

CITY OF HARRISON

*GENERAL PURPOSE
FINANCIAL STATEMENTS
(AUDITED)
FOR THE YEARS ENDED
DECEMBER 31, 1998 AND 1997*

TRIMBLE, JULIAN & GRUBE, INC.

TJG

CITY OF HARRISON

***GENERAL PURPOSE
FINANCIAL STATEMENTS
(AUDITED)
FOR THE YEARS ENDED
DECEMBER 31, 1998 AND 1997***

MARY LOU DAWSON, FINANCE DIRECTOR

CITY OF HARRISON

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Mayor and Members of Council
City of Harrison
Harrison, Ohio

We have reviewed the Independent Auditor's Report of the City of Harrison, Hamilton County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 1997 to December 30, 1998. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

December 21, 1999

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

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

We have audited the accompanying general purpose financial statements of the City of Harrison as of and for the years ended December 31, 1998 and 1997. These general purpose financial statements are the responsibility of the City of Harrison's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Harrison, as of December 31, 1998 and 1997, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 1999 on our consideration of the City of Harrison's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
November 9, 1999

CITY OF HARRISON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise		Agency	General
										Fixed Assets
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and cash equivalents	\$57,767	\$111,725	\$56,194	\$227,005				\$520,704		
Investments	283,731	884,720	538,575	1,571,719				3,278,745		
Cash with fiscal agent					\$13,053			13,053		
Receivables (net of allowances for uncollectibles):										
Taxes	792,570	561,595	9,488					1,363,653		
Accounts	22,074	1,207	11,340	302,033				336,654		
Accrued interest	80,852							80,852		
Advances to other funds	21,936							21,936		
Due from other governments	84,361	100,995	55,125	1,737				242,218		
Prepayments	16,615	18,599		8,600				43,814		
Materials and supplies inventory	7,321	2,420		20,672				30,413		
Restricted assets:										
Cash and cash equivalents				707,933				707,933		
Investments				312,551				312,551		
Property, plant and equipment (net of accumulated depreciation where applicable)							\$4,702,731	12,546,452		
OTHER DEBITS:										
Amount available in debt service fund							\$56,194	56,194		
Amount to be provided for retirement of general long-term obligations							133,344	133,344		
Total assets and other debits	\$1,367,227	\$1,681,261	\$56,194	\$10,995,971	\$13,053	\$4,702,731	\$189,538	\$19,688,516		

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

CITY OF HARRISON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
DECEMBER 31, 1998

	Governmental Fund Types				Capital Projects	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	General				Fixed Assets	Long-Term Obligations		Total	
											General	Long-Term Obligations
LIABILITIES, EQUITY AND OTHER CREDITS												
LIABILITIES:												
Accounts payable	\$27,403	\$18,388				\$45,389				\$91,180		
Accrued wages and benefits	25,475	16,969				7,395				49,839		
Compensated absences payable						17,242		\$77,174		94,416		
Advances from other funds						21,936				21,936		
Deferred revenue	683,385	628,080				12,281	\$13,053			1,311,465		
Due to other governments	76,710	47,006				196,271				149,050		
Accrued interest payable		8,331		\$1,520		12,385				206,122		
OWDA loan payable						686,995				12,385		
OPWC loan payable						320,000				686,995		
General obligation bonds payable						3,990,000				320,000		
General obligation notes payable		474,000		504,000					106,253	978,000		
Mortgage revenue bonds payable										3,990,000		
Capital lease obligations									6,111	106,253		
Accrued pension liability										6,111		
Total liabilities	812,973	1,192,774		505,520		5,309,894	13,053		189,538	8,023,752		
EQUITY AND OTHER CREDITS:												
Investment in general fixed assets								\$4,702,731		4,702,731		
Contributed capital						1,247,667				1,247,667		
Retained earnings:												
Reserved						1,020,484				1,020,484		
Unreserved						3,417,926				3,417,926		
Fund balances:												
Reserved for encumbrances	85,676	223,641		195,477						504,794		
Reserved for materials and supplies inventory	7,321	2,420								9,741		
Reserved for advances	21,936									21,936		
Reserved for prepayments	16,615	18,599								35,214		
Reserved for debt service			\$56,194							56,194		
Unreserved-designated	422,706	243,827		(18,456)						648,077		
Total equity and other credits	554,254	488,487	56,194	177,021		5,686,077		4,702,731		11,664,764		
Total liabilities, equity and other credits	\$1,367,227	\$1,681,261	\$56,194	\$682,541		\$10,995,971	\$13,053	\$4,702,731	\$189,538	\$19,688,516		

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

CITY OF HARRISON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$2,538,990	\$751,559		\$35,847	\$3,326,396
Charges for services	1,302	245,430			246,732
Licenses, permits and fees	54,629				54,629
Fines and forfeitures	185,022				185,022
Intergovernmental	433,611	336,733		101,125	871,469
Investment income	62,992	36,928			99,920
Other	28,141	23,456		11,698	63,295
Total revenue	3,304,687	1,394,106		148,670	4,847,463
Expenditures:					
Current Operations:					
General government	525,531	12,794			538,325
Security of persons and property	1,476,275	1,411,241			2,887,516
Public health and welfare	7,115	90,379			97,494
Transportation		284,857			284,857
Community environment	32,159				32,159
Leisure time activity	16,649	173,870		4,641	195,160
Capital outlay	69,197	285,373		364,370	718,940
Debt service:					
Principal retirement		53,792			53,792
Interest and fiscal charges		25,525		62,410	87,935
Total expenditures	2,126,926	2,337,831		431,421	4,896,178
Excess of revenues over (under) expenditures	1,177,761	(943,725)		(282,751)	(48,715)
Other financing sources (uses):					
Other financing sources	30,518	22,731	\$3,145		56,394
Other financing uses	(78,821)	(118)			(78,939)
Proceeds of capital lease transactions		160,045			160,045
Operating transfers in		817,400		421,944	1,239,344
Operating transfers out	(1,189,344)	(50,000)			(1,239,344)
Total other financing sources (uses)	(1,237,647)	950,058	3,145	421,944	137,500
Excess of revenues and other financing sources over (under) expenditures and other uses	(59,886)	6,333	3,145	139,193	88,785
Fund balance at January 1	614,326	493,340	53,049	37,828	1,198,543
Increase (decrease) in reserve for inventory	(186)	(11,186)			(11,372)
Fund balance at December 31	\$554,254	\$488,487	\$56,194	\$177,021	\$1,275,956

