



**CITY OF HUBBARD
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF HUBBARD
TRUMBULL COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

City of Hubbard
Trumbull County
P.O. Box 307
220 W. Liberty Street
Hubbard, Ohio 44425

To City Council:

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

Except as discussed in paragraph 3, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Insurance claims reported in the Employees Health Fund (an internal service fund) are processed by a service organization that is independent of the Government. We did not examine the design or proper operation of the service organizations's internal control structure and did not perform procedures to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 100% of disbursements for the internal service fund type. As such, we are unable to express and do not express an opinion on the Government's internal service fund type.

As more fully described in Note 3A to the general-purpose financial statements, certain changes in accounting policies and financial reporting practices were made in order to present the aforementioned general-purpose financial statements in conformity with generally accepted accounting principles. Such changes were adopted effective January 1, 1999, and to implement those changes, adjustments were made to restate fund balances and retained earnings as of that date.

In our opinion, except as we are unable to express, and do not express an opinion on the financial statements of the internal service fund type, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Hubbard, Trumbull County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

December 8, 2000

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CITY OF HUBBARD, OHIO
TRUMBULL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
<u>ASSETS AND OTHER DEBITS</u>					
ASSETS:					
Equity in pooled cash and cash equivalent	\$656,346	\$192,568	\$21,716	\$4,932,693	\$331,691
Equity in pooled cash and cash equivalents - nonexpendable trust fund					
Cash in segregated accounts	81	65		347	12,243
Receivables (net of allowances for uncollectibles):					
Income taxes	173,777				
Real and other taxes	264,855	101,998			
Accounts		133		636,539	1,061
Loans		985			
Notes				170,434	
Due from other funds	6			1,476	
Due from other governments	199,214	18,816			
Prepayments	6,728	50		3,575	
Materials and supplies inventory	4,777	8,125		380,918	
Investment in joint ventures				64,592	
Restricted assets:					
Cash with fiscal agent				675,590	
Property, plant and equipment (net of accumulated depreciation where applicable)				8,203,651	
OTHER DEBITS:					
Amount to be provided for retirement of general long-term obligations.					
Total assets and other debits.	<u>\$1,305,784</u>	<u>\$322,740</u>	<u>\$21,716</u>	<u>\$15,069,815</u>	<u>\$344,995</u>

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

<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$2,724			\$6,137,738
8,731			8,731
			12,736
			173,777
			366,853
			637,733
			985
			170,434
			1,482
			218,030
			10,353
			393,820
			64,592
			675,590
	\$2,193,077		10,396,728
		\$201,868	201,868
<u>\$11,455</u>	<u>\$2,193,077</u>	<u>\$201,868</u>	<u>\$19,471,450</u>

(Continued)

CITY OF HUBBARD, OHIO
TRUMBULL COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999
(Continued)

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
LIABILITIES, EQUITY AND OTHER CREDITS					
LIABILITIES:					
Accounts payable	\$55,718	\$20,947		\$302,789	
Accrued wages and benefits	14,868	6,413		17,548	
Compensated absences payable.	3,650	1,353		140,901	
Retainage payable.				4,309	
Accrued interest payable				28,894	
Deferred revenue	314,059	101,998			
Claims payable					\$20,840
Due to other funds				1,476	
Due to other governments	85,956	14,271		42,342	
Deposits held and due to others					
Notes payable.		32,922		137,512	
Mortgage revenue bonds payable				5,290,000	
OWDA loan payable				2,412,379	
OPWC loans payable.				355,613	
Capital lease obligation.					
Total liabilities	<u>474,251</u>	<u>177,904</u>		<u>8,733,763</u>	<u>20,840</u>
EQUITY AND OTHER CREDITS:					
Investment in general fixed assets					
Retained earnings:					
Reserved.				675,590	
Unreserved				5,660,462	324,155
Fund balances:					
Reserved for encumbrances	15,335	10,965			
Reserved for principal endowment					
Reserved for materials and supplies inventory	4,777	8,125			
Reserved for loans receivable.		985			
Reserved for prepayments.	6,728	50			
Unreserved-undesignated	804,693	124,711	\$21,716		
Total equity and other credits	<u>831,533</u>	<u>144,836</u>	<u>21,716</u>	<u>6,336,052</u>	<u>324,155</u>
Total liabilities, equity and other credits.	<u>\$1,305,784</u>	<u>\$322,740</u>	<u>\$21,716</u>	<u>\$15,069,815</u>	<u>\$344,995</u>

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
			\$379,454
			38,829
		\$191,536	337,440
			4,309
			28,894
			416,057
			20,840
\$6			1,482
			142,569
2,718			2,718
			170,434
			5,290,000
			2,412,379
			355,613
		10,332	10,332
2,724		201,868	9,611,350
	\$2,193,077		2,193,077
			675,590
			5,984,617
			26,300
3,837			3,837
			12,902
			985
			6,778
4,894			956,014
8,731	2,193,077		9,860,100
\$11,455	\$2,193,077	\$201,868	\$19,471,450

CITY OF HUBBARD, OHIO
TRUMBULL COUNTY

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

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Municipal income tax	\$1,003,790			\$1,003,790
Property and other taxes	186,404	\$81,555		267,959
Charges for services	380			380
Licenses, permits and fees	34,563			34,563
Fines and forfeitures	65,011	768		65,779
Intergovernmental	574,055	287,021		861,076
Investment income	292,828	2,982		295,810
Other	10,617	34,406	\$12	45,035
Total revenue	2,167,648	406,732	12	2,574,392
Expenditures:				
Current Operations:				
General government	286,517			286,517
Security of persons and property.	1,094,119	114,839		1,208,958
Public health and welfare.	10,573	13,562		24,135
Transportation		474,008		474,008
Community environment	650			650
Leisure time activity	2,108	35,783		37,891
Economic development		1,157		1,157
Other	9,259	1,258		10,517
Capital outlay	99,597	69,414	74,993	244,004
Debt service:				
Principal retirement	13,277			13,277
Interest and fiscal charges	1,612	2,394		4,006
Total expenditures	1,517,712	712,415	74,993	2,305,120
Excess (deficiency) of revenues over (under) expenditures	649,936	(305,683)	(74,981)	269,272
Other financing sources (uses):				
Operating transfers in	411	305,205	71,534	377,150
Operating transfers out	(376,739)		(411)	(377,150)
Total other financing sources (uses)	(376,328)	305,205	71,123	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	273,608	(478)	(3,858)	269,272
Fund balances, January 1 (restated)	557,795	144,317	25,574	727,686
Increase in reserve for inventory.	130	997		1,127
Fund balances, December 31.	\$831,533	\$144,836	\$21,716	\$998,085

