

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

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2000

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the independent auditor's report of the City of Upper Sandusky, Wyandot County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

August 6, 2001

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CITY OF UPPER SANDUSKY
WYANDOT COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general purpose financial statements of City of Upper Sandusky, Ohio (the City), as of and for the year ended December 31, 2000, 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 financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 12, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Charles E. Harris & Associates, Inc.
July 12, 2001

Combined Balance Sheet
All Fund Types and Account Groups

December 31, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits									
Assets									
Equity in Pooled Cash	\$63,407	(\$3,852)	(\$87,847)	\$11,979	\$0	\$0	\$0	\$0	(\$16,313)
Cash and Cash Equivalents in Segregated Accounts	650	0	0	0	0	45,264	0	0	45,914
Investments	60,000	437,000	660,000	343,000	0	0	0	0	1,500,000
Receivables:									
Taxes	573,092	40,595	135,316	0	0	0	0	0	749,003
Accounts	45,516	1,460	0	259,100	0	0	0	0	306,076
Accrued Interest	1,417	11,406	18,942	9,253	0	0	0	0	41,018
Due from Other Funds	0	0	0	0	29,753	0	0	0	29,753
Due from Other Governments	68,340	41,413	1,026	0	0	0	0	0	110,779
Materials and Supplies									
Inventory	3,192	20,682	0	39,133	0	0	0	0	63,007
Notes Receivable	0	87,132	0	0	0	0	0	0	87,132
Prepaid Items	16,410	10,123	0	10,737	0	0	0	0	37,270
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	11,622,682	0	0	4,319,501	0	15,942,183
Other Debits									
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	2,743,406	2,743,406
Total Assets	832,024	645,959	727,437	12,295,884	29,753	45,264	4,319,501	2,743,406	21,639,228
Liabilities									
Accounts Payable	93,114	24,372	85,632	47,748	0	0	0	0	250,866
Contracts Payable	0	0	127,866	0	0	0	0	0	127,866
Accrued Wages and Benefits	105,594	17,523	0	42,279	0	0	0	0	165,396
Compensated Absences Payable	19,659	3,356	0	50,309	0	0	0	147,274	220,598
Due to Other Funds	15,752	1,806	0	12,195	0	0	0	0	29,753
Deferred Revenue	283,088	0	0	0	0	0	0	0	283,088
Claims Payable	0	0	0	0	29,753	0	0	0	29,753
Undistributed Monies	0	0	0	0	0	15,076	0	0	15,076
Payroll Withholdings	0	0	0	0	0	30,188	0	0	30,188
Capital Leases Payable	0	0	0	0	0	0	0	44,170	44,170
OWDA Loans Payable	0	0	0	0	0	0	0	2,133,462	2,133,462
OPWC Loans Payable	0	0	0	0	0	0	0	418,500	418,500
Total Liabilities	517,207	47,057	213,498	152,531	29,753	45,264	0	2,743,406	3,748,716
Fund Equity and Other Credits									
Investment in General Fixed Assets	0	0	0	0	0	0	4,319,501	0	4,319,501
Contributed Capital	0	0	0	6,889,689	0	0	0	0	6,889,689
Retained Earnings	0	0	0	5,253,664	0	0	0	0	5,253,664
Fund Balance:									
Reserved for Encumbrances	170,855	16,267	0	0	0	0	0	0	187,122
Reserved for Inventory	3,192	20,682	0	0	0	0	0	0	23,874
Reserved for Prepaid Items	16,410	10,123	0	0	0	0	0	0	26,533
Reserved for Notes Receivable	0	87,132	0	0	0	0	0	0	87,132
Unreserved:									
Undesignated	124,360	464,698	513,939	0	0	0	0	0	1,102,997
Total Fund Equity	314,817	598,902	513,939	12,143,353	0	0	4,319,501	0	17,890,512
Total Liabilities and Fund Equity	\$832,024	\$645,959	\$727,437	\$12,295,884	\$29,753	\$45,264	\$4,319,501	\$2,743,406	\$21,639,228

See accompanying notes to the combined financial statements.