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

CITY OF HARRISON, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
Property and other taxes	\$2,638,213	\$2,636,545	(\$1,668)	\$1,353,462	\$725,839	(\$627,623)		\$32,713	(\$482,661)	\$4,507,049	\$3,395,097	(\$1,111,952)		\$3,395,097	(\$1,111,952)
Charges for services	1,273	1,302	29	406,921	236,376	(170,545)				408,194	237,678	(170,516)		237,678	(170,516)
Licenses, permits and fees	73,918	75,644	1,726							72,978	75,644	2,666		75,644	1,726
Fines and forfeitures	193,405	197,921	4,516							193,405	197,921	4,516		197,921	4,516
Intergovernmental	354,294	362,568	8,274	595,481	345,908	(249,573)		46,000	(678,703)	1,674,478	754,476	(920,002)		754,476	(920,002)
Investment income	76,834	78,628	1,794	63,372	36,928	(26,444)				140,406	115,546	(24,860)		115,546	(24,860)
Other	30,601	31,316	715	40,380	23,456	(16,924)		358	(5,282)	76,621	55,130	(21,491)		55,130	(21,491)
Total revenues	3,368,538	3,383,924	15,386	2,459,816	1,388,507	(1,091,309)		79,071	(1,186,646)	7,074,071	4,831,502	(2,242,569)		4,831,502	(2,242,569)
Expenditures:															
Current:															
General government	726,795	630,972	95,823	19,615	0	19,615				746,410	630,972	115,438		630,972	115,438
Security of persons and property	1,474,321	1,471,229	3,092	1,385,068	1,511,048	74,040				3,059,409	2,982,277	77,132		2,982,277	77,132
Public health and welfare	7,200	7,115	85	102,621	88,933	13,688				109,821	96,046	13,775		96,046	13,775
Transportation	42,231	33,031	9,200	373,471	310,441	63,030				373,471	310,441	63,030		310,441	63,030
Community environment	39,080	25,081	13,999	205,242	177,865	27,376				42,231	33,031	9,200		33,031	9,200
Leisure time activity	74,156	69,735	4,421	577,840	382,272	195,568				50,300	207,588	257,288		207,588	257,288
Capital outlay								4,641	78,214	1,308,639	1,030,436	278,203		1,030,436	278,203
Debt service:															
Principal retirement				523,000	523,000	0				749,135	1,228,000	(478,865)		1,228,000	(478,865)
Interest and fiscal charges				21,153	21,153	0				77,232	52,317	24,915		52,317	24,915
Total expenditures	2,363,783	2,237,163	1,266,200	3,408,030	3,014,713	393,317		1,863,985	(330,675)	7,305,123	7,115,861	189,262		7,115,861	189,262
Excess of revenues over (under) expenditures	1,004,755	1,146,761	142,006	(948,214)	(1,646,206)	(697,992)		(287,992)	(1,784,914)	(231,052)	(2,284,359)	(2,053,307)		(2,284,359)	(2,053,307)
Other financing sources (uses):															
Proceeds of general obligation notes				224,000	474,000	250,000				504,000	978,000	474,000		978,000	474,000
Operating transfers in				817,600	\$17,400	(800,200)				1,052,125	1,239,344	187,219		1,239,344	187,219
Operating transfers (out)	(1,189,344)	(1,189,344)	0	(50,000)	(50,000)	0				(1,239,344)	(1,239,344)	0		(1,239,344)	0
Other financing sources	31,334	34,708	3,374	39,131	22,731	(16,400)				70,465	57,439	(13,026)		57,439	(13,026)
Other financing uses	(37,280)	(77,168)	(39,888)	0	0	0				(83,409)	(77,289)	6,114		(77,289)	6,114
Total other financing sources (uses)	(1,235,210)	(1,231,804)	3,406	1,030,731	1,264,013	233,282		(6,200)	(630,181)	1,345,446	958,153	(387,293)		958,153	(387,293)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(230,455)	(85,043)	145,412	82,517	(382,193)	(464,710)		(6,200)	(2,127,502)	1,114,394	(1,336,206)	(2,440,600)		(1,336,206)	(2,440,600)
Fund balance at January 1	267,765	267,765	0	849,008	849,008	0		53,078	0	1,198,946	1,198,946	0		1,198,946	0
Prior year encumbrances appropriated	26,876	26,876	0	237,907	237,907	0		105,173	0	369,956	369,956	0		369,956	0
Fund balance at December 31	\$64,186	\$209,598	\$145,412	\$1,169,432	\$704,722	(\$464,710)		\$53,078	(\$6,200)	\$2,572,651	\$1,412,547	(\$1,160,104)		\$1,412,547	(\$1,160,104)

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

CITY OF HARRISON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$2,000,913
Other operating revenues	5,702
	2,006,615
Operating expenses:	
Personal services	498,629
Contract services	260,807
Materials and supplies	181,525
Utilities	316,244
Depreciation	222,012
Other operating expense	2,830
	1,482,047
Operating income	524,568
Nonoperating revenues (expenses):	
Intergovernmental grants	7,522
Interest and fiscal charges	(244,369)
Investment earnings	185,429
Other nonoperating revenue	6,347
	(45,071)
Net income	479,497
Retained earnings at January 1	3,958,913
Retained earnings at December 31.	\$4,438,410

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

CITY OF HARRISON, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$1,946,631
Cash received from other operations	5,574
Cash payments for personal services	(491,031)
Cash payments for contract services	(478,696)
Cash payments for materials and supplies	(203,229)
Cash payments for utilities	(112,902)
Cash payments for other expenses	(2,830)
Net cash provided by operating activities	663,517
Cash flows from noncapital financing activities:	
Cash received from operating grants	7,522
Cash received from nonoperating activities	6,347
Net cash provided by noncapital financing activities	13,869
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(531,246)
Principal retirement	(317,787)
Interest paid	(255,304)
Net cash used in capital and related financing activities	(1,104,337)
Cash flows from investing activities:	
Purchase of investments	(154,031)
Interest received	121,296
Net cash used in investing activities	(32,735)
Net increase in cash and cash equivalents	(459,686)
Cash and cash equivalents at January 1	1,394,624
Cash and cash equivalents at December 31	\$934,938
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$524,568
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	222,012
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(703)
Increase in accounts receivable	(54,410)
Decrease in prepayments	4,273
Decrease in accounts payable	(35,351)
Decrease in accrued wages and benefits	(4,378)
Increase in compensated absences payable	1,184
Increase in due to other governments	6,322
Net cash provided by operating activities	\$663,517

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

CITY OF HARRISON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1997

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Agency		General	
										Fixed Assets	Long-Term Obligations
ASSETS AND OTHER DEBITS:											
Equity in pooled cash and cash equivalents . . .	\$87,197	\$315,238	\$53,049	\$385,876	\$652,712				\$1,494,072		
Investments	207,444	749,957		918,015	1,451,667				3,327,083		
Cash with fiscal agent						\$28,185			28,185		
Receivables (net of allowances for uncollectibles):											
Taxes	789,348	585,807		6,354					1,381,509		
Accounts	45,412	1,207			247,187				293,806		
Accrued interest	84,335				436				84,771		
Advances to other funds	21,936								21,936		
Due from other governments	147,354	104,729			1,737				253,820		
Prepayments	28,080	27,017			12,873				67,970		
Materials and supplies inventory	7,507	14,817			19,969				42,293		
Restricted assets:											
Cash and cash equivalents					741,912				741,912		
Investments					220,896				220,896		
Funds on deposit with deferred compensation board						321,684			321,684		
Property, plant and equipment (net of accumulated depreciation where applicable)					7,336,217		\$4,478,951		11,815,168		
OTHER DEBITS:											
Amount available in debt service fund								\$53,049	53,049		
Amount to be provided for retirement of general long-term obligations								5,075	5,075		
Total assets and other debits	\$1,418,613	\$1,798,772	\$53,049	\$1,310,245	\$10,685,606	\$349,869	\$4,478,951	\$58,124	\$20,153,229		