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

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CITY OF HUBBARD, OHIO
TRUMBULL COUNTY

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Income taxes	\$1,008,313	\$1,008,313				
Property and other taxes	186,401	186,404	3	\$81,554	\$81,555	\$1
Charges for services	380	380				
Licenses, permits and fees	69,289	69,290	1			
Fines and forfeitures	65,010	65,011	1	668	668	
Intergovernmental	444,281	444,289	8	293,964	293,958	(6)
Investment income.	292,822	292,828	6	2,684	2,683	(1)
Other.	13,562	13,562		36,179	36,062	(117)
Total revenues	<u>2,080,058</u>	<u>2,080,077</u>	<u>19</u>	<u>415,049</u>	<u>414,926</u>	<u>(123)</u>
Expenditures:						
Current:						
General government	325,115	313,094	12,021			
Security of persons and property	1,224,326	1,210,746	13,580	145,021	133,226	11,795
Public health and welfare.	10,600	10,573	27	14,250	13,607	643
Transportation				499,506	493,008	6,498
Community environment	765	764	1			
Leisure time activity	2,305	2,088	217	40,285	39,937	348
Economic development.				2,167	2,119	48
Other.	9,259	9,259		296	296	
Capital outlay				77,494	75,838	1,656
Debt service:						
Principal retirement				12,761	12,761	
Interest and fiscal charges				2,394	2,394	
Total expenditures.	<u>1,572,370</u>	<u>1,546,524</u>	<u>25,846</u>	<u>794,174</u>	<u>773,186</u>	<u>20,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>507,688</u>	<u>533,553</u>	<u>25,865</u>	<u>(379,125)</u>	<u>(358,260)</u>	<u>20,865</u>
Other financing sources (uses):						
Operating transfers in	605,344	605,355	11	305,212	305,205	(7)
Operating transfers (out)	(981,683)	(981,683)				
Total other financing sources (uses)	<u>(376,339)</u>	<u>(376,328)</u>	<u>11</u>	<u>305,212</u>	<u>305,205</u>	<u>(7)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>131,349</u>	<u>157,225</u>	<u>25,876</u>	<u>(73,913)</u>	<u>(53,055)</u>	<u>20,858</u>
Fund balances, January 1	395,484	395,484		204,982	204,982	
Prior year encumbrances appropriated	72,703	72,703		24,192	24,192	
Fund balances, December 31	<u>\$599,536</u>	<u>\$625,412</u>	<u>\$25,876</u>	<u>\$155,261</u>	<u>\$176,119</u>	<u>\$20,858</u>

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

Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$1,008,313	\$1,008,313	
			267,955	267,959	4
			380	380	
			69,289	69,290	1
			65,678	65,679	1
			738,245	738,247	2
			295,506	295,511	5
\$12	\$12		49,753	49,636	(117)
12	12		2,495,119	2,495,015	(104)
			325,115	313,094	12,021
			1,369,347	1,343,972	25,375
			24,850	24,180	670
			499,506	493,008	6,498
			765	764	1
			42,590	42,025	565
			2,167	2,119	48
			9,555	9,555	
75,000	74,993	7	152,494	150,831	1,663
			12,761	12,761	
			2,394	2,394	
75,000	74,993	7	2,441,544	2,394,703	46,841
(74,988)	(74,981)	7	53,575	100,312	46,737
71,534	71,534		982,090	982,094	4
(411)	(411)		(982,094)	(982,094)	
71,123	71,123		(4)		4
(3,865)	(3,858)	7	53,571	100,312	46,741
25,574	25,574		626,040	626,040	
			96,895	96,895	
\$21,709	\$21,716	\$7	\$776,506	\$823,247	\$46,741

CITY OF HUBBARD, OHIO
TRUMBULL COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Charges for services	\$7,284,305	\$447,287		\$7,731,592
Investment earnings			\$173	173
Other operating revenues	21,725	9,759		31,484
Total operating revenues	7,306,030	457,046	173	7,763,249
Operating expenses:				
Personal services	1,408,651			1,408,651
Contract services	3,634,488	372,159		4,006,647
Materials and supplies	506,582			506,582
Depreciation	513,990			513,990
Total operating expenses	6,063,711	372,159		6,435,870
Operating income	1,242,319	84,887	173	1,327,379
Nonoperating revenues (expenses):				
Loss on sale of fixed assets	(3,051)			(3,051)
Interest expense and fiscal charges	(457,049)			(457,049)
Investment earnings	41,428			41,428
Investment in joint ventures	786			786
Other nonoperating revenue	71,211			71,211
Other nonoperating expense	(21,213)			(21,213)
Total nonoperating revenues (expenses)	(367,888)			(367,888)
Net income before operating transfers	874,431	84,887	173	959,491
Operating transfers in	120,429			120,429
Operating transfers out	(120,429)			(120,429)
Net income	874,431	84,887	173	959,491
Retained earnings/fund balance (restated), January 1	5,461,621	239,268	\$8,558	5,709,447
Retained earnings/fund balance, December 31	\$6,336,052	\$324,155	\$8,731	\$6,668,938

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

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CITY OF HUBBARD, OHIO
TRUMBULL COUNTY