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

For the Year December 31, 2000

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Municipal Income Tax	\$874,106	\$270,994	\$903,313	\$2,048,413
Property and Other Taxes	327,508	0	0	327,508
Charges for Services	551,576	45,708	0	597,284
Licenses and Permits	20,093	0	0	20,093
Fines and Forfeitures	105,388	25,590	0	130,978
Intergovernmental	714,274	282,522	54,689	1,051,485
Investment Income	29,954	25,308	33,550	88,812
Other	12,715	0	0	12,715
Total Revenue	2,635,614	650,122	991,552	4,277,288
Expenditures:				
Current:				
General Government:				
Legislative and Executive	922,253	0	0	922,253
Judicial	518,270	10,430	0	528,700
Security of Persons and Property	1,280,954	10,080	0	1,291,034
Public Health and Welfare	62,125	0	0	62,125
Transportation	0	278,460	0	278,460
Community Environment	0	4,018	0	4,018
Leisure Time Activities	0	377,593	0	377,593
Capital Outlay	0	0	1,224,530	1,224,530
Debt Service:				
Principal Retirement	5,812	0	91,168	96,980
Interest and Fiscal Charges	2,272	0	27,730	30,002
Total Expenditures	2,791,686	680,581	1,343,428	4,815,695
Excess of Revenues Over (Under) Expenditures	(156,072)	(30,459)	(351,876)	(538,407)
Other Financing Sources (Uses):				
Other Financial Sources	0	3,107	0	3,107
Total Other Sources (Uses)	0	3,107	0	3,107
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(156,072)	(27,352)	(351,876)	(535,300)
Fund Balances (Deficit) at Beginning of Year	470,889	626,254	865,815	1,962,958
Fund Balances (Deficits) at End of Year	\$314,817	\$598,902	\$513,939	\$1,427,658

See accompanying notes to the combined financial statements.

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

For the Year Ended December 31, 2000

	-----General Fund-----			--Governmental Fund Types-- -----Special Revenue Funds-----		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Municipal Income Tax	\$2,500,000	\$2,105,972	(\$394,028)	\$0	\$0	\$0
Property and Other Taxes	441,000	326,072	(114,928)	0	0	0
Charges for Services	493,450	551,576	58,126	98,000	45,708	(52,292)
Licenses and Permits	19,900	20,093	193	0	0	0
Fines and Forfeitures	100,000	99,467	(533)	14,500	24,559	10,059
Intergovernmental	1,022,500	680,924	(341,576)	244,200	257,884	13,684
Investment Income	70,000	32,353	(37,647)	14,800	18,417	3,617
Other	70,150	12,742	(57,408)	0	0	0
Total Revenue	4,717,000	3,829,199	(887,801)	371,500	346,568	(24,932)
Expenditures:						
Current:						
General Government:						
Legislative and Executive	1,311,500	1,083,132	228,368	0	0	0
Judicial	826,500	561,489	265,011	37,000	10,430	26,570
Security of Persons and Property	1,442,000	1,254,074	187,926	20,000	10,080	9,920
Public Health and Welfare	67,000	62,125	4,875	0	0	0
Transportation	0	0	0	309,000	273,832	35,168
Community Environment	0	0	0	60,000	0	60,000
Leisure Time Activities	0	0	0	476,000	387,525	88,475
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,647,000	2,960,820	686,180	902,000	681,867	220,133
Excess of Revenues Over (Under) Expenditures	1,070,000	868,379	(201,621)	(530,500)	(335,299)	195,201
Other Financing Sources (Uses):						
Other Financing Sources	0	0	0	15,500	15,317	(183)
Operating Transfers - In	0	0	0	351,000	296,262	(54,738)
Operating Transfers - Out	(1,285,000)	(1,283,801)	1,199	0	0	0
Total Other Sources (Uses)	(1,285,000)	(1,283,801)	1,199	366,500	311,579	(54,921)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(215,000)	(415,422)	(200,422)	(164,000)	(23,720)	140,280
Fund Balances (Deficit) at Beginning of Year	308,534	308,534	0	429,650	429,650	0
Prior Year Encumbrances Appropriated	5,110	5,110	0	100	100	0
Fund Balances (Deficit) at End of Year	\$98,644	(\$101,778)	(\$200,422)	\$265,750	\$406,030	\$140,280

See accompanying notes to the combined financial statements.

