



**CITY OF FREMONT
SANDUSKY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**CITY OF FREMONT
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REPORT OF INDEPENDENT ACCOUNTANTS

City of Fremont
Sandusky County
323 South Front Street
Fremont, Ohio 43420-3037

To the City Council:

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

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

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

As more fully described in Note 3 to the general-purpose financial statements, restatements were made to change its method of accounting for fixed assets. The City also changed its method of accounting for agency funds and escheat property.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 10, 2000

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**CITY OF FREMONT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash, cash equivalents and investments	\$2,876,217	\$5,173,975	\$13,016	\$2,892,810
Cash in segregated accounts	155	150		
Cash with fiscal agent and escrow accounts				249,463
Receivables (net of allowances for uncollectibles):				
Taxes	688,147	1,575,369		
Accounts	18,663	1,780		15,536
Accrued interest	13,834			2,914
Special assessments			1,490	
Due from other governments	12,184	21,198		
Materials and supplies inventory		67,357		
Due from other funds	13,016			
Loans receivable		459,827		
Deferred bond costs				
Restricted assets:				
Equity in pooled cash and cash equivalents				
Cash with escrow agent				
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	<u>\$3,622,216</u>	<u>\$7,299,656</u>	<u>\$14,506</u>	<u>\$3,160,723</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$2,730,141	\$16,525	\$229,131			\$13,931,815
350		26,768			27,423
135,808		695,925			1,081,196
					2,263,516
1,026,553					1,062,532
		12,899			29,647
					1,490
					33,382
291,132					358,489
					13,016
					459,827
355,036					355,036
48,658					48,658
229,084					229,084
24,327,780			\$9,067,362		33,395,142
				6,080,253	6,080,253
\$29,144,542	\$16,525	\$964,723	\$9,067,362	\$6,080,253	\$59,370,506

(Continued)

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

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$47,613	\$6,685		\$84,303
Accrued wages and benefits	149,843	22,057		
Compensated absences payable				
Pension obligation payable	221,619	21,504		
Police and fire accrued pension				
Deferred revenue	677,647	153,188	\$1,490	2,914
Deposits held and due to others				
Due to other governments				
Claims and judgements payable				
Accrued interest payable				
General obligation bonds payable				
Revenue bonds payable				
Payable from restricted assets:				
Refundable deposits				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,096,722	203,434	1,490	87,217
Equity and other credits:				
Investment in general fixed assets				
Contributed capital				
Retained earnings:				
Reserved for bond covenants				
Unreserved				
Fund balances:				
Reserved for encumbrances	17,450	362,897		1,937,126
Reserved for materials and supplies inventory		67,357		
Reserved for revolving loans receivable		459,827		
Reserved for budget stabilization	208,113			
Reserved for tax revenue unavailable for appropriation	24,334	5,616		
Reserved for future appropriations			13,016	
Unreserved-undesignated	2,275,597	6,200,525		1,136,380
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	2,525,494	7,096,222	13,016	3,073,506
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, equity and other credits	\$3,622,216	\$7,299,656	\$14,506	\$3,160,723

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$117,193	\$401				\$256,195
87,248	1,398				260,546
278,576				\$406,321	684,897
86,102	1,265				330,490
				893,932	893,932
		\$4,159			839,398
		23,473			23,473
		68,302			68,302
		3,316			3,316
45,961					45,961
8,425,000				4,780,000	13,205,000
2,530,000					2,530,000
48,658					48,658
11,618,738	3,064	99,250		6,080,253	19,190,168
			\$9,067,362		9,067,362
4,865,159					4,865,159
229,084					229,084
12,431,561	13,461				12,445,022
		22,322			2,339,795
					67,357
					459,827
					208,113
					29,950
					13,016
		843,151			10,455,653
17,525,804	13,461	865,473	9,067,362		40,180,338
\$29,144,542	\$16,525	\$964,723	\$9,067,362	\$6,080,253	\$59,370,506

