



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF HUDSON
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REPORT OF INDEPENDENT ACCOUNTANTS

City of Hudson
Summit County
27 East Main Street
Hudson, Ohio 44236

To the Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Hudson, Summit 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'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

Jim Petro
Auditor of State

October 16, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$8,478,279	\$3,437,739	\$535,083	\$4,269,428
Cash and Cash Equivalents in Segregated Accounts	1,626	91,389	0	0
Cash with Fiscal and Escrow Agent	0	0	10,000	0
Investments in Segregated Accounts	0	2,834	0	0
Investment in Common Stock	0	15,814	0	0
Receivables:				
Taxes	3,126,832	1,888,623	1,686,184	0
Accounts	8,588	40,680	0	0
Interfund	310,008	0	0	0
Special Assessments	0	0	4,076,602	97,589
Accrued Interest	0	1,780	0	0
Intergovernmental	791,902	30,120	0	6,246
Materials and Supplies Inventory	22,879	32,263	0	0
Notes Receivable	0	0	0	100,000
Investment in Joint Venture	0	0	0	0
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0
Total Assets	<u>\$12,740,114</u>	<u>\$5,541,242</u>	<u>\$6,307,869</u>	<u>\$4,473,263</u>
<u>Liabilities</u>				
Accounts Payable	\$150,520	\$141,901	\$0	\$340,037
Interfund Payable	0	75,000	0	25,750
Accrued Wages and Benefits	91,881	27,508	0	0
Compensated Absences Payable	8,321	9,779	0	0
Intergovernmental Payable	105,388	42,822	0	0
Deferred Revenue	2,101,609	1,879,874	5,757,885	197,589
Undistributed Monies	0	0	0	0
Deposits Held and Due to Others	0	0	0	0
Matured Interest Payable	0	0	10,000	0
Accrued Interest Payable	0	0	0	3,162
Notes Payable	0	0	0	3,635,000
OWDA Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
Total Liabilities	<u>2,457,719</u>	<u>2,176,884</u>	<u>5,767,885</u>	<u>4,201,538</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	488,011	631,817	0	2,634,393
Reserved for Inventory	22,879	32,263	0	0
Reserved for Debt Service:				
Principal	0	0	539,984	0
Reserved for Investments	0	2,834	0	0
Reserved for Common Stock	0	15,814	0	0
Unreserved:				
Undesignated	9,771,505	2,681,630	0	(2,362,668)
Total Fund Equity and Other Credits	<u>10,282,395</u>	<u>3,364,358</u>	<u>539,984</u>	<u>271,725</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$12,740,114</u>	<u>\$5,541,242</u>	<u>\$6,307,869</u>	<u>\$4,473,263</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$9,979,933	\$837,612	\$914,324	\$0	\$0	\$28,452,398
0	0	303,270	0	0	396,285
0	0	0	0	0	10,000
0	0	0	0	0	2,834
0	0	0	0	0	15,814
0	0	0	0	0	6,701,639
3,475,329	5,350	331,265	0	0	3,861,212
0	0	0	0	0	310,008
0	0	0	0	0	4,174,191
0	0	0	0	0	1,780
0	0	0	0	0	828,268
1,012,823	38,668	0	0	0	1,106,633
0	0	0	0	0	100,000
136,490	0	0	0	0	136,490
20,567,554	8,590	0	21,784,969	0	42,361,113
0	0	0	0	513,129	513,129
0	0	0	0	26,855	26,855
0	0	0	0	13,264,724	13,264,724
0	0	0	0	2,938,145	2,938,145
<u>\$35,172,129</u>	<u>\$890,220</u>	<u>\$1,548,859</u>	<u>\$21,784,969</u>	<u>\$16,742,853</u>	<u>\$105,201,518</u>
\$140,002	\$20,121	\$34,451	\$0	\$0	\$827,032
209,258	0	0	0	0	310,008
32,893	3,504	0	0	0	155,786
385,417	226,939	0	0	643,542	1,273,998
110,604	35,581	0	0	114,311	408,706
0	0	0	0	0	9,936,957
0	0	1,010,757	0	0	1,010,757
0	0	503,651	0	0	503,651
0	0	0	0	0	10,000
20,240	0	0	0	0	23,402
380,000	0	0	0	0	4,015,000
7,849,206	0	0	0	0	7,849,206
4,530,000	0	0	0	13,020,000	17,550,000
0	0	0	0	2,965,000	2,965,000
<u>13,657,620</u>	<u>286,145</u>	<u>1,548,859</u>	<u>0</u>	<u>16,742,853</u>	<u>46,839,503</u>
0	0	0	21,784,969	0	21,784,969
5,253,227	0	0	0	0	5,253,227
16,261,282	604,075	0	0	0	16,865,357
0	0	0	0	0	3,754,221
0	0	0	0	0	55,142
0	0	0	0	0	539,984
0	0	0	0	0	2,834
0	0	0	0	0	15,814
0	0	0	0	0	10,090,467
<u>21,514,509</u>	<u>604,075</u>	<u>0</u>	<u>21,784,969</u>	<u>0</u>	<u>58,362,015</u>
<u>\$35,172,129</u>	<u>\$890,220</u>	<u>\$1,548,859</u>	<u>\$21,784,969</u>	<u>\$16,742,853</u>	<u>\$105,201,518</u>