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from customers	\$7,204,837	\$446,329		\$7,651,166
Cash received from other operations.	21,725	9,759		31,484
Cash payments for personal services.	(1,435,606)			(1,435,606)
Cash payments for contract services	(3,806,430)	(373,903)		(4,180,333)
Cash payments for materials and supplies	(599,318)			(599,318)
 Net cash provided by operating activities.	 <u>1,385,208</u>	 <u>82,185</u>		 <u>1,467,393</u>
Cash flows from noncapital financing activities:				
Cash received from nonoperating activities	288,015			288,015
Cash used for nonoperating expenses	(237,036)			(237,036)
Transfers in from other funds.	120,429			120,429
Transfers out to other funds.	(120,429)			(120,429)
 Net cash provided by noncapital financing activities.	 <u>50,979</u>			 <u>50,979</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(212,839)			(212,839)
Proceeds from issuance of long-term debt	124,445			124,445
Principal retirement	(338,816)			(338,816)
Interest paid.	(456,265)			(456,265)
 Net cash used in capital and related financing activities.	 <u>(883,475)</u>			 <u>(883,475)</u>
Cash flows from investing activities:				
Interest received	41,428		\$173	41,601
 Net cash provided by investing activities	 <u>41,428</u>		 <u>173</u>	 <u>41,601</u>
 Net increase in cash and cash equivalents.	 594,140	 82,185	 173	 676,498
Cash and cash equivalents at January 1	5,014,490	261,749	8,558	5,284,797
Cash and cash equivalents at December 31	<u>\$5,608,630</u>	<u>\$343,934</u>	<u>\$8,731</u>	<u>\$5,961,295</u>

(Continued)

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

CITY OF HUBBARD, OHIO
TRUMBULL COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income.	\$1,242,319	\$84,887	\$173	\$1,327,379
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation.	513,990			513,990
Interest reported as operating income.			(173)	(173)
Changes in assets and liabilities:				
Increase in materials and supplies inventory.	(52,049)			(52,049)
Increase in accounts receivable	(77,992)	(1,061)		(79,053)
Increase in prepayments	(2,305)			(2,305)
Increase in due from other funds.	(1,476)			(1,476)
Decrease in accounts payable	(211,343)			(211,343)
Increase in retainage payable.	4,309			4,309
Decrease in accrued wages and benefits	(27,916)			(27,916)
Increase in compensated absences payable	19,969			19,969
Decrease in due to other governments	(22,298)			(22,298)
Decrease in claims payable		(1,641)		(1,641)
Net cash provided by operating activities	\$1,385,208	\$82,185		\$1,467,393

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

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**CITY OF HUBBARD
TRUMBULL COUNTY**

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

1. DESCRIPTION OF THE CITY

The City of Hubbard, Ohio (the "City") was created in 1868. It is located in Trumbull County and is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio and its charter. The City operates under a Council-Mayor form of government and provides the following services to its residents: public safety (police and fire), public health, municipal court, highways and streets, public improvements, community development (planning and zoning), water, sewers, sanitation, parks and recreation, and general administrative services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (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

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.

JOINTLY GOVERNED ORGANIZATION

Municipal Energy Services Agency (MESA) - The City has signed an Intergovernmental Joint Venture Agreement with MESA to access a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems; to provide those services on call, as needed and as available for the benefit of the City. The City will incur no financial obligation to the joint venture unless and until it avails itself of the services of the joint venture.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Ventures (OMEGA JV1-OMEGA JV5) The City's Electric Enterprise Fund participates in a joint venture agreement with 20 other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to these six diesel-powered generating units was transferred to the 21 municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's 85 municipal electric systems. Each member has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. The units performed at an excellent availability during 1999 to complete a successful year of operation for OMEGA JV1. In accordance with the joint venture agreement, the City remitted \$7,994 to the joint venture for 1999.

The City's Electric Enterprise Fund also participated in a joint venture agreement with 41 other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) for the purpose of acquiring, constructing and installing a 42 megawatt hydroelectric generating facility along with related transmission facilities and fossil-fired backup electric generation facilities. The facility is located at the Belleville Locks and Dam on the Ohio River.

The OMEGA JV5 is managed by AMP-Ohio and acts as the joint venture's agent. The participants are obligated by the joint venture agreement to remit monthly for those costs incurred by using electricity generated by the joint venture and a portion of the \$153,415,000 certificates of beneficial interest debt that was issued to construct the facility. In accordance with the joint venture agreement, the City remitted \$446,243 to the joint venture for 1999. Construction of the facility began in 1996 and was completed in 1999.

The following is a summary of audited financial information of OMEGA JV1 and OMEGA JV5 as of the year ended December 31, 1999:

	<u>OMEGA JV1</u>	<u>OMEGA JV5</u>
Total Assets	\$462,392	\$202,889,385
Total Liabilities	68,268	200,490,609
Members Equity	394,124	2,398,776
Total Revenues	229,480	20,684,393
Total Expenses	273,422	19,975,191
Excess Income over (under) Expenses	(43,942)	709,202

The City's undivided ownership of OMEGA JV1 and OMEGA JV5 is 3.79 and 2.07 percent, respectively. The City reports equity interest equal to their undivided ownership percentage of the joint ventures members equity. OMEGA JV1 does not have any debt outstanding. Separate financial statements for both joint ventures are available through either the City or AMP-Ohio.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City will report the equity interest of these joint ventures on the balance sheet as follows:

Equity interest in OMEGA JV1	\$14,937
Equity interest in OMEGA JV5	<u>49,655</u>
Total investment in joint ventures	<u>\$64,592</u>

The following tables show the major participants and percentage of ownership for the JV1 and JV5 projects:

OMEGA JV1		OMEGA JV5	
Participants	Percentage of Ownership	Participants	Percentage of Ownership
Cuyahoga Falls	21.05	Cuyahoga Falls	16.67
Niles	17.71	Bowling Green	15.73
Wadsworth	11.24	Niles	10.63
Hudson	10.37	Napoleon	7.35
Galion	6.53	Jackson	7.14
Oberlin	5.52	Hudson Village	5.69
Amherst	5.42	Wadsworth	5.62
Hubbard	3.79	Oberlin	3.02
Columbiana	3.03	New Bremen	2.38
Wellington	2.95	Bryan	2.19
Other	<u>12.39</u>	Other	<u>23.58</u>
Total	<u>100.00</u>	Total	100.00

BLENDED COMPONENT UNIT

Certain funds are legally separate from the City, however, their activity is so intertwined with that of the City that they are reported as part of the City. The following fund has been included in the City's GPFS:

Hubbard Volunteer Fire Department (HVFD) - The HVFD is a legally separate entity from the City. City Council does have representation on the Fire District Board, however, this does not represent a voting majority of the Board. The HVFD is fiscally dependent upon the City because the City and Hubbard Township are each responsible for fifty percent of the cost of operations. The HVFD provides services almost entirely for the benefit of the City. Fifty percent of the operations of the HVFD are accounted for as a separate special revenue fund.

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 account 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.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 FUNDS:

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.

Capital Projects Funds - These funds are used to account for the acquisition or construction of major capital assets other than those financed by proprietary funds.

PROPRIETARY FUNDS:

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 are the City's proprietary fund types:

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.

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

FIDUCIARY FUNDS:

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include nonexpendable trust funds and agency funds. The nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. There were no accruals for the agency funds which, in other fund types, would be subject to accrual.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCOUNT GROUPS:

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

General Fixed Assets Account Group - This account group 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, computer equipment, vehicles, and 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 that 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. 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: income taxes withheld by employers, interest on investments, estate taxes, and intergovernmental revenues (including motor vehicle license fees, gasoline tax, local government assistance, and fines and forfeitures). Other revenues including: licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue if they are deemed to be both measurable and available. Property taxes measurable as of December 31, 1999 and delinquent property taxes, whose availability is indeterminate and which are not intended to finance current year activities, have been recorded as deferred revenue.

The City reports deferred revenue 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. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, 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. Expenditures are recognized when the related liability is expected to be liquidated with expendable available financial resources with the following exceptions: general long-term obligation principal and interest is reported only when paid; and the costs of accumulated unpaid vacation and sick leave are reported in the period due rather than in the period earned by employees.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds 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 and nonexpendable trust funds are accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

D. Budgetary Data

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

TAX BUDGET

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted; however, only governmental funds are legally required to be reported.

ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenues. The Commission certifies its actions to the City by September 1. As part of this certification the City receives an Official Certificate of Estimated Resources, the "Certificate," which states the projected revenue of each fund.

On or about January 1, the Certificate is amended to include any unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts set forth as "revised budget" revenues and other financing sources in the combined statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types represent estimates from the final amended official Certificate issued during 1999.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

APPROPRIATIONS

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance may be amended during the year, provided that total fund appropriations do not exceed current estimated resources, as certified.

Amounts shown as "revised budget" expenditures and other financing uses in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types represent the original appropriated budget and all supplemental appropriations.

BUDGETED LEVEL OF EXPENDITURE

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made by department to personal services, travel and education, contractual services, supplies and materials, and capital outlay. The appropriations set by Council must remain fixed unless amended by Council ordinance.

LAPSING OF APPROPRIATIONS

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

ENCUMBRANCES

As a part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as a reduction of fund balance on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances to indicate that a portion of fund balance has been segregated for expenditure on vendor performance.

E. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all 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" on the combined balance sheet.

During fiscal year 1999, investments were limited to City of Hubbard notes, repurchase agreements, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The City has invested funds in STAR Ohio during fiscal 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes combine. 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 June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 1999, interest revenue credited to the general fund amounted to \$292,828 which includes \$264,324 assigned from other City funds, and interest revenue credited to the CDBG special revenue fund amounted to \$299 which includes \$45 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. This interest bearing depository account is presented on the combined balance sheet as "Cash in Segregated Accounts" since it is not required to be deposited into the City treasury.

The City also maintains segregated bank accounts with a trustee to provide for principal and interest debt service and a bond reserve as designated by the bond indenture. These amounts are presented on the combined balance sheet as "Cash with Fiscal Agent" under restricted assets.

For purpose of 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 Treasurer's investment account at year end is provided in Note 4.

F. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City's employee health care benefits program, provided that the employees pay the rate established by the plan administrator. The City incurred no expenditures or revenues in providing these services. The participating former employees make premium payments directly to the City's Insurance Provider and the Provider is responsible for all claims made.

G. 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.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Property, Plant, Equipment, 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 in the account group. The City has established a capitalization threshold of \$500 for general fixed assets.

2. Proprietary Fund Fixed Assets

Property, plant, and equipment reflected in the proprietary 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. 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	4
Machinery, equipment, furniture and fixtures	5-20
Building improvements	15
Sewer and water treatment plants and buildings	20-40
Other buildings	40
Sewer and water mains	20

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. The City has established a capitalization threshold of \$500 for proprietary fixed assets.

I. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave 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.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave 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. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. Payment of vacation and sick leave recorded in the general long-term obligations account group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick leave when such payments become due.

Accumulated vacation 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 liability for unused amounts is shown as a fund liability.

J. 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. Intergovernmental receivables are reported as revenue if they are both measurable and available and intended to finance fiscal 1999 operations. Intergovernmental receivables that are measurable as of December 31, 1999, but are intended to finance 2000 operations, whose availability is indeterminable, have been recorded as deferred revenue.

K. Long-Term Obligations

Long-term obligations for general obligation bonds, revenue bonds, OWDA loans, vested sick and vacation leave, and any claims or judgement 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.

L. 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. Intrafund transfers have been eliminated for GAAP reporting.
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.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Short-term interfund balances, related to changes for goods and services rendered, are reflected as "due to/from other funds."

See Note 5 for an analysis of the City's interfund transactions.

M. Fund Balance/Retained Earnings Reserves

Reserved fund balances/retained earnings 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 and proprietary funds are available for use within the specific purposes of the funds.