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

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Municipal income tax		\$6,454,721
Property and other taxes	\$608,673	140,464
Charges for services	22,654	85,435
Licenses, permits and fees	12,624	
Fines and forfeitures	215,460	30,991
Special assessments		
Intergovernmental	1,236,617	1,451,855
Investment income	504,755	61,289
Other	114,495	5,614
	<u>2,715,278</u>	<u>8,230,369</u>
Expenditures:		
Current Operations:		
General government	1,041,691	291,034
Security of persons and property	3,584,393	574,205
Public health and welfare	16,921	
Transportation		824,216
Community environment	86,888	203,954
Leisure time activity	516,369	247,535
Economic development	71,951	368,457
Capital outlay		
Other		
	<u>5,318,213</u>	<u>2,509,401</u>
Excess of revenues over (under) expenditures	<u>(2,602,935)</u>	<u>5,720,968</u>
Other financing sources (uses):		
Proceeds of bonds		40
Proceeds from sale of fixed assets	11,940	
Operating transfers in	3,300,000	795,000
Operating transfers out	(440,000)	(5,605,000)
	<u>2,871,940</u>	<u>(4,809,960)</u>
Excess of revenues and other financing sources over expenditures and other financing (uses)	<u>269,005</u>	<u>911,008</u>
Fund balances, January 1 (restated)	2,256,489	6,180,855
Increase in reserve for inventory		4,359
Fund balances, December 31	<u>\$2,525,494</u>	<u>\$7,096,222</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
			\$6,454,721
			749,137
	\$15,536		123,625
			12,624
			246,451
\$825	23,526		24,351
	93,519		2,781,991
	174,507	\$37,335	777,886
			120,109
<u>825</u>	<u>307,088</u>	<u>37,335</u>	<u>11,290,895</u>
			1,332,725
			4,158,598
			16,921
			824,216
			290,842
		1,917	765,821
			440,408
	5,714,588		5,714,588
	91,150		91,150
	<u>5,805,738</u>	<u>1,917</u>	<u>13,635,269</u>
<u>825</u>	<u>(5,498,650)</u>	<u>35,418</u>	<u>(2,344,374)</u>
	4,780,000		4,780,000
			11,980
	1,950,000		6,045,000
			(6,045,000)
	<u>6,730,000</u>		<u>4,791,980</u>
825	1,231,350	35,418	2,447,606
12,191	1,842,156	830,055	11,121,746
			4,359
<u>\$13,016</u>	<u>\$3,073,506</u>	<u>\$865,473</u>	<u>\$13,573,711</u>

CITY OF FREMONT
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				\$5,935,000	\$6,339,028	\$404,028
Property and other taxes	\$602,170	\$610,758	\$8,588	138,920	140,918	1,998
Charges for services	17,600	20,635	3,035	78,350	85,585	7,235
Licenses, permits and fees	12,250	12,624	374			
Fines and forfeitures	240,000	218,410	(21,590)	29,000	31,269	2,269
Intergovernmental	1,170,300	1,230,125	59,825	1,739,372	1,658,281	(81,091)
Special assessments						
Investment income	490,000	502,992	12,992	33,679	32,529	(1,150)
Other	126,000	100,958	(25,042)	24,350	5,496	(18,854)
Total revenues	2,658,320	2,696,502	38,182	7,978,671	8,293,106	314,435
Expenditures:						
Current:						
General government	1,216,672	1,066,524	150,148	391,820	296,044	95,776
Security of persons and property	3,783,634	3,652,437	131,197	640,675	578,190	62,485
Public health and welfare	26,200	16,988	9,212			
Transportation				1,237,450	1,177,351	60,099
Community environment	87,560	80,268	7,292	794,500	360,954	433,546
Leisure time activity	557,250	516,517	40,733	299,800	260,009	39,791
Economic development	86,775	78,317	8,458	387,757	368,457	19,300
Capital outlay						
Other						
Total expenditures	5,758,091	5,411,051	347,040	3,752,002	3,041,005	710,997
Excess of revenues over (under) expenditures	(3,099,771)	(2,714,549)	385,222	4,226,669	5,252,101	1,025,432
Other financing sources (uses):						
Proceeds of bonds						
Proceeds from sale of fixed assets	1,000	11,940	10,940	400	40	(360)
Operating transfers in	3,300,000	3,300,000		798,000	795,000	(3,000)
Operating transfers (out)	(440,000)	(440,000)		(5,605,000)	(5,605,000)	
Total other financing sources (uses)	2,861,000	2,871,940	10,940	(4,806,600)	(4,809,960)	(3,360)
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(238,771)	157,391	396,162	(579,931)	442,141	1,022,072
Fund balances, January 1	2,625,743	2,625,743		4,262,611	4,262,611	
Prior year encumbrances appropriated	22,097	22,097		100,684	100,684	
Fund balances, December 31	\$2,409,069	\$2,805,231	\$396,162	\$3,783,364	\$4,805,436	\$1,022,072