-----Capital Projects Funds-----			Totals ----- (Memorandum Only) -----		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$2,500,000	\$2,105,972	(\$394,028)
0	0	0	441,000	326,072	(114,928)
0	0	0	591,450	597,284	5,834
0	0	0	19,900	20,093	193
0	0	0	114,500	124,026	9,526
1,009,000	430,763	(578,237)	2,275,700	1,369,571	(906,129)
30,000	23,250	(6,750)	114,800	74,020	(40,780)
0	0	0	70,150	12,742	(57,408)
1,039,000	454,013	(584,987)	6,127,500	4,629,780	(1,497,720)
0	0	0	1,311,500	1,083,132	228,368
0	0	0	863,500	571,919	291,581
0	0	0	1,462,000	1,264,154	197,846
0	0	0	67,000	62,125	4,875
0	0	0	309,000	273,832	35,168
0	0	0	60,000	0	60,000
0	0	0	476,000	387,525	88,475
1,270,000	1,058,378	211,622	1,270,000	1,058,378	211,622
147,000	76,290	70,710	147,000	76,290	70,710
55,000	24,938	30,062	55,000	24,938	30,062
1,472,000	1,159,606	312,394	6,021,000	4,802,293	1,218,707
(433,000)	(705,593)	(272,593)	106,500	(172,513)	(279,013)
0	0	0	15,500	15,317	(183)
1,170,000	987,539	(182,461)	1,521,000	1,283,801	(237,199)
0	0	0	(1,285,000)	(1,283,801)	1,199
1,170,000	987,539	(182,461)	251,500	15,317	(236,183)
737,000	281,946	(455,054)	358,000	(157,196)	(515,196)
182,304	182,304	0	920,488	920,488	0
79,592	79,592	0	84,802	84,802	0
\$998,896	\$543,842	(\$455,054)	\$1,363,290	\$848,094	(\$515,196)

City of Upper Sandusky, Ohio

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

For the Year Ended December 31, 2000

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$1,912,745	\$503,864	\$2,416,609
Other	21,015	0	21,015
Total Operating Revenues	1,933,760	503,864	2,437,624
Operating Expenses:			
Personal Services	893,278	0	893,278
Contractual Services	519,148	268,704	787,852
Contributed Capital	0	235,160	235,160
Materials and Supplies	340,102	0	340,102
Other Non-Operating Expenses	304,188	0	304,188
Depreciation	101,653	0	101,653
Total Operating Expenses	2,158,369	503,864	2,662,233
Operating Income (Loss)	(224,609)	0	(224,609)
Non-Operating Revenues (Expenses):			
Interest Income	15,924	0	15,924
Total Non-Operating Revenues (Expenses)	15,924	0	15,924
Net Income (Loss)	(208,685)	0	(208,685)
Depreciation on Fixed Assets Acquired by Contributed Capital	53,229	0	53,229
Retained Earnings at Beginning of Year	5,409,120	0	5,409,120
Retained Earnings at End of Year	5,253,664	0	5,253,664
Contributed Capital at Beginning of Year	6,942,918	0	6,942,918
Depreciation on Fixed Assets Acquired by Contributed Capital	(53,229)	0	(53,229)
Contributed Capital at End of Year	6,889,689	0	6,889,689
Total Fund Equity at End of Year	\$12,143,353	\$0	\$12,143,353

See accompanying notes to the combined financial statements.