City of Hudson, Ohio
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year December 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues:</u>				
Municipal Income Tax	\$6,663,939	\$0	\$0	\$0
Property and Other Taxes	1,881,595	1,644,553	1,047,465	0
Charges for Services	1,203,854	2,967	0	0
Licenses and Permits	107,150	220,298	0	50,000
Intergovernmental	2,643,493	890,206	124,328	101,647
Special Assessments	0	0	312,835	52,745
Investment Income	1,384,897	112,548	142,948	84,504
Donations	25,550	28,672	0	0
Rent	0	12,000	0	0
Other	27,329	371,228	0	0
Total Revenues	13,937,807	3,282,472	1,627,576	288,896
<u>Expenditures:</u>				
Current:				
General Government	3,423,516	1,775	32,281	832
Security of Persons and Property	2,560,180	896,236	0	0
Public Health and Welfare	413,205	143,452	0	0
Transportation	0	1,932,143	0	0
Community Environment	225,216	618	0	0
Leisure Time Activities	0	616,185	0	0
Capital Outlay	1,217,709	1,053,577	0	12,671,693
Debt Service:				
Principal Retirement	0	8,000	1,155,000	610,000
Interest and Fiscal Charges	0	270	798,283	58,608
Total Expenditures	7,839,826	4,652,256	1,985,564	13,341,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,097,981	(1,369,784)	(357,988)	(13,052,237)
<u>Other Financing Sources (Uses):</u>				
Proceeds of Bonds	0	0	420,000	1,095,000
Operating Transfers - In	407,500	1,527,885	450,411	5,659,820
Operating Transfers - Out	(8,169,730)	(151,310)	(225,000)	(210,000)
Total Other Financing Sources (Uses)	(7,762,230)	1,376,575	645,411	6,544,820
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(1,664,249)	6,791	287,423	(6,507,417)
Fund Balances at Beginning of Year	11,927,471	3,364,384	252,561	6,779,142
Increase (Decrease) in Reserve for Inventory	19,173	(6,817)	0	0
Fund Balances at End of Year	\$10,282,395	\$3,364,358	\$539,984	\$271,725

See accompanying notes to the general purpose financial statements

Totals
(Memorandum
Only)

\$6,663,939
4,573,613
1,206,821
377,448
3,759,674
365,580
1,724,897
54,222
12,000
398,557

19,136,751

3,458,404
3,456,416
556,657
1,932,143
225,834
616,185
14,942,979

1,773,000
857,161

27,818,779

(8,682,028)

1,515,000
8,045,616
(8,756,040)

804,576

(7,877,452)

22,323,558

12,356

\$14,458,462

City of Hudson, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 1999

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Municipal Income Tax	\$5,900,000	\$6,915,311	\$1,015,311
Property and Other Taxes	1,890,866	1,881,644	(9,222)
Charges for Services	1,185,000	1,213,916	28,916
Licenses and Permits	100,000	112,319	12,319
Intergovernmental	1,737,506	2,143,429	405,923
Special Assessments	0	0	0
Investment Income	950,000	1,359,729	409,729
Donations	0	25,550	25,550
Rent	0	0	0
Other	115,000	27,939	(87,061)
Total Revenues	11,878,372	13,679,837	1,801,465
Expenditures:			
Current:			
General Government	4,044,855	3,549,930	494,925
Security of Persons and Property	2,623,081	2,578,139	44,942
Public Health and Welfare	407,483	406,882	601
Transportation	0	0	0
Community Environment	306,115	215,825	90,290
Leisure Time Activities	0	0	0
Capital Outlay	1,644,688	1,231,909	412,779
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	9,026,222	7,982,685	1,043,537
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,852,150	5,697,152	2,845,002
Other Financing Sources (Uses):			
Proceeds of Bonds	0	0	0
Proceeds of Notes	0	0	0
Advances - In	149,000	100,000	(49,000)
Advances - Out	(171,408)	(171,408)	0
Operating Transfers - In	407,500	407,500	0
Operating Transfers - Out	(8,169,730)	(8,169,730)	0
Total Other Financing Sources (Uses)	(7,784,638)	(7,833,638)	(49,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(4,932,488)	(2,136,486)	2,796,002
Fund Balances at Beginning of Year	10,076,115	10,076,115	0
Prior Year Encumbrances Appropriated	413,143	413,143	0
Fund Balances at End of Year	\$5,556,770	\$8,352,772	\$2,796,002

See accompanying notes to the general purpose financial statements

Governmental Fund Types

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
1,699,279	1,644,637	(54,642)	1,031,644	1,045,873	14,229
7,500	2,967	(4,533)	0	0	0
199,600	214,216	14,616	0	0	0
794,145	888,267	94,122	122,500	124,328	1,828
0	0	0	295,604	303,471	7,867
100,800	118,364	17,564	0	157,004	157,004
19,471	28,672	9,201	0	0	0
0	12,000	12,000	0	0	0
223,385	391,941	168,556	0	0	0
<u>3,044,180</u>	<u>3,301,064</u>	<u>256,884</u>	<u>1,449,748</u>	<u>1,630,676</u>	<u>180,928</u>
12,525	675	11,850	42,225	32,376	9,849
1,119,929	954,922	165,007	0	0	0
163,241	147,125	16,116	0	0	0
2,180,851	2,061,726	119,125	0	0	0
22,500	2,100	20,400	0	0	0
792,936	711,461	81,475	0	0	0
1,565,787	1,484,516	81,271	0	0	0
8,000	8,000	0	715,000	715,000	0
270	270	0	790,371	787,228	3,143
<u>5,866,039</u>	<u>5,370,795</u>	<u>495,244</u>	<u>1,547,596</u>	<u>1,534,604</u>	<u>12,992</u>
<u>(2,821,859)</u>	<u>(2,069,731)</u>	<u>752,128</u>	<u>(97,848)</u>	<u>96,072</u>	<u>193,920</u>
0	0	0	0	0	0
0	0	0	0	0	0
500	0	(500)	0	0	0
(100,000)	(100,000)	0	0	0	0
1,510,000	1,510,000	0	428,720	428,720	0
(151,310)	(151,310)	0	(225,000)	(225,000)	0
<u>1,259,190</u>	<u>1,258,690</u>	<u>(500)</u>	<u>203,720</u>	<u>203,720</u>	<u>0</u>
(1,562,669)	(811,041)	751,628	105,872	299,792	193,920
2,807,570	2,807,570	0	233,725	233,725	0
768,964	768,964	0	0	0	0
<u>\$2,013,865</u>	<u>\$2,765,493</u>	<u>\$751,628</u>	<u>\$339,597</u>	<u>\$533,517</u>	<u>\$193,920</u>

(continued)