The notes to the general-purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
						\$5,935,000	\$6,339,028	\$404,028
						741,090	751,676	10,586
						95,950	106,220	10,270
						12,250	12,624	374
						269,000	249,679	(19,321)
			\$584,000	\$93,518	(490,482)	3,493,672	2,981,924	(511,748)
\$1,000	\$825	(\$175)	118,000	23,526	(94,474)	119,000	24,351	(94,649)
			107,350	183,365	76,015	631,029	718,886	87,857
			122,000		(122,000)	272,350	106,454	(165,896)
1,000	825	(175)	931,350	300,409	(630,941)	11,569,341	11,290,842	(278,499)
						1,608,492	1,362,568	245,924
						4,424,309	4,230,627	193,682
						26,200	16,988	9,212
						1,237,450	1,177,351	60,099
						882,060	441,222	440,838
						857,050	776,526	80,524
						474,532	446,774	27,758
			8,633,150	7,971,086	662,064	8,633,150	7,971,086	662,064
			110,000	91,150	18,850	110,000	91,150	18,850
			8,743,150	8,062,236	680,914	18,253,243	16,514,292	1,738,951
1,000	825	(175)	(7,811,800)	(7,761,827)	49,973	(6,683,902)	(5,223,450)	1,460,452
			4,780,000	4,780,000		4,780,000	4,780,000	
						1,400	11,980	10,580
			1,950,000	1,950,000		6,048,000	6,045,000	(3,000)
(13,000)		13,000				(6,058,000)	(6,045,000)	13,000
(13,000)		13,000	6,730,000	6,730,000		4,771,400	4,791,980	20,580
(12,000)	825	12,825	(1,081,800)	(1,031,827)		(1,912,502)	(431,470)	1,481,032
12,191	12,191		681,689	681,689		7,582,234	7,582,234	
			1,471,673	1,471,673		1,594,454	1,594,454	
\$191	\$13,016	\$12,825	\$1,071,562	\$1,121,535		\$7,264,186	\$8,745,218	\$1,481,032

**CITY OF FREMONT
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Charges for services	\$6,308,345	\$64,683	\$6,373,028
Tap-in fees	7,020		7,020
Other operating revenues	33,811		33,811
	<hr/>	<hr/>	<hr/>
Total operating revenues	6,349,176	64,683	6,413,859
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Personal services	2,593,281	38,971	2,632,252
Contract services	479,123	3,183	482,306
Materials and supplies	763,491	6,102	769,593
Depreciation	1,094,017		1,094,017
Utilities	347,613	3,977	351,590
Other operating expense	78,213	9	78,222
	<hr/>	<hr/>	<hr/>
Total operating expenses	5,355,738	52,242	5,407,980
	<hr/>	<hr/>	<hr/>
Operating income	993,438	12,441	1,005,879
	<hr/>	<hr/>	<hr/>
Nonoperating revenues (expenses):			
Loss on sale of fixed assets	(9,806)		(9,806)
Interest expense and fiscal charges	(655,003)		(655,003)
Investment earnings	53,976		53,976
	<hr/>	<hr/>	<hr/>
Total nonoperating expenses	(610,833)		(610,833)
	<hr/>	<hr/>	<hr/>
Net income	382,605	12,441	395,046
	<hr/>	<hr/>	<hr/>
Addback of depreciation on assets acquired from contributed capital	146,453		146,453
	<hr/>	<hr/>	<hr/>
Retained earnings at January 1	12,131,587	1,020	12,132,607
	<hr/>	<hr/>	<hr/>
Retained earnings at December 31	12,660,645	13,461	12,674,106
	<hr/>	<hr/>	<hr/>
Contributed capital at January 1	5,012,249		5,012,249
Depreciation on fixed assets acquired by contributed capital	(146,453)		(146,453)
Disposal of fixed assets acquired by contributed capital	(637)		(637)
	<hr/>	<hr/>	<hr/>
Contributed capital at December 31	4,865,159		4,865,159
	<hr/>	<hr/>	<hr/>
Total fund equity at December 31	<u>\$17,525,804</u>	<u>\$13,461</u>	<u>\$17,539,265</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**CITY OF FREMONT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from charges for services	\$5,978,744	\$64,683	\$6,043,427
Cash received from other operations	28,717		28,717
Cash payments for personal services	(2,595,238)	(37,907)	(2,633,145)
Cash payments for contract services	(528,172)	(3,183)	(531,355)
Cash payments for materials and supplies	(774,144)	(6,369)	(780,513)
Cash payments for utilities	(363,598)	(3,977)	(367,575)
Cash payments for other expenses	(75,510)	(9)	(75,519)
	<u>1,670,799</u>	<u>13,238</u>	<u>1,684,037</u>
Net cash provided by operating activities			
Cash flows from noncapital financing activities:			
Other nonoperating revenue	16,315		16,315
Other nonoperating expenses	(15,659)		(15,659)
	<u>656</u>		<u>656</u>
Net cash provided by noncapital financing activities			
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,069,400)		(1,069,400)
Proceeds from sale of fixed assets	2,812		2,812
Principal retirement	(425,000)		(425,000)
Interest paid	(636,183)		(636,183)
	<u>(2,127,771)</u>		<u>(2,127,771)</u>
Net cash used in capital and related financing activities			
Cash flows from investing activities:			
Interest received	53,976		53,976
	<u>53,976</u>		<u>53,976</u>
Net cash provided by investing activities			
Net increase (decrease) in cash and cash equivalents	(402,340)	13,238	(389,102)
Cash and cash equivalents at January 1	3,546,381	3,287	3,549,668
Cash and cash equivalents at December 31	<u>\$3,144,041</u>	<u>\$16,525</u>	<u>\$3,160,566</u>