The City reports amounts representing material and supplies inventory, principal endowment, prepayments, encumbrances outstanding, loans receivable and notes receivable as reservations of fund balance in the governmental funds.

The City reports amounts representing assets being held by a trustee to service principal and interest debt service and a bond reserve as a reservation of retained earnings in the enterprise funds. These amounts are required to be maintained by the trustee in accordance with the bond indenture.

N. Estimates

The preparation of financial statements 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.

O. 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.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For the year ended December 31, 1999, the City has presented for the first time GPFS by fund type and account group in accordance with GAAP. In conjunction with this presentation, the City has converted its governmental funds and expendable trust funds to the modified accrual basis of accounting and its proprietary funds to the accrual basis of accounting. This conversion required that certain adjustments be recorded to the January 1, 1999 fund balances/retained earnings as previously reported to reflect the prior years' effect of adopting these new accounting principles. The restatements to the opening fund balances are as follows:

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE - (Continued)

<u>Fund Type</u>	<u>Balance as Previously Stated at December 31, 1998</u>	<u>Adjustments</u>	<u>Restated Balance at January 1, 1999</u>
General	\$468,187	\$89,608	\$557,795
Special Revenue	229,175	(84,858)	144,317
Debt Service	0	---	0
Capital Projects	25,574	---	25,574
Enterprise	4,546,466	915,155	5,461,621
Internal Service	249,609	(10,341)	239,268
Nonexpendable Trust	8,558	---	8,558
Agency	2,100	7,697	9,797

B. Deficit Fund Balance

The following fund had a deficit fund balance at December 31, 1999:

	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds:</u>	
Cops Grant	\$758

The deficit fund balance in the COPS Grant special revenue fund is caused by accruing a liability for wage benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at December 31.

This fund complied with Ohio state law, which does not permit a cash basis deficit at year end.

4. EQUITY IN POOLED CASH AND INVESTMENTS

As of December 31, 1999 the City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Balance Sheet" as "Equity in pooled cash and investments".

Legal Requirements: Statutes require the classification of moneys held by the City into three categories. Category 1 consists of "active" moneys, those moneys required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such moneys must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two year period of designation of depositories. Inactive moneys may be deposited or invested only as certificates of deposit maturing not later than the end of the current designation of depositories.

Category 3 consists of "interim" moneys, those moneys which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim moneys may be invested or deposited in the following securities:

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

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

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim moneys;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool (STAR Ohio).

Notwithstanding the foregoing requirements, the City may invest any moneys not required to be used for a period of six months in the following classes of investments:

1. Bonds or other obligations of the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Discount notes of the Federal National Mortgage Association;
3. Bonds issued by the Home Owners' Loan Corporation;
4. Bonds of the State of Ohio; and
5. 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.

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.

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

Cash on Hand: At year end, the City had \$493 in undeposited cash on hand which is included on the Balance Sheet of the City as part of "Cash in Segregated Accounts".

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".

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

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

Deposits: At year end, the carrying amount of the City's deposits, including cash in segregated accounts, was \$(18,246) and the bank balance, including cash in segregated accounts, was \$88,788. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the City's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

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. Investments in STAR Ohio and U.S. government money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Reported Amount	Fair Value
	1	2	3		
Repurchase Agreements	\$ ---	\$ ---	\$4,814,806	\$4,814,806	\$4,814,806
STAR Ohio				1,362,152	1,362,152
U.S. Government Money Market Mutual Funds				675,590	675,590
Total Investments				\$6,852,548	\$6,852,548

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".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 6,834,795	\$
Investments of the Cash Management Pool:		
U.S. Government Money		
Market Mutual Funds	(675,590)	675,590
Repurchase Agreement	(4,814,806)	4,814,806
STAR Ohio	(1,362,152)	1,362,152
Cash on Hand	(493)	---
GASB Statement No. 3	\$ (18,246)	\$6,852,548

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

5. INTERFUND TRANSACTIONS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 411	\$(376,739)
<u>Special Revenue Funds</u>		
Street	241,978	---
Maple Grove Cemetary	16,000	---
Recreation	<u>47,227</u>	<u>---</u>
Total Special Revenue Funds	<u>305,205</u>	<u>(376,739)</u>
<u>Capital Projects Funds</u>		
Special Assessment Bond	---	(411)
Capital Improvement	<u>71,534</u>	<u>---</u>
Total Capital Projects Funds	<u>71,534</u>	<u>(411)</u>
<u>Enterprise Funds</u>		
Water	---	(120,429)
Sewer	<u>120,429</u>	<u>---</u>
Total Enterprise Funds	<u>120,429</u>	<u>(120,429)</u>
Total	<u>\$ 497,579</u>	<u>\$ (497,579)</u>

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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 6	\$ ---
<u>Enterprise Funds</u>		
Electric	517	---
Water	605	---
Sewer	354	---
Guarantee Trust	---	(1,476)
<u>Agency Fund</u>		
Mayor's Court	<u>---</u>	<u>(6)</u>
Total	<u>\$ 1,482</u>	<u>\$ (1,482)</u>

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Taxes collected from real property (other than public utility) in one calendar year are levied on January 1 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% of appraised market value. All property is required to be revalued every six years with a triennial update. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20, with the remainder payable June 20. In certain instances, State statute permits earlier or later payment dates to be established.

Taxpayers (other than public utilities) become liable for tangible personal property taxes on January 1st of the current calendar year based on tax rates determined in the preceding year and assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-City taxpayers are due September 20. Single City taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law personal property taxes do not attach as a lien on the personal property. Public utility real and tangible personal property taxes collected in one calendar year are levied on January 1 in the preceding calendar year on assessed values determined as of January 1 of the preceding year, the lien date.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. The full rate for all City operations for the year ended December 31, 1999, was \$3.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property located in the City, upon which taxes for 1999 were collected, are as follows:

<u>Category</u>	<u>Assessed Value</u>
Residential/Agricultural	\$60,333,390
Commercial/Industrial	<u>11,636,220</u>
Total real estate	<u>71,969,610</u>
Public utility - real	14,530
Public utility - personal	<u>2,433,940</u>
Total public utility	<u>2,448,470</u>
Tangible personal property	<u>6,566,022</u>
Grand total	<u><u>\$80,984,102</u></u>

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

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

7. LOCAL INCOME TAX

The 1 percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City; however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. Income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 1999. Income tax revenue for 1999 was \$1,003,790.