City of Upper Sandusky, Ohio

Combined Statement of Cash Flows
Proprietary Fund Types

For the Year Ended December 31, 2000

	Proprietary Fund Types		Total Proprietary Funds
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Customers	\$1,863,662	\$25,178	\$1,888,840
Cash Paid to Employees	(874,304)	0	(874,304)
Cash Paid for Goods and Services	(955,681)	(25,178)	(980,859)
Net Cash Provided by Operating Activities	33,677	0	33,677
Cash Flows from Investing Activities:			
Interest on Investments	14,366	0	14,366
Net Cash Provided by Investing Activities	14,366	0	14,366
Cash Flows from Capital & Related Financing Activities:			
Purchase of Fixed Assets	(214,752)	0	(214,752)
Net Cash Provided by Capital and Related Financing Activities	(214,752)	0	(214,752)
Change in Cash	(166,709)	0	(166,709)
Cash Balance, Beginning of Year	521,688	0	521,688
Cash Balance, End of Year	\$354,979	\$0	\$354,979
Operating Income	(\$224,609)	\$0	(\$224,609)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Depreciation Expense	304,188	0	304,188
Net (Increase) Decrease in Accounts Receivable	(70,098)	0	(70,098)
(Increase) Decrease in Due from Other Funds	0	(18,079)	(18,079)
(Increase) Decrease in Prepaid Items	(520)	0	(520)
Increase (Decrease) in Accounts Payable	9,769	0	9,769
Increase (Decrease) in Accrued Wages and Benefits	4,920	0	4,920
Increase (Decrease) in Compensated Absences Payable	2,035	0	2,035
Increase (Decrease) in Due to Other Funds	7,992	0	7,992
Increase (Decrease) in Claims Payable	0	18,079	18,079
Total Adjustments	258,286	0	258,286
Net Cash Provided by Operating Activities	\$33,677	\$0	\$33,677

See accompanying notes to the combined financial statements.

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

For the Year Ended December 31, 2000

	Proprietary Fund Types			Internal Service			Totals		
	Enterprise			(Memorandum Only)					
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:									
Charges for Services	\$2,200,000	\$1,842,647	(\$357,353)	\$0	\$25,178	\$25,178	\$2,200,000	\$1,867,825	(\$332,175)
Other Operating Revenues	35,000	21,015	(13,985)	0	0	0	35,000	21,015	(13,985)
Total Operating Revenues	2,235,000	1,863,662	(371,338)	0	25,178	25,178	2,235,000	1,888,840	(346,160)
Operating Expenses:									
Current:									
Personal Services	953,500	874,304	79,196	0	0	0	953,500	874,304	79,196
Contractual Services	749,500	575,661	173,839	0	0	0	749,500	575,661	173,839
Materials and Supplies	354,000	337,673	16,327	380,000	25,178	354,822	734,000	362,851	371,149
Other Non-Operating Expenses	138,000	101,653	36,347	0	0	0	138,000	101,653	36,347
Capital Outlay	327,000	185,485	141,515	0	0	0	327,000	185,485	141,515
Total Operating Expenses	2,522,000	2,074,776	447,224	380,000	25,178	354,822	2,902,000	2,099,954	802,046
Operating Income (Loss)	(287,000)	(211,114)	75,886	(380,000)	0	380,000	(667,000)	(211,114)	455,886
Non-Operating Revenues (Expenses):									
Interest Income	26,000	14,366	(11,634)	0	0	0	26,000	14,366	(11,634)
Total Non-Operating Revenues(Expenses)	26,000	14,366	(11,634)	0	0	0	26,000	14,366	(11,634)
Net Income (Loss)	(261,000)	(196,748)	64,252	(380,000)	0	380,000	(641,000)	(196,748)	444,252
Fund Equity (Deficit) at Beginning of Year	301,173	301,173	0	0	0	0	301,173	301,173	0
Prior Year Encumbrances Appropriated	220,515	220,515	0	0	0	0	220,515	220,515	0
Fund Equity (Deficit) at End of Year	\$260,688	\$324,940	\$64,252	(\$380,000)	\$0	\$380,000	(\$119,312)	\$324,940	\$444,252

See accompanying notes to the combined financial statements.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. DESCRIPTION OF THE ENTITY

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

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

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

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING

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

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

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

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

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

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

C. BASIS OF ACCOUNTING

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

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

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

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

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent periods when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of December 31, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue as further described in Note 5.