City of Hudson, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis) (Continued)
All Governmental Fund Types
For the Year Ended December 31, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Licenses and Permits	50,000	50,000	0
Intergovernmental	90,000	106,089	16,089
Special Assessments	46,000	52,532	6,532
Investment Income	20,000	74,254	54,254
Donations	0	0	0
Rent	0	0	0
Other	0	0	0
Total Revenues	206,000	282,875	76,875
Expenditures:			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	15,814,638	15,316,479	498,159
Debt Service:			
Principal Retirement	0	13,649	(13,649)
Interest and Fiscal Charges	45,000	31,351	13,649
Total Expenditures	15,859,638	15,361,479	498,159
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,653,638)	(15,078,604)	575,034
Other Financing Sources (Uses):			
Proceeds of Bonds	1,092,000	1,095,000	3,000
Proceeds of Notes	3,635,000	3,635,000	0
Advances - In	201,500	25,750	(175,750)
Advances - Out	0	0	0
Operating Transfers - In	8,419,140	5,659,820	(2,759,320)
Operating Transfers - Out	(210,000)	(210,000)	0
Total Other Financing Sources (Uses)	13,137,640	10,205,570	(2,932,070)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(2,515,998)	(4,873,034)	(2,357,036)
Fund Balances at Beginning of Year	5,701,802	5,701,802	0
Prior Year Encumbrances Appropriated	472,147	472,147	0
Fund Balances at End of Year	\$3,657,951	\$1,300,915	(\$2,357,036)

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$5,900,000	\$6,915,311	\$1,015,311
4,621,789	4,572,154	(49,635)
1,192,500	1,216,883	24,383
349,600	376,535	26,935
2,744,151	3,262,113	517,962
341,604	356,003	14,399
1,070,800	1,709,351	638,551
19,471	54,222	34,751
0	12,000	12,000
338,385	419,880	81,495
<u>16,578,300</u>	<u>18,894,452</u>	<u>2,316,152</u>
4,099,605	3,582,981	516,624
3,743,010	3,533,061	209,949
570,724	554,007	16,717
2,180,851	2,061,726	119,125
328,615	217,925	110,690
792,936	711,461	81,475
19,025,113	18,032,904	992,209
723,000	736,649	(13,649)
835,641	818,849	16,792
<u>32,299,495</u>	<u>30,249,563</u>	<u>2,049,932</u>
<u>(15,721,195)</u>	<u>(11,355,111)</u>	<u>4,366,084</u>
1,092,000	1,095,000	3,000
3,635,000	3,635,000	0
351,000	125,750	(225,250)
(271,408)	(271,408)	0
10,765,360	8,006,040	(2,759,320)
<u>(8,756,040)</u>	<u>(8,756,040)</u>	<u>0</u>
<u>6,815,912</u>	<u>3,834,342</u>	<u>(2,981,570)</u>
(8,905,283)	(7,520,769)	1,384,514
18,819,212	18,819,212	0
<u>1,654,254</u>	<u>1,654,254</u>	<u>0</u>
<u>\$11,568,183</u>	<u>\$12,952,697</u>	<u>\$1,384,514</u>

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

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$16,344,366	\$917,575	\$17,261,941
Other	146,674	6,654	153,328
Total Operating Revenues	16,491,040	924,229	17,415,269
Operating Expenses:			
Personal Services	2,382,797	196,621	2,579,418
Contractual Services	10,806,117	78,169	10,884,286
Materials and Supplies	421,840	160,723	582,563
Depreciation	635,990	955	636,945
Capital Outlay	1,599,214	391,193	1,990,407
Total Operating Expenses	15,845,958	827,661	16,673,619
Operating Income (Loss)	645,082	96,568	741,650
Non-Operating Revenues (Expenses):			
Rent	81,492	0	81,492
Equity Interest in Joint Venture Operating Income	6,739	0	6,739
Interest Income	56,527	0	56,527
Interest and Fiscal Charges	(803,625)	0	(803,625)
Other Non-Operating Expenses	(148,313)	0	(148,313)
Total Non-Operating Revenues (Expenses)	(807,180)	0	(807,180)
Income (Loss) Before Operating Transfers	(162,098)	96,568	(65,530)
Operating Transfers - In	2,224,185	0	2,224,185
Operating Transfers - Out	(1,495,876)	(17,885)	(1,513,761)
Net Income (Loss)	566,211	78,683	644,894
Retained Earnings at Beginning of Year (Restated)	15,695,071	525,392	16,220,463
Retained Earnings at End of Year	16,261,282	604,075	16,865,357
Contributed Capital at Beginning of Year	5,092,867	0	5,092,867
Contributions From Other Funds	160,360	0	160,360
Contributed Capital at End of Year	5,253,227	0	5,253,227
Total Fund Equity at End of Year	\$21,514,509	\$604,075	\$22,118,584

See accompanying notes to the general purpose financial statements

City of Hudson, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$15,533,007	\$917,575	\$16,450,582
Cash Payments to Suppliers for Goods and Services	(13,455,167)	(693,739)	(14,148,906)
Cash Payments to Employees for Services and Benefits	(2,401,742)	(200,322)	(2,602,064)
Other Operating Revenues	145,628	11,030	156,658
Net Cash Provided by (Used for) Operating Activities	<u>(178,274)</u>	<u>34,544</u>	<u>(143,730)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Transfers In	2,224,185	0	2,224,185
Operating Transfers Out	(1,495,876)	(17,885)	(1,513,761)
Short-Term Loans from Other Funds	145,658	0	145,658
Other Nonoperating Revenue	81,876	0	81,876
Other Nonoperating Expenses	(148,313)	0	(148,313)
Net Cash (Used For) Noncapital Financing Activities	<u>807,530</u>	<u>(17,885)</u>	<u>789,645</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds From Sale of Notes	699,155	0	699,155
Proceeds From Loans	845,000	0	845,000
Acquisition of Capital Assets	(359,684)	(9,545)	(369,229)
Principal Payments	(710,536)	0	(710,536)
Interest Payments	(805,142)	0	(805,142)
Net Cash (Used For) Capital and Related Financing Activities	<u>(331,207)</u>	<u>(9,545)</u>	<u>(340,752)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest on Investments	56,527	0	56,527
Net Cash Provided by Investing Activities	<u>56,527</u>	<u>0</u>	<u>56,527</u>
Net Increase in Cash and Cash Equivalents	354,576	7,114	361,690
Cash and Cash Equivalents at Beginning of Year	9,625,357	830,498	10,455,855
Cash and Cash Equivalents at End of Year	<u>\$9,979,933</u>	<u>\$837,612</u>	<u>\$10,817,545</u>
Reconciliation of Operating Income (Loss) to			
<u>Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income	\$645,082	\$96,568	\$741,650
Adjustments to Reconcile Operating Income to			
<u>Net Cash Provided by Operating Activities:</u>			
Depreciation	635,990	955	636,945
Changes in Assets and Liabilities:			
(Increase)/Decrease in Accounts Receivable	(812,405)	4,376	(808,029)
(Increase)/Decrease in Materials and Supplies Inventory	37,460	(9,765)	27,695
Increase/(Decrease) in Accounts Payable	(374,492)	(52,569)	(427,061)
Increase/(Decrease) in Accrued Wages and Benefits	9,623	1,030	10,653
Increase/(Decrease) in Compensated Absences Payable	(29,390)	(21,283)	(50,673)
Increase/(Decrease) in Contracts Payable	(130,306)	0	(130,306)
Increase/(Decrease) in Intergovernmental Payable	(159,836)	15,232	(144,604)
Total Adjustments	<u>(823,356)</u>	<u>(62,024)</u>	<u>(885,380)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$178,274)</u>	<u>\$34,544</u>	<u>(\$143,730)</u>