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

CITY OF HARRISON, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
DECEMBER 31, 1997

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)			
	General	Special Revenue	Debt Service			Capital Projects	Enterprise		Agency	General	Long-Term Obligations
										Fixed Assets	
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$24,709	\$17,523		\$80,740				\$141,554			
Accrued wages and benefits	34,528	48,259		11,773				94,560			
Compensated absences payable				16,058			\$51,951	68,009			
Advances from other funds				21,936				21,936			
Deferred revenue	690,740	682,837			\$28,185			1,373,577			
Due to other governments	54,310	26,064		5,959				114,518			
Accrued interest payable		7,749		213,663				247,247			
Deferred compensation payable				25,835				321,684			
OWDA loan payable				24,146				24,146			
OPWC loan payable				743,021				743,021			
General obligation bonds payable				390,000				390,000			
General obligation notes payable		523,000						1,751,000			
Mortgage revenue bonds payable				4,170,000				4,170,000			
Accrued pension liability							6,173	6,173			
Total liabilities	804,287	1,305,432		5,677,296	349,869		58,124	9,467,425			
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets						\$4,478,951		4,478,951			
Contributed capital				1,049,397				1,049,397			
Retained earnings:											
Reserved				1,167,991				1,167,991			
Unreserved				2,790,922				2,790,922			
Fund balances:											
Reserved for encumbrances	14,703	236,707						356,583			
Reserved for materials and supplies inventory	7,507	14,817						22,324			
Reserved for advances	21,936							21,936			
Reserved for prepayments	28,080	27,017						55,097			
Reserved for debt service			\$53,049					53,049			
Unreserved-undesignated	542,100	214,799						689,554			
Total equity and other credits	614,326	493,340	53,049	5,008,310	349,869	4,478,951	58,124	10,685,804			
Total liabilities, equity and other credits	\$1,418,613	\$1,798,772	\$53,049	\$10,685,606	\$349,869	\$4,478,951	\$58,124	\$20,153,229			

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

CITY OF HARRISON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$2,230,575	\$716,694		\$26,338	\$2,973,607
Charges for services	3,458	152,729			156,187
Licenses, permits and fees	62,754	75			62,829
Fines and forfeitures	252,347	590			252,937
Intergovernmental	359,209	340,154		101,000	800,363
Investment income	109,026	22,411			131,437
Other	20,993	17,440			38,433
Total revenue	3,038,362	1,250,093		127,338	4,415,793
Expenditures:					
Current Operations:					
General government	445,336	20,219			465,555
Security of persons and property	1,297,914	1,122,674			2,420,588
Public health and welfare	6,921	86,772			93,693
Transportation	100	292,950			293,050
Community environment	28,939				28,939
Leisure time activity	30,811	172,709			203,520
Capital outlay	125,347	140,865		204,958	471,170
Debt service:					
Interest and fiscal charges		11,730		29,358	41,088
Total expenditures	1,935,368	1,847,919		234,316	4,017,603
Excess of revenues over (under) expenditures	1,102,994	(597,826)		(106,978)	398,190
Other financing sources (uses):					
Other financing sources	2,644	1,341		100,000	103,985
Other financing uses	(43,583)	(45)	(\$6,529)		(50,157)
Operating transfers in		743,300		429,358	1,172,658
Operating transfers out	(1,122,658)	(50,000)			(1,172,658)
Total other financing sources (uses)	(1,163,597)	694,596	(6,529)	529,358	53,828
Excess of revenues and other financing sources over (under) expenditures and other uses	(60,603)	96,770	(6,529)	422,380	452,018
Fund balance at January 1 (restated)	671,772	399,193	59,578	(384,552)	745,991
Increase (decrease) in reserve for inventory	3,157	(2,623)			534
Fund balance at December 31	\$614,326	\$493,340	\$53,049	\$37,828	\$1,198,543

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

CITY OF HARRISON, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1997

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$2,002,060
Other operating revenues.	2,075
	2,004,135
Total operating revenues	2,004,135
Operating expenses:	
Personal services	485,787
Contract services	192,289
Materials and supplies	49,349
Utilities	287,773
Depreciation	215,869
Other operating expense	906
	1,231,973
Total operating expenses	1,231,973
Operating income	772,162
Nonoperating revenues (expenses):	
Intergovernmental grants	15,295
Interest and fiscal charges	(271,597)
Investment earnings	95,348
Other nonoperating expense	(12,897)
Other nonoperating revenue	45,726
	(128,125)
Total nonoperating revenues (expenses)	(128,125)
Net income	644,037
Retained earnings at January 1 (restated)	3,314,876
Retained earnings at December 31.	\$3,958,913

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

CITY OF HARRISON, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1997

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$2,029,988
Cash received from other operations	2,075
Cash payments for personal services	(482,424)
Cash payments for contract services	(416,468)
Cash payments for materials and supplies	(61,662)
Cash payments for utilities	(98,445)
Cash payments for other expenses	(906)
Net cash provided by operating activities	972,158
Cash flows from noncapital financing activities:	
Cash received from operating grants	15,082
Cash received from nonoperating activities	156,415
Net cash provided by noncapital financing activities	171,497
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(243,241)
Principal retirement	(300,556)
Interest paid	(267,701)
Net cash used in capital and related financing activities	(811,498)
Cash flows from investing activities:	
Proceeds from sale of investments	86,796
Purchase of investments	(383,650)
Interest received	53,486
Net cash used in investing activities	(243,368)
Net increase in cash and cash equivalents	88,789
Cash and cash equivalents at January 1	1,305,835
Cash and cash equivalents at December 31	\$1,394,624
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$772,162
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	215,869
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	1,176
Decrease in accounts receivable	27,928
Decrease in prepayments	4,397
Decrease in accounts payable	(19,153)
Increase in accrued wages and benefits	680
Increase in compensated absences payable	360
Decrease in due to other governments	(3,677)
Decrease in deposits held and due to others	(27,584)
Net cash provided by operating activities	\$972,158

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 1 - DESCRIPTION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

B. Basis of Presentation - Fund Accounting

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

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

Governmental Fund Types:

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

General Fund - This fund accounts for the general operating revenues and expenditures of the City not recorded elsewhere.

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Type:

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

Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The City maintains agency funds which are custodial in nature (assets equal liabilities) and 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:

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

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

D. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. *The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.*

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

Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31, of the following year.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

Estimated Resources

The City Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1998 and 1997.

Appropriations

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

Encumbrances

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

Lapsing of Appropriations

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

E. Cash and Investments

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

During 1998 and 1997, investments were limited to STAR Ohio, U. S. government securities, U. S. government money market mutual funds and certificates of deposit.