8. RECEIVABLES

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

A summary of the principal items of receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>General Fund</u>	
Income taxes	\$173,777
Real and other taxes	264,855
Intergovernmental	199,214
 <u>Special Revenue Funds</u>	
Real and other taxes	101,998
Loans	985
Intergovernmental	18,816
 <u>Enterprise Funds</u>	
Accounts	636,539
 <u>Internal Service Funds</u>	
Accounts	1,061

9. LOAN RECEIVABLE

The loan receivable represents a low interest loan made by the City for development of a small business under the Federal Community Block Development Grant (CDBG) program. This loan bears interest at an annual rate of 8 percent. This loan is to be repaid over a period of 5 years.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

10. FIXED ASSETS

A. Proprietary Fixed Assets

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

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Total</u>
Land and improvements	\$ 3,610	\$ 11,491	\$ 6,771	\$ 21,872
Buildings and improvements	374,321	3,905,676	68,163	4,348,160
Furniture and equipment	53,720	2,683,668	164,956	2,902,344
Vehicles	47,070	125,420	291,005	463,495
Water and sewer lines	2,766,035	2,749,295	---	5,515,330
Less: accumulated depreciation	<u>(534,632)</u>	<u>(4,186,309)</u>	<u>(326,609)</u>	<u>(5,047,550)</u>
Total net assets	<u>\$2,710,124</u>	<u>\$ 5,289,241</u>	<u>\$ 204,286</u>	<u>\$ 8,203,651</u>

B. General Fixed Assets

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

	<u>Balance at 1/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/99</u>
Land and improvements	\$ 303,400	\$ ---	\$ ---	\$ 303,400
Buildings and improvements	588,026	---	---	588,026
Furniture and equipment	489,616	90,595	(3,614)	576,597
Vehicles	<u>704,664</u>	<u>20,390</u>	<u>---</u>	<u>725,054</u>
Total fixed assets	<u>\$2,085,706</u>	<u>\$ 110,985</u>	<u>\$(3,614)</u>	<u>\$2,193,077</u>

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 to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund.

Upon termination of City service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service. At December 31, 1999, vested benefits for vacation leave for governmental fund type employees, net of amounts paid using current expendable available resources, totaled \$83,332 and vested benefits for sick leave, net of amounts paid using current expendable available resources, totaled \$108,204. For proprietary fund types, vested benefits for vacation leave totaled \$68,240 and vested benefits for sick leave totaled \$72,661 at December 31, 1999. Included in the vested benefits for sick leave figures is an additional liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

12. CAPITALIZED LEASES - LESSEE DISCLOSURE

The City has entered into a capitalized leases for two vehicles. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally 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 has been capitalized in the general fixed assets account group in the amount of \$41,228. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$13,277 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 1999.

<u>Year Ending December 31</u>	<u>Equipment</u>
2000	<u>\$10,949</u>
Total minimum lease payments	10,949
Less: amount representing interest	<u>(617)</u>
Present value of future minimum lease payment	<u>\$10,332</u>

The City does not have capitalized lease obligations after fiscal year 2000.

13. LONG-TERM OBLIGATIONS

A. General Long-Term Obligations

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

	<u>Balance Outstanding 12/31/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/99</u>
Compensated absences	\$177,829	\$13,707	\$ - - -	\$191,536
Capital lease obligation payable	<u>23,609</u>	<u>- - -</u>	<u>(13,277)</u>	<u>10,332</u>
Total general long-term obligations	<u>\$201,438</u>	<u>\$13,707</u>	<u>\$(13,277)</u>	<u>\$201,868</u>

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

B. Enterprise Fund Obligations

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

	<u>Interest Rates</u>	<u>Balance Outstanding 1/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 12/31/99</u>
<u>Mortgage Revenue Bond</u>					
Sewer System - 1997	4.00-5.45%	<u>\$5,505,000</u>	<u>\$ - - -</u>	<u>\$(215,000)</u>	<u>\$5,290,000</u>
<u>OPWC Loans</u>					
Sewer Issue II					
Lift Station	0.00%	\$ 230,270	\$ 4,651	\$ (5,873)	\$ 229,048
Waterline Looping	0.00%	<u>10,016</u>	<u>119,794</u>	<u>(3,245)</u>	<u>126,565</u>
Total OPWC Loans		<u>\$ 240,286</u>	<u>\$124,445</u>	<u>\$(9,118)</u>	<u>\$ 355,613</u>
<u>OWDA Loan</u>					
Transmission Waterlines	6.58%	<u>\$2,468,144</u>	<u>\$ - - -</u>	<u>\$(55,765)</u>	<u>\$2,412,379</u>
Total Enterprise Fund Obligations		<u>\$8,213,430</u>	<u>\$124,445</u>	<u>\$(279,883)</u>	<u>\$8,057,992</u>

On June 18, 1997, the City issued \$5,800,000 general obligation sewer system refunding bonds (Mortgage Revenue Bonds). The bonds bear interest at rates ranging from 4.0 percent to 5.45 percent per annum and mature at various installments through November 15, 2015. Property and revenues of the sewage system have been pledged to repay this debt. A portion of the proceeds of the bonds were used for the advance refunding of the 1987 and 1992 sewer system revenue bonds. The proceeds were used to purchase SLGS that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The 1987 series bonds were fully redeemed on May 15, 1998. The 1992 series bonds will be redeemed through various debt service payments concluding November 15, 2002. The monies held in trust as a result of the advance refundings and the corresponding refunded bonds are not included in the City's Financial Statements since the bonds are defeased and not considered a liability of the City. The principal balance of the general obligation sewer system refunding bonds (Mortgage Revenue Bonds) at December 31, 1999 was \$5,290,000.