See accompanying notes to the general purpose financial statements

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

Note 1 - Description of the City and Reporting Entity

The City of Hudson (the "City") is a charter municipal corporation established and operating under the laws of the State of Ohio. The City was incorporated as a village in 1837, and became a city on March 20, 1991. The City merged with Hudson Township on January 1, 1994. The municipal government provided by the Charter is known as a Mayor - Council - Manager form of government. Legislative power is vested in a seven-member Council, each elected to a four-year term. The Mayor is also elected to a four-year term and is the official and ceremonial head of the municipal government. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department managers while Council appoints the Clerk of Council.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Hudson, this includes police and fire protection, emergency medical, parks, planning, zoning, street maintenance and repair, and general administrative services. Overall City activities are directly controlled by Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; or 3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City is associated with a joint venture and a shared risk pool. The joint venture is the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5). The Northern Ohio Risk Management Association (NORMA) is the shared risk pool. These organizations are presented in Notes 22 and 23.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

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 measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Enterprise Funds These funds are used 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 or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

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

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

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

B. *Measurement Focus and Basis of Accounting*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the Combined 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.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made.

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, State and County levied locally shared taxes (including gasoline tax), state grants, licenses and permits, inheritance taxes, charges for current services and income tax withheld by employers. Major revenue sources not susceptible to accrual include fines and forfeitures, which are not considered measurable until received.

The City reports deferred revenue on its Combined Balance Sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the Combined Balance Sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

C. *Budgetary Process*

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

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

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the Annual Appropriation Ordinance. On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31 of the preceding year. The Certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official Certificate of Estimated Resources issued during 1999.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Appropriations For management, a temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. The Annual Appropriation Ordinance must be passed by April 1 of each year for the period January 1 to December 31. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriations at any level of control. Any revisions that alter the appropriations among departments within a fund must first be approved by City Council. Council may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by City Council throughout the year by supplemental appropriations which either reallocate or increase the original appropriation amounts. During the year, supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budgetary figures which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the general purpose financial statements for the proprietary funds.

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

D. *Cash, Cash Equivalents and Investments*

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

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

City of Hudson, 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 the year 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 City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the year 1999 amounted to \$1,384,897, which includes \$822,694 assigned from other City funds. Interest revenue credited to the general obligation bond retirement fund during the year 1999 amounted to \$142,948, which includes \$123,301 assigned from other City funds.

The City has segregated bank accounts and investments for monies held separate from the City's central bank accounts. These accounts and investments are presented in the Combined Balance Sheet as "Cash and Cash Equivalents in Segregated Accounts" and "Investments in Segregated Accounts" since they are not required to be deposited into the City treasury.

The City utilizes a fiscal agent to hold bonds and coupons for retainage on construction contracts. The balance in this account is presented on the Combined Balance Sheet as "Cash With Fiscal and Escrow Agent" and represents deposits.

The City has donated stock. The account is presented in the Combined Balance Sheet as "Investment in Common Stock" since they are not required to be deposited into the City treasury. See Note 6, Deposits and Investments.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less at the time they are purchased by the City and investments of the cash management pool are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. *Interfund Assets and Liabilities*

Short-term interfund loans are classified as "Interfund Receivable/Payable".

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

Note 2 - Summary of Significant Accounting Policies (continued)

F. *Intergovernmental Revenues*

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

G. *Inventory*

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

H. *Fixed Assets and Depreciation*

General Fixed Assets Account Group

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Proprietary Fund Fixed Assets

Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Infrastructure	30 to 65 years
Machinery and Equipment	5 to 30 years
Vehicles	8 years

The City's policy is to capitalize interest on proprietary fund construction projects until substantial completion of the project.

Valuation

The City's fixed asset values were determined using original acquisition costs when such information was available. In cases when original costs were not practicably determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated.

I. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. In proprietary funds, the entire amount of compensated absences is reported as fund liability.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

J. *Contributed Capital*

Contributed capital represents resources from other funds, other governments and private sources provided to proprietary funds that are not subject to repayment. These private sources are recorded at fair market value on the date contributed.

K. *Reserves of Fund Equity*

The City records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balances are reserved for encumbrances, investments, common stock, debt service principal payments and inventory.

L. *Interfund Transactions*

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

All other interfund transfers are reported as operating transfers.

M. *Accrued and Long-Term Obligations*

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

N. *Estimates*

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

O. *Total Columns on General Purpose Financial Statements*

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

Note 3 – Restatement of Prior Year Equity

The Ohio Water Development Authority adjusted the loan balance on its loan with the City. Retained earnings has been restated in the wastewater fund at January 1, 1999 to record this adjustment.