(Continued)

**CITY OF FREMONT
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999
 (Continued)**

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$993,438	\$12,441	\$1,005,879
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,094,017		1,094,017
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(35,481)		(35,481)
Increase in accounts receivable	(341,685)		(341,685)
Increase in cash in segregated accounts	(30)		(30)
Increase (Decrease) in accounts payable	(35,965)	134	(35,831)
Decrease in accrued wages and benefits	(98,750)		(98,750)
Increase (Decrease) in compensated absences	9,153	(602)	8,551
Increase in pension obligation payable	86,102	1,265	87,367
Net cash provided by operating activities	<u>\$1,670,799</u>	<u>\$13,238</u>	<u>\$1,684,037</u>

The notes to the general-purpose financial statements are an integral part of this statement.

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - THE REPORTING ENTITY

The City of Fremont, Sandusky County, (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a Council/Mayor form of government and provides the following services to its residents: Public Safety, Highways and Streets, Water, Sanitation, Health and Social Services, Culture Recreation, Public Improvements, Planning and Zoning, and General Administration Services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU's corporate powers, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, refuse collection, street maintenance and repairs, building inspection, parks and recreation and water and sewer utilities. The preceding financial statements include all funds and account groups of the City (the primary government). The City has no component units, but is a member of an insurance purchasing pool, described in Note 17.

B. Basis of Presentation - Fund Accounting

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate.

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that

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are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balance 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 - The general fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

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

2. Proprietary Funds

Enterprise Funds- The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs 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.

3. Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and Agency funds. Expendable Trust funds are accounted for in essentially the same manner as governmental funds. Agency Funds have no measurement focus (i.e., assets equal liabilities), and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

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4. 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 Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

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

C. Basis of Accounting

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

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

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

The modified accrual basis of accounting is utilized for reporting purposes by the governmental and expendable trust funds. Under this method of accounting, the City recognizes revenue and other financing sources when they become both measurable and available (i.e., collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues considered susceptible to accrual at the end of the year include income taxes, interest on investments, state-levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance), and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Delinquent special assessments and property taxes as well as special assessment installments not due in the current year are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 1999 but not intended to finance 1999 activities have also been recorded as deferred

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revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

D. Budgets

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

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget justifies the need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

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4. 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. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

5. Encumbrances

As part of formal budgetary control, purchases orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis encumbrances outstanding at year- end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 15 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting.

E. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to STAR Ohio, U.S. Government Agency securities, and certificates of deposit.

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

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

Following Ohio statutes and other legal provisions, the City Council has specified the funds to receive an allocation of interest earnings. The following funds were credited with more interest revenue than would have been received based upon its share of the City's internal investment pool during 1999, as follows:

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	Interest Actually Received	Interest Based Upon Share of Cash Fund Balance	Interest Assigned from Other Funds
General	\$504,755	\$112,515	\$392,240
Special Revenue Funds:			
Criminal Justice	720	484	236

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent that the investment was purchased from a specific fund.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "cash with fiscal and escrow agents" or "cash in segregated accounts" since they are not required to be deposited into the City treasury.