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998 and 1997. 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, 1998 and 1997.

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

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Cash Fund Balance</u>	<u>Interest Assigned by Other Funds</u>
1998:			
<u>General Fund</u>	\$ 59,691	\$16,337	\$43,354
<u>Special Revenue Funds</u>			
Street Maintenance and Repair	\$ 9,860	\$ 9,444	\$ 416
<u>Enterprise Fund</u>			
Water	\$ 88,966	\$60,842	\$28,124
Sewer	\$ 96,463	\$93,838	\$ 2,625
1997:			
<u>General Fund</u>	\$109,026	\$13,649	\$95,377
<u>Special Revenue Funds</u>			
Street Maintenance and Repair	\$ 7,429	\$ 7,039	\$ 390

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash with Fiscal Agent" since they are not required to be deposited into the City treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

F. Inventories of Materials and Supplies

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

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

2. *Enterprise Funds*

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

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

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

H. Compensated Absences

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

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

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

I. Intergovernmental Revenues

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

J. Long-Term Obligations

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

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans, accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The City had no short-term interfund loans receivable or payable at December 31, 1998 and 1997.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances". They are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The City had long-term advances receivable and payable at December 31, 1998 and 1997.

An analysis of interfund transactions is presented in Note 5.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

L. Fund Balance Reserves

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

The City reports amounts representing material and supply inventories, available debt service equity, prepayments, encumbrances outstanding, and advances made to other funds as reservations of fund balance in the governmental funds.

M. Contributed Capital

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

Q. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

The City has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", for its deferred compensation plan through the Ohio Public Employees Deferred Compensation Plan (OPEDCP). Prior to December 31, 1998, the OPEDCP created a trust for the assets of the plan for which the City has no fiduciary responsibility. Therefore, the balance of the OPEDCP deferred compensation plan of \$321,684 was shown as a reduction in the deferred compensation agency fund for 1998.

B. Prior Period Adjustment

The following prior period adjustments are required to properly state fund balance/retained earnings at January 1, 1997 due to certain cash and investment activity in prior years:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Fund balance/retained earnings as previously reported	\$680,556	\$46,868	\$(385,970)	\$3,278,061
Prior period adjustment	<u>(8,784)</u>	<u>12,710</u>	<u>1,418</u>	<u>36,815</u>
Restated fund balance/retained earnings at January 1, 1997	<u>\$671,772</u>	<u>\$59,578</u>	<u>\$(384,552)</u>	<u>\$3,314,876</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

The following fund had a deficit fund balance as of December 31, 1998:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Fund</u>	
State Highway Fund	\$19,984

At December 31, 1998, contrary to Ohio Revised Code Section 5705.10, the State Highway special revenue fund had a negative cash fund balance of \$20,623. The deficit fund balance on a GAAP basis is the result of this negative cash fund balance. This deficit balance will be eliminated through the collection of intergovernmental grants and subsidies not recognized at December 31.

The following funds had a deficit fund balance as of December 31, 1997:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds</u>	
State Highway Fund	\$ 9,917
Senior Fund	170
<u>Capital Projects Fund</u>	
Capital Improvements	91,235

At December 31, 1997, contrary to Ohio Revised Code Section 5705.10, the State Highway special revenue fund had a negative cash fund balance of \$11,128. The deficit fund balance on a GAAP basis is the result of this negative cash fund balance. This deficit balance will be eliminated through the collection of intergovernmental grants and subsidies not recognized at December 31.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit fund balance in the Senior special revenue fund is due to the application of GAAP in recognition of accounts payable, accrued wages and retirement benefits at December 31. This deficit will be eliminated by intergovernmental revenues or other subsidies not recognized at December 31. This fund complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the Capital Improvements capital projects fund is caused by the application of GAAP, namely in the requirement to report short-term general obligation notes as a fund liability rather than as an "other financing source". This deficit will be eliminated as resources become available to retire the notes. This fund complied with Ohio state law, which does not permit a cash basis deficit at year end.

D. Compliance

The following funds had appropriations in excess of estimated revenues and unencumbered cash for the years ended December 31, 1998 and 1997 in noncompliance with Ohio Revised Code Section 5705.39.

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
1998:			
<u>Special Revenue</u>			
Fire Improvement	2,217,350	2,658,701	441,351
Community Center	116,875	159,793	42,918
 <u>Enterprise</u>			
Water Improvement	205,410	410,760	205,350
 1997:			
<u>Special Revenue</u>			
FEMA	---	9,323	9,323

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The following funds had expenditures and carryover encumbrances in excess of appropriations and prior year carryover encumbrances for the years ended December 31, 1998 and 1997 in noncompliance with Ohio Revised Code Section 5705.41(B).

<u>Fund Type/Fund/Department/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
1998:			
<u>General Fund</u>			
Security of Persons and Property			
Personal Services	\$1,145,054	\$1,158,683	\$13,629
<u>Special Revenue Fund</u>			
Fire Fund:			
Security of Persons and Property			
Personal Services	1,034,299	1,037,715	3,416
<u>Capital Projects Fund</u>			
Debt Service	826,367	1,280,915	454,548
1997:			
<u>Special Revenue Fund</u>			
Fire Fund:			
Debt Service	235,720	320,720	85,000
<u>Capital Projects Fund</u>			
Capital Outlay	154,818	447,773	292,955
Debt Service	583,130	803,130	220,000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

Moneys held by the City are classified by State Statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the City treasury. Active moneys 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.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

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

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

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

Deposits: At December 31, 1998 and 1997, the carrying amount of the City's deposits, which includes cash with fiscal agents and nonnegotiable certificates of deposit, was \$2,220,610 and \$2,485,863, respectively, and the bank balance was \$2,287,263 and \$2,554,423, respectively. Of the bank balance:

1. \$615,344 and \$730,476, respectively, was covered by federal deposit insurance; and
2. \$1,671,919 and \$1,823,947, respectively, was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed for \$1,560,632 and \$1,723,947, respectively, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC. State statutory requirements were not met for \$111,287 and \$100,000, respectively, for 1998 and 1997.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

The following is a listing of investments, by category, as of December 31, 1998:

	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U. S. Government Securities	<u>\$1,442,784</u>	\$1,442,784	\$1,442,784
State Treasurer's Investment Pool		461,233	461,233
U. S. Government Money Market Mutual Funds		<u>707,934</u>	<u>707,934</u>
Total Investments		<u>\$2,611,951</u>	<u>\$2,611,951</u>

The following is a listing of investments, by category, as of December 31, 1997:

	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U. S. Government Securities	\$1,153,441	<u>\$1,153,441</u>	<u>\$1,153,441</u>
Deferred Compensation		331,684	331,684
State Treasurer's Investment Pool		1,430,507	1,430,507
U. S. Government Money Market Mutual Funds		<u>741,912</u>	<u>741,912</u>
Total Investments		<u>\$3,657,544</u>	<u>\$3,657,544</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
1998:		
Per GASB Statement No. 9	\$ 1,241,690	\$ 3,591,296
Investments of the		
Cash Management Pool:		
State Treasurer's Investment Pool	(461,233)	461,233
U. S. Government		
Money Market Mutual Funds	(707,934)	707,934
Certificates of Deposit	2,148,512	(2,148,512)
Cash on Hand	<u>(425)</u>	<u>---</u>
Per GASB Statement No. 3	<u>\$ 2,220,610</u>	<u>\$ 2,611,951</u>
1997:		
Per GASB Statement No. 9	\$ 2,264,169	\$ 3,547,979
Investments of the		
Cash Management Pool:		
State Treasurer's Investment Pool	(1,430,507)	1,430,507
Cash on Hand	(425)	---
U. S. Government		
Money Market Mutual Funds	(741,912)	741,912
Deferred Compensation	---	331,684
Certificates of Deposit	<u>2,394,538</u>	<u>(2,394,538)</u>
Per GASB Statement No. 3	<u>\$ 2,485,863</u>	<u>\$ 3,657,544</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the City's operating transfers for 1998:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>General Fund</u>	\$ ---	\$1,189,344
<u>Special Revenue Funds</u>		
Police Pension	145,300	---
Fire Improvement	440,000	50,000
Community Center	53,600	---
Senior Fund	103,500	---
Fire Capital Reserve	50,000	---
Street Maintenance and Repair	25,000	---
<u>Capital Projects</u>		
Capital Improvements	<u>421,944</u>	<u>---</u>
Total	<u>\$1,239,344</u>	<u>\$1,239,344</u>

The following is a summarized breakdown of the City's operating transfers for 1997:

	\$ ---	\$1,122,658
<u>General Fund</u>		
<u>Special Revenue Funds</u>		
Police Pension	107,300	---
Fire Pension	440,000	50,000
Community Center	95,000	---
Senior Fund	51,000	---
Fire Capital Reserve	50,000	---
<u>Capital Projects</u>		
Capital Improvements	<u>429,358</u>	<u>---</u>
Total	<u>\$1,172,658</u>	<u>\$1,172,658</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The City had the following long-term advances outstanding at December 31, 1998 and 1997:

	<u>Advances to other funds</u>	<u>Advances from other funds</u>
<u>General Fund</u>	\$21,936	\$ - - -
<u>Enterprise Funds</u>		
Water	- - -	12,960
Sewer	<u>- - -</u>	<u>8,976</u>
 Total	 <u>\$21,936</u>	 <u>\$21,936</u>

NOTE 6 - PROPERTY TAXES

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

The full tax rate applied to real property for the fiscal year ended December 31, 1998 was \$13.00 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$13.00 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$13.00 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback reductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 6 - PROPERTY TAXES - (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 1998 was \$13.00 per \$1,000 of assessed valuation. The assessed valuation upon which 1998 taxes were collected is as follows:

Residential/Agricultural Real Property	\$ 59,033,900
Commercial/Industrial/Public Utility Real Property	35,530,070
Tangible/Public Utility Personal Property	<u>25,935,430</u>
 Total Assessed Value	 <u>\$120,499,400</u>

The assessed valuation upon which 1997 taxes were collected is as follows:

Residential/Agricultural Real Property	\$ 58,236,530
Commercial/Industrial/Public Utility Real Property	31,464,410
Tangible/Public Utility Personal Property	<u>25,077,990</u>
 Total Assessed Value	 <u>\$114,778,930</u>

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

Accrued taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 1998 and 1997. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 1998 and 1997 operations, respectively. Accordingly, the receivable is offset by a credit to "Deferred Revenue".

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 7 - LOCAL INCOME TAX

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 1998 and 1997, consisted of real estate and other taxes, accounts (billings for user charged services), accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet. Receivables have been recorded to the extent that they are both measurable and available at December 31, 1998 and 1997, as well as intended to finance fiscal 1998 and 1997 operations, respectively.

A summary of the principal items of receivables follows:

<u>Fund Type/Description</u>	<u>Amount</u>
1998:	
<u>General Fund</u>	
Real and other taxes	\$792,570
Accounts	22,074
Due from other governments	84,361
Accrued interest	80,852
<u>Special Revenue Funds</u>	
Real and other taxes	561,595
Due from other governments	100,995

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 8 - RECEIVABLES - (Continued)

<u>Fund Type/Description</u>	<u>Amount</u>
<u>Capital Projects Funds</u>	
Real and other taxes	\$ 9,488
Accounts	11,340
Due from other governments	55,125
 <u>Enterprise Funds</u>	
Accounts	302,033
 1997:	
<u>General Fund</u>	
Real and other taxes	\$789,348
Accounts	45,412
Due from other governments	147,354
Accrued interest	84,335
 <u>Special Revenue Funds</u>	
Real and other taxes	585,807
Due from other governments	104,729
 <u>Capital Projects Funds</u>	
Real and other taxes	6,354
 <u>Enterprise Funds</u>	
Accounts	247,187

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 9 - FIXED ASSETS

A. Enterprise Fixed Assets

A summary of the enterprise funds' fixed assets at December 31, 1998, follows:

Land	\$ 485,420
Buildings	4,391,626
Improvements	4,754,805
Machinery and equipment	650,772
Accumulated depreciation	<u>(2,438,902)</u>
Total net fixed assets	<u>\$ 7,843,721</u>

A summary of the enterprise funds' fixed assets at December 31, 1997, follows:

Land	\$ 6,355
Buildings	4,343,711
Improvements	4,580,432
Machinery and equipment	622,609
Accumulated depreciation	<u>(2,216,890)</u>
Total net fixed assets	<u>\$ 7,336,217</u>

B. General Fixed Assets

A summary of the changes in general fixed assets during 1998 follows:

	<u>Balance at</u> <u>1/1/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/98</u>
Land	\$ 834,446	\$ 14,744	\$ ---	\$ 849,190
Buildings	1,560,264	---	---	1,560,264
Improvements other than buildings	30,934	---	---	30,934
Machinery and equipment	<u>2,053,307</u>	<u>283,049</u>	<u>(74,013)</u>	<u>2,262,343</u>
Total fixed assets	<u>\$4,478,951</u>	<u>\$297,793</u>	<u>\$(74,013)</u>	<u>\$4,702,731</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 9 - FIXED ASSETS - (Continued)

A summary of the changes in general fixed assets during 1997 follows:

	<u>Balance at</u> <u>1/1/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/97</u>
Land	\$ 809,700	\$ 24,746	\$ ---	\$ 834,446
Buildings	1,554,727	5,537	---	1,560,264
Improvements other than buildings	30,934	---	---	30,934
Machinery and equipment	<u>1,801,020</u>	<u>314,421</u>	<u>(62,134)</u>	<u>2,053,307</u>
Total fixed assets	<u>\$4,196,381</u>	<u>\$344,704</u>	<u>\$(62,134)</u>	<u>\$4,478,951</u>