D. BUDGETARY PROCESS

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

Tax Budget:

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

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

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds, and are reported in the notes to the financial statements for 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 fiscal year and need not be re-appropriated.

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

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS

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

During fiscal year 2000, investments were limited to Certificates of Deposits.

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

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

F. INVENTORIES

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

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2000 are recorded as prepaid items.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. FIXED ASSETS

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

Assets in the general fixed assets account group and proprietary fund types are depreciated. Depreciation of buildings, equipment and vehicles is computed using the straight-line method.

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

I. COMPENSATED ABSENCES

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

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. LONG-TERM OBLIGATIONS

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

K. INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for goods received or services provided and agency fund assets due to operating funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." For 2000 there were no such transactions.

L. FUND EQUITY

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

M. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. MEMORANDUM ONLY - TOTAL COLUMNS

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly with the City;
5. Time certificate of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).
8. Securities lending agreements in which the City lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the City's total average portfolio.
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the City's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not presented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits

Deposits. At year-end, the carrying amount of the City's deposits and cash on hand was \$1,528,951 and the bank balance was \$1,739,375. Of the bank balance:

1. \$290,631 was covered by federal depository insurance, by collateral held by the City or by collateral held by a qualified third party trustee in the name of the City;
2. \$1,448,744 was uninsured and uncollateralized. Although all statutory requirements for these deposits of money had been followed, non-compliance with federal requirements could potentially subject the City a successful claim by the FDIC.

Based on the requirements of GASB Statement No.3, the City did not have investments at year end.

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$ 29,601	\$ 1,500,000
Certificates of Deposit	1,500,000	(1,500,000)
Cash on Hand	(650)	-
GASB Statement 3	\$1,528,951	\$ -

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 3 -- MUNICIPAL INCOME TAX

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

NOTE 4 - PROPERTY TAXES

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

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

The assessed value upon which the 2000 taxes were collected was \$109,747,500. The full tax rate for all City operations applied to real property for fiscal year ended December 31, 2000 was \$3.10 per \$1,000 of assessed valuation.

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

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 4 - PROPERTY TAXES (continued)

Real Property - 2000 Valuation:

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

Tangible Personal Property - 2000 Valuation:

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2000. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2000 operations. The receivable is therefore offset by a credit to deferred revenue.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 5 - RECEIVABLES

Receivables at December 31, 2000, consisted of taxes, interest, accounts (billings for user charged services, including unbilled utility services) and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full, including accounts receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment.

A summary of the principal items of receivables follows:

<u>General Fund:</u>	<u>Amount</u>
Taxes:	
Accrued Property Taxes - Current	\$ 278,800
Accrued Property Taxes - Delinquent	5,724
Accrued City Income Taxes	288,568
Due from Other Governments	68,340
Accounts Receivable	45,516
Accrued Interest	<u>1,417</u>
	<u>688,365</u>
<u>Special Revenue Funds:</u>	
Due from Other Governments	\$ 41,413
Accounts Receivable	1,460
Accrued Interest	11,406
Notes Receivable	87,132
Accrued City Income Tax	<u>40,595</u>
	<u>182,006</u>
<u>Capital Projects Funds:</u>	
Accrued Interest	\$ 18,942
Due from Other Governments	1,026
Accrued City Income Tax	<u>135,316</u>
	<u>155,284</u>
<u>Enterprise Funds:</u>	
Accounts Receivable Billed	53,878
Accounts Receivable Unbilled	205,222
Accrued Interest	<u>9,253</u>
	<u>268,353</u>
<u>Internal Service Fund:</u>	
Due From Other Funds	<u>29,753</u>
	<u>29,753</u>
TOTAL	<u>\$1,323,761</u>