The restatement to retained earnings on the GAAP basis is as follows:

	<u>Enterprise</u>
Retained Earnings as Stated at December 31, 1998	\$15,732,319
Restatement	<u>(37,248)</u>
Retained Earnings as Restated at January 1, 1999	<u>\$15,695,071</u>

Note 4 - Budgetary Basis of Accounting

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

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

Note 4 - Budgetary Basis of Accounting (continued)

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from and principal payment on bond anticipation notes are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
5. Advances are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses) All Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$(1,664,249)	\$ 6,791	\$287,423	\$(6,507,417)
Net Adjustment for Revenue Accruals	(164,102)	707	(438,591)	3,654,729
Net Adjustment for Expenditure Accruals	268,454	(66,879)	450,960	940,115
Encumbrances	<u>(576,589)</u>	<u>(751,660)</u>	<u>0</u>	<u>(2,960,461)</u>
Budget Basis	<u>\$(2,136,486)</u>	<u>\$(811,041)</u>	<u>\$299,792</u>	<u>\$(4,873,034)</u>

Note 5 - Accountability

The following funds had deficit fund balances or retained earnings caused by the recognition of expenditures/expenses and/or nonrecognition of revenues on the modified accrual basis of accounting and the accrual basis of accounting which substantially differ from those recognized on the cash basis of accounting:

<u>Fund</u>	<u>Deficit Fund Balances/ Retained Earnings</u>
Capital Project Funds	
Village South Construction	\$(1,160,726)
City Acquisition and Construction	(2,244,073)
Enterprise Fund	
Storm Water Utility	(49,541)

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

Note 6 - Deposits and Investments

Deposits and investments are restricted by provisions of the Ohio Revised Code. State statutes classify monies held by the City into three categories:

1. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
3. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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 money deposited with the institution.

Interim monies can be deposited and 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentality's;
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 Hudson, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 1999

Note 6 - Deposits and Investments (continued)

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

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.

Cash on Hand

At year end, the City had \$1,500 in undeposited cash on hand which is included on the Combined Balance Sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits

At year end, the carrying amount of the City's deposits was \$(707,247) and the bank balance was \$611,025. Of the bank balance:

1. \$345,540 was covered by federal depository insurance; and
2. \$265,485 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Note 6 - Deposits and Investments (continued)

Investments

GASB Statement No. 3 requires the use of three categories to classify investments as to custodial credit risk. 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 is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>
Overnight Repurchase Agreements	\$ 0	\$0	\$645,000	\$ 645,000
Series "E" Bonds	2,834	0	0	2,834
Common Stock	<u>15,814</u>	<u>0</u>	<u>0</u>	15,814
	<u>\$18,648</u>	<u>\$0</u>	<u>\$645,000</u>	
STAR Ohio				<u>28,919,430</u>
Total Investments				<u>\$29,583,078</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 28,858,683	\$ 18,648
Investments of Cash Management Pool:		
Overnight Repurchase Agreements	(645,000)	645,000
STAR Ohio	(28,919,430)	28,919,430
Cash on Hand	<u>(1,500)</u>	<u>0</u>
GASB Statement No. 3	<u>\$ (707,247)</u>	<u>\$29,583,078</u>

Note 7 - Receivables

Receivables at December 31, 1999, consisted of taxes, accounts (billings for user charged services, rents and royalties), interfund, accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. Accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

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

Note 8 - Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible 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. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, the first payment is due January 20, with the remainder payable June 20, unless extended.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility, real, and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31, of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 80 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

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

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

Note 8 - Property Taxes (continued)

The full tax rate for all County operations for the year ended December 31, 1999, was \$8.39 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

<u>Category</u>	<u>Total Assessed Value</u>	<u>%</u>
Real Property Valuation:		
Residential/Agriculture	\$ 545,218,060	79.24
Commercial/Industrial/Mineral	72,619,930	10.55
Public Utilities	50,910	0.01
Tangible Personal Property Valuation:		
General	50,961,930	7.40
Public Utilities	<u>19,240,290</u>	<u>2.80</u>
Total Valuation	<u>\$688,091,120</u>	<u>100.00%</u>

Note 9 - Income Tax

The City levies a municipal income tax of one percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted one hundred percent credit for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Authority (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, disbursement of the revenue received from income taxes is as follows: first, all expenses of collecting the tax and of administering and enforcing the income tax ordinance are paid. Then, the balance remaining after payment of the expenses is deposited in the general fund for street construction, maintenance and repair, capital improvements and general municipal operations, or as such other fund or funds as Council may from time to time establish or designate. For 1999, municipal income tax revenue was \$6,663,939.

Note 10 - Note Receivable

The City entered into a development agreement with Little Tikes Company whereby the City would provide funding for certain road and site improvements. Little Tikes Company then agreed to repay the City for a portion of the cost of the project not to exceed six equal payments of \$50,000 totaling \$300,000. Payments started in 1996. Since the payments were not received during the available period, the entire amount has been deferred.

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

Note 11 - Intergovernmental Receivable

A summary of the items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
General	\$791,902
Special Revenue Funds	
Street Construction	11,562
State Highway	938
Drug Law Enforcement (DARE)	12,837
County Permissive Tax	4,026
Law Enforcement and Education	298
Court Computerization	<u>459</u>
Total Special Revenue	<u>30,120</u>
Capital Projects Fund	
Permissive Capital	<u>6,246</u>
Total All Funds	<u>\$828,268</u>

Note 12 - Special Assessments

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners who benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City's special assessments include off-street parking improvements, watermain improvements and storm sewer improvements which are billed by the County Auditor and collected by the County Treasurer. The County Auditor periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self-insurance fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. This coverage is maintained through the general fund. There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

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

Note 14 - Fixed Assets

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

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/99</u>
Land	\$ 1,569,300	\$ 9,568,053	\$ 0	\$ 11,137,353
Buildings	1,711,969	129,791	0	1,841,760
Equipment	5,851,172	300,881	(12,750)	6,139,303
Vehicles	<u>1,918,309</u>	<u>845,822</u>	<u>(97,578)</u>	<u>2,666,553</u>
	<u>\$11,050,750</u>	<u>\$10,844,547</u>	<u>\$(110,328)</u>	<u>\$21,784,969</u>