NOTE 10 - CONTRIBUTED CAPITAL

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

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Balance at January 1, 1998	\$292,390	\$757,007	\$1,049,397
Contributions From Other Funds	<u>198,270</u>	<u>---</u>	<u>198,270</u>
Balance at December 31, 1998	<u>\$490,660</u>	<u>\$757,007</u>	<u>\$1,247,667</u>
Balance at January 1, 1997	\$292,390	\$513,385	\$ 805,775
Contributions From Other Funds	<u>---</u>	<u>243,622</u>	<u>243,622</u>
Balance at December 31, 1997	<u>\$292,390</u>	<u>\$757,007</u>	<u>\$1,049,397</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 11 - VACATION AND SICK LEAVE LIABILITY

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

Upon termination of City service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 1998 and 1997, vested benefits for vacation leave for governmental fund type employees totaled \$2,966 and \$10,024, respectively, and vested benefits for sick leave totaled \$74,208 and \$41,927, respectively. For proprietary fund types, vested benefits for sick leave totaled \$17,242 and \$16,058, respectively. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

NOTE 12 - LONG-TERM OBLIGATIONS

A. Defeased Debt

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

At the time of the defeasance, funds were deposited with the City's trustee, the Chase Manhattan Trust Company, N. A. (formally the PNC Bank), for the Water and Wastewater Issues. The principal and interest on the investments in these escrow funds are used solely to pay the principal and interest requirements on the mortgage revenue bonds as they come due. As of December 31, 1998, there was \$2,694,090 of principal and interest on deposit with the Chase Manhattan Trust Company, N.A.

As the money on deposit with the trustee is adequate to service the defeased debt, the City is not required to service any portion of this debt directly. Accordingly, the mortgage revenue debt is not included in the long-term obligations schedule or in the water or wastewater funds' balance sheet at December 31, 1998. Similarly, as no obligation is recorded, neither are the funds held on deposit with the trustee, which will be used to service that obligation.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. General Long-Term Obligations

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

	<u>Beginning Balance Outstanding</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance Outstanding</u>
1998:				
<u>General Long-Term Obligations</u>				
Compensated Absences Payable	\$51,951	\$ 25,223	\$ ---	\$ 77,174
Accrued Pension Liability	6,173	---	(62)	6,111
Capital Leases	<u>---</u>	<u>160,045</u>	<u>(53,792)</u>	<u>106,253</u>
Total General Long-Term Obligations	<u>\$58,124</u>	<u>\$185,268</u>	<u>\$(53,854)</u>	<u>\$189,538</u>
1997:				
<u>General Long-Term Obligations</u>				
Compensated Absences Payable	\$28,565	\$23,386	\$ ---	\$ 51,951
Accrued Pension Liability	<u>6,232</u>	<u>---</u>	<u>(59)</u>	<u>6,173</u>
Total General Long-Term Obligations	<u>\$34,797</u>	<u>\$23,386</u>	<u>\$(59)</u>	<u>\$ 58,124</u>

The City's liability for past service related to the Police and Firemen's Pension Fund at December 31, 1998 was \$12,987 in principal and interest payments through the year 2035. Only the principal amount of \$6,111 is included in the general long-term obligations account group.

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 64	\$ 287	\$ 351
2000	67	284	351
2001	71	280	351
2002	74	277	351
2003	77	274	351
Thereafter	<u>5,758</u>	<u>5,474</u>	<u>11,232</u>
Total	<u>\$6,111</u>	<u>\$6,876</u>	<u>\$12,987</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

C. Enterprise Fund Obligations

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

	Interest Rates	Beginning Balance Outstanding	-- Additions	Reductions	Ending Balance Outstanding
1998:					
<u>General Obligation Bonds</u>					
Sewer System Improvements - 1973	5.38%	\$ 10,000	\$ ---	\$ (10,000)	\$ ---
Water System Improvements - 1975	6.75%	15,000	---	(5,000)	10,000
Water System Improvements - 1995	5.40%	<u>365,000</u>	<u>---</u>	<u>(55,000)</u>	<u>310,000</u>
Total General Obligation Bonds		<u>\$ 390,000</u>	<u>\$ ---</u>	<u>\$ (70,000)</u>	<u>\$ 320,000</u>
<u>Mortgage Revenue Bonds</u>					
Water System Improvements - 1992	3.5-6.0%	\$ 605,000	\$ ---	\$ (50,000)	\$ 555,000
Sewer System Improvements - 1993	2.85-5.4%	<u>3,565,000</u>	<u>---</u>	<u>(130,000)</u>	<u>3,435,000</u>
Total Mortgage Revenue Bonds		<u>\$4,170,000</u>	<u>\$ ---</u>	<u>\$ (180,000)</u>	<u>\$3,990,000</u>
<u>Other Long-Term Obligations</u>					
OWDA Loan	5.25%	\$ 24,146	\$ ---	\$ (11,761)	\$ 12,385
OPWC Loan - Transmission Lines	3.00%	\$ 259,818	\$ ---	\$ (20,263)	\$ 239,555
OPWC Loan - Reservoir	3.00%	<u>483,203</u>	<u>---</u>	<u>(33,763)</u>	<u>447,440</u>
Total OPWC Loans		<u>\$ 743,021</u>	<u>\$ ---</u>	<u>\$ (56,026)</u>	<u>\$ 686,995</u>
Total Other Long-Term Obligations		<u>\$ 767,167</u>	<u>\$ ---</u>	<u>\$ (67,787)</u>	<u>\$ 699,380</u>
Total Enterprise Fund Obligations		<u>\$5,327,167</u>	<u>\$ ---</u>	<u>\$ (317,787)</u>	<u>\$5,009,380</u>
1997:					
<u>General Obligation Bonds</u>					
Sewer System Improvements - 1973	5.38%	\$ 20,000	\$ ---	\$ (10,000)	\$ 10,000
Water System Improvements - 1975	6.75%	20,000	---	(5,000)	15,000
Water System Improvements - 1995	5.40%	<u>420,000</u>	<u>---</u>	<u>(55,000)</u>	<u>365,000</u>
Total General Obligation Bonds		<u>\$ 460,000</u>	<u>\$ ---</u>	<u>\$ (70,000)</u>	<u>\$ 390,000</u>
<u>Mortgage Revenue Bonds</u>					
Water System Improvements - 1992	3.5-6.0%	\$ 645,000	\$ ---	\$ (40,000)	\$ 605,000
Sewer System Improvements - 1993	2.85-5.4%	<u>3,690,000</u>	<u>---</u>	<u>(125,000)</u>	<u>3,565,000</u>
Total Mortgage Revenue Bonds		<u>\$4,335,000</u>	<u>\$ ---</u>	<u>\$ (165,000)</u>	<u>\$4,170,000</u>
<u>Other Long-Term Obligations</u>					
OWDA Loan	5.25%	\$ 35,320	\$ ---	\$ (11,174)	\$ 24,146
OPWC Loan - Transmission Lines	3.00%	\$ 279,487	\$ ---	\$ (19,669)	\$ 259,818
OPWC Loan - Reservoir	3.00%	<u>517,917</u>	<u>---</u>	<u>(34,714)</u>	<u>483,203</u>
Total OPWC Loans		<u>\$ 797,404</u>	<u>\$ ---</u>	<u>\$ (54,383)</u>	<u>\$ 743,021</u>
Total Other Long-Term Obligations		<u>\$ 832,724</u>	<u>\$ ---</u>	<u>\$ (65,557)</u>	<u>\$ 767,167</u>
Total Enterprise Fund Obligations		<u>\$5,627,724</u>	<u>\$ ---</u>	<u>\$ (300,557)</u>	<u>\$5,327,167</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

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

Improvements to the City's water treatment facilities were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 1998 and 1997, the City has two loans outstanding through the OPWC. The loans are payable in semi-annual installments of principal and interest.