As part of the bond indenture, Second National Bank was established as the Trustee (paying agent) for the City Sewer System Revenue Refunding Bonds (Mortgage Revenue Bonds), Series 1997. The City is maintaining at Second National Bank the following account balances at December 31, 1999.

1. Sewer Bond Service Fund Account - \$107,589 (which/is utilized to account for the principal and interest activity).
2. Sewer Bond Reserve Fund Account - \$568,001 (which is required by the indenture).

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

These monies have been invested in U.S. government money market mutual funds and are reported on the combined balances sheet as "Restricted Assets - Cash with Fiscal Agent".

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

The City has entered into debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund construction projects. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 1999, the City has outstanding borrowings of \$126,565 in the water funds and \$229,048 in the sewer funds. The total permissible borrowings under the financing arrangements at December 31, 1999 was \$196,396 for the water loan and \$234,930 for the sewer loan. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. The OPWC loans are interest free. Payments are reflected above in the future maturities of principal and are subject to revision if the total amount is not drawn down.

The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 1999, the City has outstanding borrowings of \$2,412,379. The loan agreement requires semi-annual payments based on the actual amount loaned. The projects were completed prior to December 31, 1999; therefore, the final loan amount has been finalized.

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

Year Ending December 31,	Mortgage Revenue Bond			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2000	\$ 225,000	\$ 273,408	\$ 498,408	\$ 18,237	\$ ---	\$ 18,237
2001	235,000	263,282	498,282	18,237	---	18,237
2002	245,000	252,473	497,473	18,237	---	18,237
2003	260,000	240,835	500,835	18,237	---	18,237
2004	270,000	228,355	498,355	18,237	---	18,237
2005-2009	1,560,000	929,220	2,489,220	91,182	---	91,182
2010-2014	2,020,000	471,970	2,491,970	91,182	---	91,182
2015-2019	<u>475,000</u>	<u>25,887</u>	<u>500,887</u>	<u>82,064</u>	<u>---</u>	<u>82,064</u>
	<u>\$5,290,000</u>	<u>\$2,685,430</u>	<u>\$7,975,430</u>	<u>\$355,613</u>	<u>\$ 0</u>	<u>\$355,613</u>

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ending December 31,</u>	OWDA Loan		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 58,989	\$ 158,734	\$ 217,723
2001	62,870	154,853	217,723
2002	67,007	150,716	217,723
2003	71,416	146,307	217,723
2004	76,116	141,607	217,723
2005-2009	462,627	625,989	1,088,616
2010-2014	636,223	452,393	1,088,616
2015-2019	874,957	213,659	1,088,616
2020-2024	102,174	6,687	108,861
	<u>\$2,412,379</u>	<u>\$2,050,945</u>	<u>\$4,463,324</u>

14. NOTES PAYABLE

The City had the following notes payable at December 31, 1999:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance Outstanding 12/31/99</u>
<u>Special Revenue Funds</u>				
<i>General Obligation Notes</i>				
Street Construction	6.00%	5/31/98	5/1/02	<u>\$ 32,922</u>
<u>Enterprise Funds</u>				
<i>General Obligation Notes</i>				
Water	5.25%	4/21/97	4/21/02	<u>\$137,512</u>

The City had the following note activity for fiscal year 1999:

	<u>Balance Outstanding 12/31/98</u>	<u>Additions</u>	<u>Outstanding Reductions</u>	<u>Balance 12/31/99</u>
<u>Special Revenue Funds</u>				
<i>General Obligation Notes</i>				
Street Construction	<u>\$ 45,683</u>	<u>\$ - - -</u>	<u>\$(12,761)</u>	<u>\$ 32,922</u>
<u>Enterprise Funds</u>				
<i>General Obligation Notes</i>				
Water	<u>\$196,445</u>	<u>\$ - - -</u>	<u>\$(58,933)</u>	<u>\$137,512</u>

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

14. NOTES PAYABLE - (Continued)

All notes outstanding at December 31, 1999 are internal City of Hubbard notes that represent amounts borrowed from other funds of the City. These notes are structured in essentially the same manner as note agreements with outside institutions. The Electric enterprise fund loaned the monies to the respective funds and has reported "notes receivable" on the combined balance sheet for the principal amounts due at December 31, 1999.

The following is a summary of the City's future annual debt service and interest requirements for the internal City of Hubbard notes:

Year Ending December 31,	Street Construction Note			Water Note			Total Payments
	Principal	Interest	Total	Principal	Interest	Total	
2000	\$13,548	\$1,607	\$15,155	\$ 58,933	\$5,801	\$ 64,734	\$ 79,889
2001	14,384	771	15,155	58,934	2,707	61,641	76,796
2002	<u>4,990</u>	<u>62</u>	<u>5,052</u>	<u>19,645</u>	<u>215</u>	<u>19,860</u>	<u>24,912</u>
	<u>\$32,922</u>	<u>\$2,440</u>	<u>\$35,362</u>	<u>\$137,512</u>	<u>\$8,723</u>	<u>\$146,235</u>	<u>\$181,597</u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers. These enterprise funds include water, sewer, electric, and the Guarantee Trust. Segment information for the year ended December 31, 1999 was as follows:

	Water	Sewer	Electric	Guarantee Trust	Total
Operating revenues	\$1,603,788	\$1,259,275	\$4,421,242	\$21,725	\$7,306,030
Operating expenses					
before depreciation	813,801	715,267	4,020,653	---	5,549,721
Depreciation expense	104,243	362,702	47,045	---	513,990
Operating income	685,744	181,306	353,544	21,725	1,242,319
Net income	399,514	94,088	380,317	512	874,431
Additions to property,					
plant and equipment	175,854	18,315	18,670	---	212,839
Net working capital	826,256	1,614,559	3,706,775	82,190	6,229,780
Total assets	3,590,425	6,960,961	4,434,339	84,090	15,069,815
Bonds and other long					
term liabilities payable					
from operating rev.	2,676,456	5,519,048	---	---	8,195,504
Total equity	834,484	1,318,718	4,100,660	82,190	6,336,052
Encumbrances at 12/31/99	85,665	51,836	116,561	---	254,062

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

16. RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1999, the City was insured through the Ohio Government Risk Management Plan for all property, general liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine and EDP liability. The insurance plan was purchased through the Love Insurance Agency. The City has transferred risk of loss to the insurance carrier to the extent of the limits below.