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

	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>
Land and Improvements	\$ 2,072,315	\$ 0
Buildings	3,929,796	0
Infrastructure	15,213,892	0
Machinery and Equipment	4,720,284	0
Vehicles	<u>1,016,094</u>	<u>9,545</u>
	26,952,381	9,545
Less: Accumulated Depreciation	<u>(6,384,827)</u>	<u>(955)</u>
Net Fixed Assets	<u>\$20,567,554</u>	<u>\$8,590</u>

Note 15 - Note Debt

The City's note activity, including amounts outstanding, interest rates and maturity dates, is as follows:

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/99</u>
1998 Water Main Construction, 3.915%, Due 5/99	\$610,000	\$0	\$(610,000)	\$0
1998 Water Main Construction, 3.3473%, Due 9/99	440,000	0	(440,000)	0
1999 Golf Course Improvement, 4.54%, Due 9/00	0	380,000	0	380,000
1999 Housing Development, Variable, Due 7/01	0	1,385,000	0	1,385,000
1999 Industrial Development, Variable, Due 11/02	<u>0</u>	<u>2,250,000</u>	<u>0</u>	<u>2,250,000</u>
Total Notes	<u>\$1,050,000</u>	<u>\$4,015,000</u>	<u>\$(1,050,000)</u>	<u>\$4,015,000</u>

All notes are backed by the full faith and credit of the City of Hudson. The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

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

Note 16 - Long-Term Obligations

Changes in the long-term obligations of the City during 1999 were as follows:

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/99</u>
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP				
<u>General Obligation Bonds:</u>				
1992 Multipurpose, 2.5% to 5.2%, Due through 2007	\$885,000	\$0	\$(80,000)	\$805,000
1992 Safety Center, 2.9% to 6.35%, Due through 2012	1,000,000	0	(70,000)	930,000
1992 Cemetery Road Improvement, 4.5%, Due through 1999	8,000	0	(8,000)	0
1998 Park Acquisition, 4.5% to 5.0%, Due through 2017	7,090,000	0	(250,000)	6,840,000
1998 Village South, 4.5% to 5.0%, Due through 2018	3,500,000	0	(115,000)	3,385,000
1999 Park Improvement, 4.5% to 4.9%, Due through 2018	<u>0</u>	<u>1,095,000</u>	<u>(35,000)</u>	<u>1,060,000</u>
Total General Obligation Bonds	<u>12,483,000</u>	<u>1,095,000</u>	<u>(558,000)</u>	<u>13,020,000</u>
<u>Notes Payable:</u>				
1998 Water Main Construction, 3.915%, Due 5/99	610,000	0	(610,000)	0
1998 Water Main Construction, 3.3473%, Due 9/99	<u>440,000</u>	<u>0</u>	<u>(440,000)</u>	<u>0</u>
Total Notes Payable	<u>1,050,000</u>	<u>0</u>	<u>(1,050,000)</u>	<u>0</u>

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

Note 16 - Long-Term Obligations (continued)

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/99</u>
<u>Special Assessments Bonds:</u>				
1991 Off-Street Parking, 6.375 to 6.5%, Due through 2000	75,000	0	(35,000)	40,000
1998 Sewer Improvement, 4.5% to 5.0%, Due through 2016	1,540,000	0	(60,000)	1,480,000
1998 Executive Parkway, 4.3% to 5.0%, Due through 2018	1,060,000	0	(35,000)	1,025,000
1999 Water Main Construction, 3.9% to 5.625%, Due through 2019	<u>0</u>	<u>420,000</u>	<u>0</u>	<u>420,000</u>
Total Special Assessment Bonds	<u>2,675,000</u>	<u>420,000</u>	<u>(130,000)</u>	<u>2,965,000</u>
Compensated Absences	<u>621,888</u>	<u>21,654</u>	<u>0</u>	<u>643,542</u>
Intergovernmental Payable	<u>33,672</u>	<u>114,311</u>	<u>(33,672)</u>	<u>114,311</u>
Total General Long-Term Obligations Account Group	<u>16,863,560</u>	<u>1,650,965</u>	<u>(1,771,672)</u>	<u>16,742,853</u>
 ENTERPRISE FUNDS				
<u>General Obligation Bonds:</u>				
Electric Fund:				
1993 Electric Improvement, 2.7% to 4.25%, Due through 2003	1,115,000	0	(200,000)	915,000
Wastewater Fund:				
1987 Sewer, 6.9% to 9.8%, Due through 2008	910,000	0	(65,000)	845,000
Water Fund:				
1998 Water System Improvement, 4.5% to 5.0%, Due through 2016	2,165,000	0	(85,000)	2,080,000

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

Note 16 - Long-Term Obligations (continued)

	<u>Balance</u> <u>01/01/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/99</u>
Golf Course Fund:				
Golf Course Improvement, 4.3% to 5.1%, Due through 2019	<u>690,000</u>	<u>0</u>	<u>0</u>	<u>690,000</u>
Total General Obligation Bonds	<u>4,880,000</u>	<u>0</u>	<u>(350,000)</u>	<u>4,530,000</u>
OWDA Loan, 4.04%, Due through 2018 (Note 3)	<u>7,045,587</u>	<u>1,164,155</u>	<u>(360,536)</u>	<u>7,849,206</u>
Total Enterprise Funds	<u>11,925,587</u>	<u>1,164,155</u>	<u>(710,536)</u>	<u>12,379,206</u>
TOTAL GENERAL LONG- TERM OBLIGATIONS	<u>\$28,824,147</u>	<u>\$2,815,120</u>	<u>\$(2,517,208)</u>	<u>\$29,122,059</u>

The enterprise general obligation bonds will be paid with electric, wastewater, water service charges and golf course revenues from the electric, wastewater, water enterprise and golf course funds. The OWDA loan will be repaid with income tax monies and wastewater service charges from the wastewater enterprise fund. General obligation bonds will be paid from property taxes receipted in the debt service funds. The special assessments bonds will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences reported in the "Compensated Absences Payable" account will be paid from the funds from which the employees' salaries are paid. The "Intergovernmental Payable" represents pension obligations paid outside the available period and will be paid from the funds from which the persons are paid.

