percent for 1998 and 1997. \$11,251, representing the unpaid contribution for 1999, is recorded as a liability within the respective funds.

B. Police and Firemen's Disability Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the PFDPF for the years ended December 31, 1999, 1998, and 1997 were \$318,590, \$301,473, and \$248,607, respectively; 73 percent has been contributed for 1999 and 100 percent for the years 1998 and 1997. \$85,225, representing the unpaid contributions for 1999, is recorded as a liability within the general fund.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 18 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Public Employees Retirement System

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for local employers was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care. The law enforcement employer rate for 1999 was 16.7% of covered payroll; 4.2% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The City's contribution actually made to fund postemployment benefits was \$46,212.

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

Expenditures for OPEB during 1999 were \$523.599 million. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9.870 billion. The number of benefit recipients eligible for OPEB at December 31, 1999, was 118,062.

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 18 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - (Continued)

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 1999, Comprehensive Annual Financial Report.

B. Police and Firemen's Disability Pension Fund

The PFDPF provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers." The Ohio Revised Code provides that health care cost paid from the funds of the PFDPF shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5 percent and 7.0 percent of covered payroll in 1998 and 1999, respectively. The allocation rate will be 7.25 percent in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available), is 11,424 for police officers and 9,186 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$60,768 and \$36,911, respectively. The PFDPF's total health care expenses for the year ending December 31, 1998 (the latest information available), was \$78.597 million which was net of member contributions of \$5.332 million.

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 19 - BUDGETARY BASIS OF ACCOUNTING

The City's budgetary process is based upon accounting for transactions on a cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the City reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis is as follows:

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER (UNDER) EXPENDITURES AND OTHER USES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	\$ 369,924	\$(189,860)	\$29,156	\$1,624,149
Adjustments:				
Net Adjustment for Revenue Accruals	101,144	7,804	---	(62,805)
Net Adjustment for Expenditure Accruals	423,455	291,897	881,335	(130,600)
Net adjustment for Other Financing Sources/ (Uses) Accruals	(342,249)	96,749	(881,335)	572,835
Encumbrances	<u>61,548</u>	<u>32,746</u>	<u>---</u>	<u>1,080,357</u>
GAAP Basis	<u>\$ 613,822</u>	<u>\$ 239,336</u>	<u>\$29,156</u>	<u>\$3,083,936</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 20 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 1999.

B. Litigation

There are lawsuits pending against the City. In the opinion of the City's management, any potential liability would not have a material effect on the financial statements.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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

Mayor and Members of Council
City of Harrison
112 N. Walnut Street
Harrison, Ohio 45030

We have audited the financial statements of the City of Harrison, Hamilton County, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

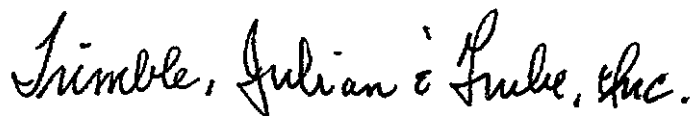
As part of obtaining reasonable assurance about whether the City of Harrison's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-001 and 1999-002. We also noted other certain immaterial instances of noncompliance, that we have reported to management of the City in a separate letter dated May 4, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Harrison's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-001 and 1999-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the City of Harrison in a separate letter dated May 4, 2000.

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



Trimble, Julian & Grube, Inc.
May 4, 2000

SCHEDULE OF FINDINGS

**City of Harrison
Hamilton County
December 31, 1999**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	1999-001

Ohio Revised Code Section 5705.39 in part requires that the total appropriations from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources for the Permanent Improvement Fund.

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Capital Projects:</u>			
Permanent Improvement	\$2,016,236	\$2,357,365	\$341,129

With total appropriations exceeding estimated resources, the City is spending monies not lawfully appropriated for those purposes and this could cause a fund deficit.

We recommend that the City comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations throughout the fiscal year and amending the appropriations and the estimated resources as necessary. Moreover, we recommend that the amended certificates of estimated resources be reviewed upon receipt from the County Auditor and that discrepancies between the City's and County's calculations of estimated resources be reported immediately.

Finding Number	1999-002
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be used only for the purposes for which such fund is established.

It was noted during the audit that the City paid for State Highway fund expenditures prior to receipt of funds during the year.

By expending funds without receipt of monies, the State Highway fund maintained a negative cash fund balance at December 31, 1999.

We recommend that the City properly expend monies only after funds have been received. If funds are anticipated, but not yet received and expenditures are necessary, the City should advance or transfer funds from the General Fund with proper council approval.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF HARRISON

HAMILTON 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.

By: Susan Babbitt

Date: JULY 20, 2000