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	\$17,073,087	\$1,000
General liability		
Per occurrence	5,000,000	0
Aggregate	7,000,000	0
Wrongful acts/Law Enforcement		
Per occurrence	5,000,000	2,500
Aggregate	6,000,000	2,500
Automobile		
Comprehensive	5,000,000	250
Collision	5,000,000	0
Bond	50,000	0
Crime	10,000	0
Inland Marine	360,260	250
EDP	136,800	250

B. Self-Insurance

The City maintains an Employees Health Self-Insurance Fund which has been classified as an Internal Service Fund in the accompanying GPFS. The purpose of this fund is to pay the cost of medical benefits provided to City employees and their covered dependents for which the City is self-insured. The City is self-insured for the first \$32,500 per participant; annual claims above such amount are paid for by stop-loss insurance which the City maintains.

The City had one occurrence in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of \$20,840 reported in the Internal Service Fund at December 31, 1999, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

16. RISK MANAGEMENT - (Continued)

Changes in the fund's liability during 1999 is as follows:

<u>Year</u>	<u>Beginning Of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
1999	\$22,481	\$372,262	\$(373,903)	\$20,840
1998	17,913	398,873	(394,305)	22,481

C. Workers' Compensation

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate of \$100 of payroll plus administrative costs. The rate is determined based on accident history of the City. The City also pays unemployment claims to the State of Ohio as incurred.

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 coverage in any of the past three years.

17. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate for employees other than law enforcement was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The employer contribution rate for law enforcement employees was 16.7 percent of covered payroll; 12.5 percent was the portion used to fund pension obligations for 1999. The City's contributions for pension obligations to the PERS for the years ended December 31, 1999, 1998, and 1997 were \$192,870, \$190,819, and \$294,401, respectively; 100 percent has been contributed for 1999.

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

17. DEFINED BENEFIT PENSION PLANS - (Continued)

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. 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 plan. 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.

Plan members are required to contribute 10.0 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the PFDPF for the years ended December 31, 1999, 1998, and 1997 were \$108,107, \$97,145, and \$139,215, respectively; 72 percent has been contributed for 1999 and 100 percent for the years 1998 and 1997. \$30,593, representing the unpaid contributions for 1999, is recorded as a liability within the general fund.

18. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The City's contribution actually made to fund postemployment benefits was \$59,783.

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

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

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

18. POSTEMPLOYMENT BENEFITS - (Continued)

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

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

B. Police and 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% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.5 percent and 7.0 percent of covered payroll in 1998 and 1999, respectively. The allocation rate will be 7.25 percent in 2000. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available), is 11,424 for police officers and 9,186 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers was \$36,036. The PFDPF's total health care expenses for the year ending December 31, 1998 (the latest information available), was \$78.597 million which was net of member contributions of \$5.332 million.

19. BUDGETARY BASIS OF ACCOUNTING

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

**CITY OF HUBBARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

19. BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget Basis	\$157,225	\$(53,055)	\$(3,858)
Adjustments:			
Net Adjustment for Revenue Accruals	87,571	(8,194)	---
Net Adjustment for Expenditure Accruals	(2,308)	44,322	---
Net adjustment for Other Financing Sources/ (Uses) Accruals	---	---	---
Encumbrances	<u>31,120</u>	<u>16,449</u>	<u>---</u>
GAAP Basis	<u>\$273,608</u>	<u>\$ (478)</u>	<u>\$(3,858)</u>

20. CONTINGENCIES

A. Grants

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

B. Litigation

Claims and lawsuits are pending against the City. In the opinion of the City Prosecuting Attorney, any potential liability would not have a material effect on the GPFS.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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

City of Hubbard
Trumbull County
P.O. Box 307
220 W. Liberty Street
Hubbard, Ohio 44425

To City Council:

Except for the financial statements of the internal service fund type, which we were unable to audit and on which we expressed no opinion, we have audited the financial statements of the City of Hubbard as of and for the year ended December 31, 1999, and have issued our report thereon dated December 8, 2000.

Except as described in the preceding paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Hubbard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Hubbard in a separate letter dated December 8, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Hubbard's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant a deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Hubbard's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-21178-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Hubbard in a separate letter dated December 8, 2000.

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

Jim Petro
Auditor of State

December 8, 2000

**CITY OF HUBBARD
TRUMBULL COUNTY
1/1/99 THROUGH 12/31/99**

SCHEDULE OF FINDINGS

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

* - Indicates a repeat recommendation from prior audit.

Finding Number	1999-21178-001 *
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S.A.S. NO. 70 (TIER II) EXAMINATION

EXAMINATION ON THE T.P.A.

The City has delegated employees' health insurance claims processing and data processing services, which are significant accounting functions, to third party administrators. The City has not established procedures to reasonably determine that health insurance claims and data processing services have been completely and accurately administered in accordance with the contracts.

We recommend the City implement procedures to reasonably assure the completeness and accuracy of health insurance claims and data processing services handled by the third party administrators. Statement on Auditing Standards No. 70 (SAS 70) prescribes testing and reporting standards which should satisfy this requirement. As described in the Statement, we suggest that the City obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from a third party administrator. Such a report, if unqualified, would provide evidence to the City's management that health insurance claims processing and data processing are in conformance with the contract.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF HUBBARD

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**