The City's overall legal debt margin was \$72,249,568 at December 31, 1999. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Enterprise</u> <u>General</u> <u>Obligation</u> <u>Bonds</u>	<u>Special</u> <u>Assessments</u> <u>Bonds</u>	<u>OWDA Loan</u>	<u>Total</u>
2000	\$ 1,215,675	\$ 644,443	\$ 293,018	\$ 606,484	\$ 2,759,620
2001	1,209,110	649,883	250,289	606,484	2,715,766
2002	1,196,395	643,700	250,231	606,484	2,696,810
2003	1,192,900	646,618	244,906	606,484	2,690,908
2004	1,188,055	383,246	244,566	606,484	2,422,351
2005 – 2009	5,601,133	1,769,047	1,240,851	3,032,419	11,643,450
2010 – 2014	4,918,113	1,040,625	1,237,895	3,032,419	10,229,052
2015 – 2019	<u>3,138,618</u>	<u>521,650</u>	<u>761,223</u>	<u>2,122,694</u>	<u>6,544,185</u>
Total Principal and Interest	19,659,999	6,299,212	4,522,979	11,219,952	41,702,142
Less: Interest	<u>(6,639,999)</u>	<u>(1,769,212)</u>	<u>(1,557,979)</u>	<u>(3,370,746)</u>	<u>(13,337,936)</u>
Total Principal	<u>\$13,020,000</u>	<u>\$4,530,000</u>	<u>\$2,965,000</u>	<u>\$7,849,206</u>	<u>\$28,364,206</u>

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

Note 16 - Long-Term Obligations (continued)

The City also is a participant in a joint venture (See Note 22) that has issued Certificates of Beneficial Interest. The debt service payments are obligations of the joint venture's participants, payable from each participant's municipal electric utility systems, subject only to the prior payment of the operating and maintenance expenses. In case of default by a participant, the remaining participants become liable for that participant's debt service payments. The Certificates of Beneficial Interest are fully insured in case of total default by all participants. No defaults have occurred to date on either of these joint ventures. For accounting purposes, the obligation for repayment of the Certificates is reflected in the financial statements of the joint venture.

The debt associated with Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) amounts to 5.69 percent of \$147,815,000 or approximately \$8,410,679. This percentage is based on ownership interest in equity. The total principal retirements and the portion that will be paid by the City are as follows:

<u>Year</u>	<u>Certificates of Beneficial Interest</u>	<u>City of Hudson Amount</u>
2000	\$ 2,985,000	\$ 169,847
2001	3,130,000	178,097
2002	3,280,000	186,632
2003	3,445,000	196,021
2004	3,620,000	205,978
2005 – 2009	21,150,000	1,203,436
2010 – 2014	27,500,000	1,564,751
2015 – 2019	35,945,000	2,045,272
2020 – 2024	<u>46,760,000</u>	<u>2,660,645</u>
Total	<u>\$147,815,000</u>	<u>\$8,410,679</u>

Note 17 - Defined Benefit Pension Plans

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Public Employees Retirement Board. The PERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and may be amended by Chapter 145 of the Ohio Revised Code. The PERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-466-2085 or 1-800-222-7377.

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

Note 17 - Defined Benefit Pension Plans (continued)

Plan members are required to contribute 8.5 percent of their annual covered salary and the City is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions for pension obligations to the PERS for the years ended December 31, 1999, 1998 and 1997 were \$341,034, \$514,336 and \$330,943, respectively. The full amount has been contributed for 1999, 1998 and 1997.

B. *Ohio Police and Fire Pension Fund*

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

Plan members are required to contribute 10 percent of their annual covered salary and the City is required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters. Contributions are authorized by State statute. The City's contributions for pension obligations to the OP&F were \$137,941 for the year ended December 31, 1999, \$231,080 for 1998, and \$169,285 for 1997. The full amount has been contributed for 1999, 1998 and 1997.

C. *Social Security System*

All volunteer firefighters and Council members, not otherwise covered by another retirement system, are covered by Social Security. The City's liability is 6.2 percent of wages paid.

Note 18 - Postemployment Benefits

A. *Public Employees Retirement System*

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such 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 Governmental Employers" A portion of each employer's contribution to the PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999.

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

Note 18 - Postemployment Benefits (continued)

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

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

Statewide expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible statewide for OPEB at December 31, 1999 was 118,062. The City's actual contributions for 1999 that were used to fund postretirement benefits were \$153,192.

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 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

B. *Ohio Police and Fire Pension Fund*

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution is 19.5 percent of covered payroll, and the total firefighter employer contribution rate is 24 percent of covered payroll.

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

Health care funding and accounting is on a pay-as-you-go basis. 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 is 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.

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

Note 18 - Postemployment Benefits (continued)

The number of participants eligible to receive health care benefits statewide as of December 31, 1998, the date of the last actuarial valuation available, was 11,424 for police officers and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$77,247. The OP&F's total health care expense for the year ended December 31, 1998, the date of the last actuarial valuation available, was \$78,596,790, which was net of member contributions of \$5,331,515.

Note 19 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Full-time employees earn and accumulate varying hours of vacation per year, depending upon length of service. Maximum vacation accumulations range from 240 to 360 hours, depending upon length of service. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 10 hours per each month of service. Sick leave may be accumulated to a maximum of 1,440 hours. After the maximum accumulation of 1,440 hours, each employee must elect, in writing each year, one of the following options for sick leave time accumulated in excess of the 1,440 hours:

1. In 40 sick leave hour increments, to have that time converted to vacation at the ratio of 40 hours of sick leave to eight hours of vacation; or
2. To be paid for the excess 40 hours accumulated at the employee's current rate of pay. This may be paid only once each year and no further sick leave will be accumulated during that year unless the total number of hours accumulated is less than 1,440 hours.

Upon retirement or death, an employee with 10 or more years of service with the City is eligible for a severance payment for his/her accumulated but unused sick leave, but the maximum payment shall not exceed 1,440 hours. Such payment shall be based on the employee's rate of pay at the time of retirement or death.

As of December 31, 1999, the total liability for unpaid compensated absences was \$1,273,998.