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 6 - FIXED ASSETS

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

	Balance 1/1/2000	Additions	Retirements	Balance 12/31/2000
Land	\$ 468,932	\$ 110,990	\$ -	\$ 579,922
Buildings	1,112,218	605,519	-	1,717,737
Improvements Other than Buildings	28,759	91,943	-	120,702
Machinery & Equip.	981,000	155,500	-	1,136,500
Infrastructure - Cont.	415,038	246,082	-	661,120
Vehicles	<u>1,226,875</u>	<u>78,860</u>	<u>-</u>	<u>1,305,735</u>
Total	4,232,822	1,288,894	-	5,521,716
Less: Accum. Deprec.	<u>998,116</u>	<u>204,099</u>	<u>-</u>	<u>1,202,215</u>
Total Assets	<u>\$3,234,706</u>	<u>\$1,084,795</u>	<u>\$ -</u>	<u>\$4,319,501</u>

The following is a summary of proprietary fund-type fixed assets at December 31, 2000:

	Water	Sewer	Sanitation
Land	\$ 481,819	\$ 270,820	\$ -
Buildings	1,205,060	3,843,929	-
Improvements Other Than Buildings	29,555	15,987	-
Imp. Other Than Bldg. Contr. Cap.	96,500	-	-
Vehicles	48,215	84,449	417,269
Equipment	559,765	557,953	140,699
Infrastructure	841,779	2,141,693	-
Infrastructure Cont.	<u>661,543</u>	<u>3,385,510</u>	<u>-</u>
Total Fixed Assets	3,924,236	10,300,341	557,968
Less: Accumulated Depreciation	<u>1,217,349</u>	<u>1,726,871</u>	<u>215,643</u>
Net Fixed Assets	<u>\$2,706,887</u>	<u>\$8,573,470</u>	<u>\$ 342,325</u>

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 6 - FIXED ASSETS (continued)

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

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

NOTE 7 - CONTRIBUTED CAPITAL

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

Contributed Capital, January 1	\$ 6,942,918
Total Additions	-
Total Deductions	<u>-</u>
Total Contributed Capital	6,942,918
Depreciation on Contributed Capital	<u>(53,229)</u>
Contributed Capital, December 31	<u><u>6,889,689</u></u>

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-Term debt and other obligations of the City at December 31, 2000, were as follows:

	<u>1/1/2000</u>			<u>12/31/2000</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u>
General Obligation Debt:				
1996 Sewer Construction Refinancing 2.2% Issued 1/1/97 Matures 2014	\$ 435,237	\$ -	\$ 11,421	\$ 423,816
WWTP Improvements 242 SRF Interest Free	215,116	-	6,176	208,940
Sewer Construction 217 SRF Matures 2014	439,492	-	13,215	426,277
WWTP Improvements 240 SRF Matures 2015	1,106,407	-	31,978	1,074,429
Ohio Publics Works Loan Interest Free	<u>432,000</u>	<u>-</u>	<u>13,500</u>	<u>418,500</u>
Total General Obliga. Debt	<u>\$2,628,252</u>	<u>\$ -</u>	<u>\$ 76,290</u>	<u>\$2,551,962</u>
<u>Other:</u>				
Compensated Absences	93,934	53,340	-	147,274
Capital Leases	<u>64,860</u>	<u>-</u>	<u>20,690</u>	<u>44,170</u>
Total Debt	<u>\$2,787,046</u>	<u>\$ 53,340</u>	<u>\$ 96,980</u>	<u>\$2,743,406</u>

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

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS (continued)

The annual requirements to amortize all bonds and loans outstanding as of December 31, 2000 are as follows:

<u>Year Ending</u> <u>December 31</u>	General Obligation Debt	
	<u>Principal</u>	<u>Interest</u>
2001	233,044	70,741
2002	158,919	43,539
2003	161,837	40,618
2004	164,819	36,617
2005	167,868	34,587
2006-2010	887,487	124,794
2011-2015	<u>777,988</u>	<u>38,386</u>
Total Debt	<u>\$2,551,962</u>	<u>\$389,282</u>

NOTE 9 - CAPITAL LEASE

The City has entered into a lease agreement as lessee for financing the acquisition of a municipal court copier, general office copier, and a fire truck. These lease agreements qualify as capital leases for accounting purposes (titles transferable at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2000:

<u>Year</u> <u>Ending December 31</u>	<u>General</u> <u>Long-Term Debt</u>
2001	25,473
2002	24,073
2003	<u>3,202</u>
Total Minimum Lease Payments	\$ 52,748
Less Amount Representing Interest	<u>8,578</u>
Present Value of Future Minimum Lease Payments	<u>\$ 44,170</u>

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 10 - PENSION AND RETIREMENT PLANS

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2000 was 8.5 percent for employees other than law enforcement. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for the regular employees. The employer contribution rate was 10.84 percent of covered payroll. The City's contributions for pension obligations to PERS for the years ended December 31, 2000, 1999, and 1998 were \$179,139, \$178,529, and \$164,925; respectively; 84% representing the paid contribution for 2000 and 100% for 1999 and 1998. \$28,653 representing the unpaid contribution for 2000, is recorded as an expenditure to the individual funds that incurred the costs.

Ohio Police and Fire Pension Fund - The City of Upper Sandusky contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. 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 by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 10 - PENSION AND RETIREMENT PLANS (continued)

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2000, 1999 and 1998 were \$105,809, \$81,950, and \$68,480, respectively, equal to the required contributions for the year. 75.8% has been contributed for 2000 and 100 percent for 2000 and 1999. \$25,597 representing the unpaid contribution for 2000, is recorded as an expenditure to the individual funds that incurred the costs.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Public Employees Retirement System--Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate was 10.84% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2000.

The Ohio Revised Code provides the statutory authority requiring public employees to fund post retirement health care through their contributions to PERS. The city's contribution to fund postemployment benefits was \$71,064.

As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The number of benefit recipients eligible for OPEB at December 31, 1999 was 401,339.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1999 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for regular employees.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Ohio Police and Fire Pension Fund

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

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

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

The number of participants eligible to receive health care benefits as of December 31, 1999, the latest information available, are 12,467 for police and 9,807 for firefighters.

The amount that the City contributed as the employer's share to pay postemployment benefits for 2000 was \$29,612 for police and \$7,914 for firefighters.

The Fund's total health care expenses for the year ending December 31, 1999, the date of the last actuarial valuation was \$95,004,633 which was net of member contributions of \$5,518,098.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 12 - COMPENSATED ABSENCES

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

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of thirty percent for all employees of the police and fire department to a maximum of 600 hours and a maximum of 480 hours for all other personnel. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 2000, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the city would have to pay all accumulated sick leave if the city ceased operations approximated \$55,298. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment. A liability for accrued vacation of \$163,780 and accrued compensation time of \$1,520 have been recognized.

Vacation is accumulated based upon length of service as follows:

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

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

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 13 - BUDGET BASIS OF ACCOUNTING

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

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Budget Basis	\$ (415,422)	\$ (23,720)	\$ 281,946	\$ (196,748)
Adjustments:				
Revenue Accruals	(1,193,585)	(4,918)	(450,000)	71,656
Expenditure Accruals	1,227,101	(25,833)	(212,134)	(113,634)
Encumbrances	<u>225,834</u>	<u>27,119</u>	<u>28,312</u>	<u>30,041</u>
<u>GAAP Basis</u>	<u>\$ (156,072)</u>	<u>\$ (27,352)</u>	<u>\$(351,876)</u>	<u>\$ (208,685)</u>

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 14 - RISK MANAGEMENT

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

Commercial Insurance

The City has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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

Workers Compensation

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

Risk Pool Membership

The City is a member of the Buckeye Ohio Risk Management Association self insurance pool (the Pool). The Pool assumes the risk of loss up to the limits of the City's policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The pool covers the following risks:

- Comprehensive Medical Plan
- Prescription Drug Plan

A third party administrator, Administrative Services Consultants, located in Itasca, Illinois, reviews all claims for the medical and prescription drug plan which are then paid by the City. The total monthly premium paid into the Internal Service Fund for medical and prescription drug plan through November 2000 was \$218.48 for single coverage, \$349.56 for two party coverage, and \$524.34 for family coverage. These costs are charged to the same fund that pays the salary for the employee.