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

Year Ended	General Obligation Bonds			Mortgage Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
1999	\$ 60,000	\$17,030	\$ 77,030	\$ 190,000	\$ 203,583	\$ 393,583
2000	60,000	13,833	73,833	205,000	194,918	399,918
2001	45,000	10,635	55,635	215,000	185,148	400,148
2002	40,000	8,250	48,250	230,000	174,480	404,480
2003	40,000	6,130	46,130	250,000	162,963	412,963
Thereafter	<u>75,000</u>	<u>5,900</u>	<u>80,900</u>	<u>2,900,000</u>	<u>1,022,104</u>	<u>3,922,104</u>
Total	<u>\$320,000</u>	<u>\$61,778</u>	<u>\$381,778</u>	<u>\$3,990,000</u>	<u>\$1,943,196</u>	<u>\$5,933,196</u>

Year Ended	OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
1999	\$12,385	\$ 644	\$13,029	\$ 57,719	\$ 20,180	\$ 77,899
2000	---	---	---	59,463	18,436	77,899
2001	---	---	---	61,261	16,638	77,899
2002	---	---	---	63,112	14,787	77,899
2003	---	---	---	65,020	12,879	77,899
Thereafter	<u>---</u>	<u>---</u>	<u>---</u>	<u>380,420</u>	<u>34,072</u>	<u>414,492</u>
Total	<u>\$12,385</u>	<u>\$ 644</u>	<u>\$ 13,029</u>	<u>\$686,995</u>	<u>\$116,992</u>	<u>\$803,987</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 13 - NOTES PAYABLE

The City has pledged its full faith and credit as collateral for the general obligation notes. All notes have been issued in anticipation of long-term bond financing. Ohio law permits the issuance and renewal of bond anticipation notes such that the notes may remain outstanding for twenty years consecutively before such notes must be retired either from available funds of the City or from the proceeds of bonds issued to redeem the anticipation notes. If such notes and renewal of such notes remain outstanding for a period in excess of five years, any such period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated. Furthermore, a certain portion of the principal amount of such notes must be retired in the amounts and at the time that would have been required for the payment of principal maturities on the bonds anticipated as if the bonds had been issued at the expiration of the initial five year period.

	<u>Balance</u> <u>01/01/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/98</u>
<u>Special Revenue Funds</u>				
Fire Equipment Notes:				
1997 Issue - 4.24%	\$ 299,000	\$ ---	\$ (299,000)	\$ ---
1998 Issue - 4.22%	224,000	---	(224,000)	---
1998 Issue - 3.62%	<u>---</u>	<u>474,000</u>	<u>---</u>	<u>474,000</u>
Total Special Revenue Funds	<u>\$ 523,000</u>	<u>\$474,000</u>	<u>\$ (523,000)</u>	<u>\$474,000</u>
 <u>Capital Projects Fund</u>				
Real Estate Notes:				
1997 Issue - 4.24%	\$ 674,000	\$ ---	\$ (674,000)	\$ ---
1998 Issue - 4.22%	554,000	---	(554,000)	---
1998 Issue - 3.62%	<u>---</u>	<u>504,000</u>	<u>---</u>	<u>504,000</u>
Total Capital Projects Fund	<u>\$1,228,000</u>	<u>\$504,000</u>	<u>\$(1,228,000)</u>	<u>\$504,000</u>
Total General Obligation Notes	<u>\$1,751,000</u>	<u>\$978,000</u>	<u>\$(1,751,000)</u>	<u>\$978,000</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

NOTE 13 - NOTES PAYABLE - (Continued)

	<u>Balance</u> <u>01/01/97</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/97</u>
<u>Special Revenue Funds</u>				
Fire Equipment Notes:				
1996 Issue - 3.79%	\$ 309,000	\$ ---	\$ (309,000)	\$ ---
1997 Issue - 4.24%	---	299,000	---	299,000
1998 Issue - 4.22%	---	224,000	---	224,000
Total Special Revenue Funds	<u>\$ 309,000</u>	<u>\$ 523,000</u>	<u>\$ (309,000)</u>	<u>\$ 523,000</u>
 <u>Capital Projects Fund</u>				
Real Estate Notes:				
1996 Issue - 3.79%	\$ 774,000	\$ ---	\$ (774,000)	\$ ---
1997 Issue - 4.24%	---	674,000	---	674,000
1998 Issue - 4.22%	---	554,000	---	554,000
Total Capital Projects Fund	<u>\$ 774,000</u>	<u>\$1,228,000</u>	<u>\$ (774,000)</u>	<u>\$1,228,000</u>
Total General Obligation Notes	<u>\$1,083,000</u>	<u>\$1,751,000</u>	<u>\$(1,083,000)</u>	<u>\$1,751,000</u>

CITY OF HARRISON, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers for water operations, sewer operations, sanitation services, and waste/sewer deposits. Segment information for the years ended December 31, 1998 and 1997 is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation</u>	<u>Deposit Fund</u>	<u>Total</u>
1998:					
Operating revenues	\$767,162	\$1,031,961	\$205,374	\$ 2,118	\$2,006,615
Operating expenses					
before depreciation	411,923	639,696	208,416	---	1,260,035
Depreciation expense	86,515	135,497	---	---	222,012
Operating income (loss)	268,724	256,768	(3,042)	2,118	524,568
Net income	242,446	230,453	4,480	2,118	479,497
Additions to property, plant and equipment	582,384	147,132	---	---	729,516
Net working capital	1,092,153	1,700,220	15,295	19,892	2,827,560
Total assets	4,013,286	6,903,235	59,558	19,892	10,995,971
Bonds and other long term liabilities payable					
from operating revenues	687,870	3,447,385	---	---	4,135,255
Total liabilities	1,664,084	3,629,131	16,679	---	5,309,894
Contributed capital	490,660	757,007	---	---	1,247,667
Total equity	2,349,202	3,274,104	42,879	19,892	5,686,077
1997:					
Operating revenues	\$774,499	\$1,017,973	\$210,606	\$ 1,057	\$ 2,004,135
Operating expenses					
before depreciation	490,300	329,270	196,156	379	1,016,105
Depreciation expense	125,939	89,930	---	---	215,869
Operating income (loss)	401,734	355,299	14,451	678	772,162
Net income	321,611	292,002	29,746	678	644,037
Additions to property, plant and equipment	49,287	251,269	---	---	300,556
Net working capital	1,002,069	978,210	38,399	17,774	2,036,452
Total assets	3,692,258	6,920,496	55,078	17,774	10,685,606
Bonds and other long term liabilities payable					
from operating revenues	1,728,021	3,599,146	---	---	5,327,167
Total liabilities	1,783,772	3,876,845	16,679	---	5,677,296
Contributed capital	292,390	757,007	---	---	1,049,397
Total equity	1,908,486	3,043,651	38,399	17,774	5,008,310

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 15 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 1998 and 1997, the City was insured through Acordia/RAUH Insurance. All coverages are underwritten by TIG Specialty Insurance Company, in conjunction with the Municipal Insurance Alliance. The City still maintains a Management Committee of department directors and Loss Control Guidelines are followed.