B. *Health Insurance*

The City provides life insurance and accidental death and dismemberment insurance through Anthem Life of Indiana. The City pays an annual premium of \$19.50 for \$50,000 coverage for all employees under age 70. For employees age 70 or older, the City pays an annual premium of \$9.75 for \$25,000 coverage.

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

Note 19 - Other Employee Benefits (continued)

The City also provides medical, dental and vision insurance to employees through Anthem Blue Cross-Blue Shield. The City pays monthly premiums of \$497.45 family/\$198.48 single for medical insurance for employees. Medical insurance deductibles and co-payments vary depending on network/non-network providers. Dental and vision insurance's carry no deductibles.

Note 20 - Contingencies

A. Grants

The City has received financial assistance from 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 adverse effect on the overall financial position of the City at December 31, 1999.

B. Litigation

Several claims and lawsuits are pending against the City. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 1999.

Note 21 - Interfund Transactions

The account balances by fund of "Interfund Receivable" and "Interfund Payable" as of December 31, 1999 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$310,008	\$ 0
Special Revenue Fund		
Fire District	0	75,000
Capital Projects Funds		
Storm Sewer Improvements	0	16,750
Street Improvements	<u>0</u>	<u>9,000</u>
Total Capital Projects Funds	<u>0</u>	<u>25,750</u>
Enterprise Funds		
Storm Water Utility	0	63,600
Golf Course	<u>0</u>	<u>145,658</u>
Total Enterprise Funds	<u>0</u>	<u>209,258</u>
 Total All Funds	 <u>\$310,008</u>	 <u>\$310,008</u>

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

Note 22 - Joint Venture

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The City is a participant with forty-two subdivisions within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at Belleville Locks and Dam and to receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly the cost of the electricity generated by the joint venture and a portion of the \$153,415,000 Certificates of Beneficial Interest debt that were issued to construct the fixed asset. In accordance with the joint venture agreement, the City remitted \$1,223,455 to the joint venture for 1999. The City's net investment and its share of the operating results of JV5 are reported in the City's electric enterprise fund. The City's equity interest in JV5 was \$136,490 at December 31, 1999 or 5.69 percent. Financial information can be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219. JV5 is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City.

Note 23 - Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of various cities. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the mayor from each of the participating members.

Each entity must remain a member for at least three years from their commencement date. After the initial three years, each City may extend its term in three-year increments. Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first \$2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of \$150,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 1999, the City paid \$51,918 for premiums. Financial information can be obtained by contacting the fiscal agent: City of Bedford Heights, Finance Director, 5661 Perkins Road, Bedford Heights, Ohio 44146.

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

Note 24 - Segment Information

The City maintains five enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City as of and for the year ended December 31, 1999:

	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Golf Course</u>	<u>Storm Water Utility</u>	<u>Total</u>
Operating Revenue	\$1,017,758	\$1,564,555	\$13,415,065	\$493,662	\$0	\$16,491,040
Operating Expenses Before Depreciation	(961,904)	(2,666,336)	(10,919,231)	(616,000)	(46,497)	(15,209,968)
Depreciation Expense	(211,423)	(168,872)	(204,488)	(51,207)	0	(635,990)
Net Non-Operating Revenues (Expenses)	33,282	(618,557)	(38,192)	(183,713)	0	(807,180)
Net Operating Transfers – In (Out)	(21,691)	750,000	0	0	0	728,309
Net Income (Loss)	(143,978)	(1,139,210)	2,253,154	(357,258)	(46,497)	566,211
Current Capital Contributions	36,180	0	0	0	0	36,180
Fixed Asset Additions	653,944	0	198,323	247,133	0	1,099,400
Net Working Capital	696,578	2,769,226	9,852,111	(78,703)	(49,541)	13,189,671
Total Assets	8,770,897	10,773,831	12,474,342	3,139,000	14,059	35,172,129
OWDA Loan Payable	0	7,849,206	0	0	0	7,849,206
General Obligation Bonds Payable	2,080,000	845,000	915,000	690,000	0	4,530,000
Total Equity	6,522,263	1,924,524	11,220,755	1,896,508	(49,541)	21,514,509
Encumbrances at December 31, 1999	169,637	1,403,392	1,800,896	405,125	88,702	3,867,752

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

Note 25 – Outstanding Contractual Commitments

The City has the following outstanding contractual commitments for various construction projects at December 31, 1999:

<u>Contractor</u>	<u>Contract and Contingency</u>	<u>Amount Expended</u>	<u>Amount Remaining</u>
Traid Engineering and Contracting	\$1,869,271	\$1,688,250	\$181,021
CT Consultants	680,000	634,468	45,532
Thomas Asphalt Paving Co-Asphalt Program	1,596,986	1,182,894	414,092
Thomas Asphalt Paving Co-Concrete Program	605,877	566,674	39,203
PS Construction-Crack Seal Program	40,964	0	40,964
Pavement Technology-Construction Seal	19,459	18,040	1,419
Thomas Asphalt Paving Co-Terex/SR91 Project	351,284	268,717	82,567
Signal Service Co-Terex/303/Ravenna/Stow	85,800	41,065	44,735
Beaver Excavating-Barlow Farm Park Phase I	743,401	557,511	185,890
Don Wartko-SE Brandywine Tributary Ditch	233,136	191,216	41,920
Nerone & Son-Atterbury Boulevard Pumping Station	145,000	0	145,000
Michaels Construction-Hudson Spgs. Park Pump Station	40,556	0	40,556

Note 26 - Subsequent Events

On May 9, 2000, the City issued \$9,925,000 library construction bonds, \$1,100,000 park improvement bonds and \$1,300,000 water system improvement notes.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Hudson
Summit County
27 East Main Street
Hudson, Ohio 44236

To the Member of City Council:

We have audited the general purpose financial statements of the City of Hudson, Summit County, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated October 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated October 16, 2000.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated October 16, 2000.

City of Hudson
Summit County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

October 16, 2000

**CITY OF HUDSON
SUMMIT COUNTY
SCHEDULE OF FINDINGS**

DECEMBER 31, 1999

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

None



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OFFICE OF THE AUDITOR

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CITY OF HUDSON

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 14, 2000**