A new third party administrator was engaged to provide the same services in January 2001. The December premiums were paid to the new administrator, CoreSource located in Westerville, Ohio, at \$249.16 for single coverage, \$398.64 for two party coverage and \$597.90 for family coverage.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 14 - RISK MANAGEMENT (continued)

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

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

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

The claims liability of \$29,753 reported in the internal service fund at December 31, 2000 is based on the requirements of GASB Statement 10 which requires that a liability for unpaid claims costs, including estimates for costs relating to incurred but not reported claims, be reported. Changes in the fund's claims liability amount in 2000 and 1999 were:

<u>Year</u>	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2000	\$11,674	\$ 235,160	\$ 217,081	\$29,753
1999	\$27,902	\$ 77,131	\$ 93,359	\$11,674

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City operates Enterprise Funds which provide water, disposal and treatment of sewage, and waste disposal. The key financial information for the year ended December 31, 2000 for these enterprise activities is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Operating Revenue	\$ 690,428	\$ 596,849	\$ 646,483	\$ 1,933,760
Operating Expenses	813,615	744,636	600,118	2,158,369
Depreciation	104,517	157,579	42,092	304,188
Operating Income	(123,187)	(147,787)	46,365	(224,609)
Investment Income	3,564	6,744	5,616	15,924
Net Income (Loss)	(119,623)	(141,043)	51,981	(208,685)
Fixed Assets	2,706,888	8,573,470	342,324	11,622,682
Asset Additions	34,790	92,009	87,951	214,750
Total Assets	2,886,626	8,837,935	571,323	12,295,884
Net Cash Flow	(116,992)	(242,683)	(150,034)	(509,709)
Net Working Capital	108,663	236,367	175,641	520,671
Contributed Capital	700,785	6,181,414	7,490	6,889,689
Total Equity	\$ 2,815,551	\$ 8,809,837	\$ 517,965	\$ 12,143,353

NOTE 16 - CONTINGENT LIABILITIES

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

In addition, the City is currently party to pending litigation. It is not possible at this time to make a judgement as to whether there is a reasonable possibility of an unfavorable outcome which could result in a material judgement against the City.

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 17 - COMPLIANCE

A. Appropriations Over Estimated Revenue

Section 5705.39, Revised Code, prohibits the City from making a fund appropriation in excess of the estimated revenue available for expenditure plus carryover balances in that fund. The following funds were found to have appropriations exceeding estimated revenue plus carryover balances:

Enterprise Fund	
Water	\$ (14,798)
Sewer	(92,005)
Sanitation	(73,539)
Internal Service Fund	
Self-Insurance	(380,000)

B. Estimated Resources Over Actual Receipts

Section 5705.36, Revised Code, requires the City to obtain a reduced amended certificate of estimated resources when it is known that the estimated receipts will exceed actual receipts. Once a reduced amended certificate is obtained, Section 5705.39, Revised Code, requires a corresponding reduction in appropriations.

The amount of the amended certificate of estimated resources exceeded actual receipts plus certified January 1 fund balances for the following funds:

General Fund	\$ (887,801)
Special Revenue	
Park	(106,742)
Enterprise Fund	
Water	(82,223)
Sewer	(273,259)
Sanitation	(27,490)

CITY OF UPPER SANDUSKY, OHIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the Year Ended December 31, 2000

NOTE 18 – CONSTRUCTION COMMITMENTS

As of December 31, 2000, the City had a contractual purchase commitment for one project. The amount for the project is as follows:

<u>Project</u>	<u>Purchase Commitment</u>	<u>Construction in Progress</u>	<u>Amount Remaining On Contract</u>
City/Safety Building Renovations	\$ 569,950	\$ 393,004	\$ 176,946

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

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

We have audited the general purpose financial statements of the City of Upper Sandusky, Ohio as of and for the year ended December 31, 2000 and have issued our report thereon dated July 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 12, 2001.

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated July 12, 2001.

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

Charles E. Harris & Associates, Inc.
July 12, 2001

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ended December 31, 1999 did not include material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF UPPER SANDUSKY

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2001**