B. Employee Health Insurance

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

C. Workers' Compensation

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

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 16 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1998 and 1997 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 9.35 percent and 8.44 percent was the portion used to fund pension obligations for 1998 and 1997, respectively. The City's contributions for pension obligations to the PERS for the years ended December 31, 1998, 1997, and 1996 were \$91,299, \$132,830, and \$129,491, respectively; 73 percent has been contributed for 1998 and 100 percent for 1997 and 1996. \$25,076, representing the unpaid contribution for 1998, is recorded as a liability within the respective funds.

B. Police and Fireman's Disability Pension Fund

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10.0 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the PFDPF for the years ended December 31, 1998, 1997, and 1996 were \$301,473, \$248,607 and \$219,255, respectively; 73 percent has been contributed for 1998 and 100 percent for the years 1997 and 1996. \$82,751, representing the unpaid contributions for 1998, is recorded as a liability within the respective funds.

NOTE 17 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Public Employees Retirement System

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1998 and 1997 employer contribution rate for local employers was 13.55 percent of covered payroll; 4.2 percent and 5.11 percent, respectively, was the portion that was used to fund health care. The law enforcement employer rate for 1998 and 1997 was 16.7 percent of covered payroll; 4.2 percent and 5.48 percent, respectively, was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The City's contribution actually made to fund postemployment benefits was \$28,299 and \$50,093, respectively.

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 17 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS - (Continued)

Expenditures for OPEB during 1998 and 1997 were \$440.596 million and \$393.559 million, respectively. As of December 31, 1998 and 1997, the unaudited estimated net assets available for future OPEB payments were \$9.447 billion and \$8.292 billion, respectively. The number of benefit recipients eligible for OPEB at December 31, 1998 and 1997 was 115,579 and 113,906, respectively.

During 1998, 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.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 1998, Comprehensive Annual Financial Report.

B. Police and Fireman's Disability Pension Fund

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

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

**NOTE 17 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS -
(Continued)**

The number of participants eligible to receive health care benefits as of December 31, 1997 (the latest information available), is 11,239 for police officers and 9,025 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$60,295 and \$32,660, respectively. The PFDPF's total health care expenses for the year ending December 31, 1997 (the latest information available) were \$76.459 million.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
1998:				
Budget Basis	\$ (85,043)	\$ (382,193)	\$ ---	\$ (858,970)
Adjustments:				
Net Adjustment for Revenue Accruals	(79,237)	25,599	---	69,599
Net Adjustment for Expenditure Accruals	(3,917)	438,975	---	1,237,087
Net adjustment for Other Financing Sources/ (Uses) Accruals	(5,843)	(313,955)	3,145	(504,000)
Encumbrances	<u>114,154</u>	<u>237,907</u>	<u>---</u>	<u>195,477</u>
GAAP Basis	<u>\$ (59,886)</u>	<u>\$ 6,333</u>	<u>\$ 3,145</u>	<u>\$ 139,193</u>

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
1997:				
Budget Basis	\$ (45,644)	\$ 111,576	\$ (6,500)	\$ 632,479
Adjustments:				
Net Adjustment for Revenue Accruals	(61,056)	50,233	---	1,314
Net Adjustment for Expenditure Accruals	20,767	220,099	---	911,414
Net adjustment for Other Financing Sources/ (Uses) Accruals	(1,527)	(523,045)	(29)	(1,228,000)
Encumbrances	<u>26,857</u>	<u>237,907</u>	<u>---</u>	<u>105,173</u>
GAAP Basis	<u>\$ (60,603)</u>	<u>\$ 96,770</u>	<u>\$ (6,529)</u>	<u>\$ 422,380</u>

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE

During 1998, the City entered into capitalized leases for the acquisition of a heavy rescue vehicle and a street sweeper. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$160,045. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1998 totaled \$53,792 in the governmental funds.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 1998:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
1999	\$ 57,582
2000	<u>57,582</u>
Total	115,164
Less: amount representing interest	<u>(8,911)</u>
Present value of net minimum lease payments	<u>\$106,253</u>

NOTE 20 - CONTINGENT LIABILITIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 1998 and 1997.

B. Litigation

One lawsuit is pending against the City. In the opinion of the City's Attorneys, any potential liability would not have a material effect on the GPFS.

CITY OF HARRISON, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

NOTE 21 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The City has completed an inventory of computer systems and other equipment necessary to conducting City operations and has identified such systems as financial reporting, budgeting, utility billing, payroll, and fixed asset reporting, income tax collection, 911 emergency reporting system, and property tax collection.

The City utilizes Creative Microsystems, Inc. (CMI) software to provide for the financial reporting systems. CMI states for financial reporting, budgeting, utility billing, payroll, and fixed asset reporting, "System software falls into two categories:

- 1) Operating System Software-The current release versions of AIX, NT, SCO and Windows 95 are Y2K compliant.
- 2) Database Software-The current release versions of PICK D3, UNIDATA and UNIVERSE DBMS are Y2K compliant."

The City uses Computer Planning Systems' RealTime Municipal Income Tax Management System software for income tax collection. Computer Planning Systems' President "confirms that the version of our RealTime Municipal Income Tax Management System installed at the City of Harrison, Ohio is Year 2000 compliant" and that their approach to remediation "makes us very confident that the software is 100% accurate."

The City's 911 system is operated in conjunction with Hamilton County's 911 emergency system. The County is responsible for remediating its system.

Hamilton County collects property taxes for distribution to the City. Hamilton County is responsible for remediating its tax collection system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the City of Harrison is or will be Year 2000 ready, that the City's remediation efforts will be successful in whole or in part, or that parties with whom the City's do business will be Year 2000 ready.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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

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

We have audited the general purpose financial statements of the City of Harrison as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated November 9, 1999. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Harrison's 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 the management of the City of Harrison in a separate letter dated November 9, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Harrison's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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 we have reported to the management of the City of Harrison in a separate letter dated November 9, 1999.

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

Trimble, Julian & Grube, Inc.
Trimble, Julian & Grube, Inc.
November 9, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF HARRISON

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: JANUARY 11, 2000