The change in fair value of applicable investments during fiscal year 1999 per GASB Statement No. 31 is as follows:

Fair Value at December 31, 1999	\$ 1,055,247
Proceeds of investments sold and matured in fiscal year 1999	202,875
Cost of investments purchased in fiscal year 1999	(1,067,288)
Fair value at December 31, 1998	(200,969)
Change in fair value of investments during fiscal year 1999.	\$ (10,135)

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

F. Inventory

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

G. Fixed Assets

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. No depreciation is recognized for assets in the General Fixed Assets Account Group. The City has not included infrastructure in the General Fixed Assets Account Group.

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received and the depreciation is charged to contributed capital. Depreciation has been provided using the straight-line method over the following estimated useful lives:

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<u>Description</u>	<u>Estimated Lives (Years)</u>
Machinery, equipment, furniture and fixtures	5 - 20
Buildings	45
Improvements other than buildings	50

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. There was no interest capitalized during the year.

The City maintains a capitalization threshold of five hundred dollars. The City's fixed assets are described in Note 9.

H. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Bonds, long-term loans, and special assessment bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

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

I. Compensated Absences

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

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 city ordinance and/or policy, plus applicable additional salary related payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated

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unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, encumbrances, inventories, budget stabilization, revolving loans receivable, and tax revenue unavailable for appropriation are recorded as reservations of fund balance.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/ expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the combined balance sheet as due to/from other funds.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable on the combined balance sheet.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.
5. Non recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

L. Bond Discounts, Premiums and Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental type fund, any bond issuance costs are shown as capital outlay expenditures. Any premium or discount is included in "Other Financing Sources - Bond Proceeds" on the Statement of Revenues, Expenditures and Changes in Fund Balance. The long-term debt that appears in the General Long-Term Obligations Account Group is reported at the bond's face value.

When the proceeds from general obligation bonded debt are placed in a proprietary type fund, and the debt will be serviced from revenues generated by that fund, then any material issuance costs will be reported as a deferred charge and amortized over the life of the bond using the effective-interest

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method. Any material discounts or premiums are shown as additions to or deductions from the amount of the bond liability, are amortized using the effective-interest method, and are reflected as interest income or expense in the Statement of Revenues, Expenses, and Changes in Retained Earnings.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents used to establish a budget stabilization reserve. Current State legislation provides that the amount reserved may not exceed 5% of the general fund's revenue for the preceding fiscal year and that the reserve balance is not to be considered part of the unencumbered balance when certifying available balances at year-end. The reserve for budget stabilization was established by City Council and may be reduced or eliminated at any time by the City's taxing authority. A fund balance reserve has also been established.

Certain proceeds of enterprise water fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. Retained earnings have been reserved for these restricted assets because the restriction has been legally imposed by a party outside of City Council.

Customer deposits are also held in the Water Fund to assure payment of utility bills, but retained earnings have not been reserved, since this restriction is imposed by City Council.

Restricted assets at December 31, 1999 are comprised of the following:

	<u>Cash and Investments</u>
Water Revenue Bond	\$25,598
Water Bond Reserve	203,486
Customer Deposits	<u>48,658</u>
Total Restricted Assets	<u>\$277,742</u>

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their market value on the date contributed. Depreciation on those assets acquired or constructed with capital grants is expensed and closed to contributed capital at year end.

O. Statement of Cash Flows

In September 1989, the Government Accounting Standards Board (GASB) issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The City has presented a statement of cash flows for its enterprise

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and internal service funds. For purposes of the statement of cash flows, the City considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Q. Financial Reporting for Proprietary and Similar Fund Types

The City's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Method

On January 1, 1999, the City increased its threshold for capitalizing fixed assets to \$500. Consequently, items costing less than five hundred dollars have been removed from the General Fixed Assets Account Group and the Enterprise Funds.

General Fixed Asset Account Group	
Balance at 12/31/98	\$5,360,009
Remove items costing less than five hundred dollars	<u>(330,000)</u>
Balance at 1/1/99	<u><u>\$5,030,009</u></u>
 Enterprise Funds	
Net Fixed Assets at 12/31/98	\$24,551,978
Remove items costing less than five hundred dollars	<u>(135,765)</u>
Net Fixed Assets at 1/1/99	<u><u>\$24,416,213</u></u>

As of January 1, 1999, retained earnings of the Enterprise Funds decreased \$135,765, from \$12,267,352 to \$12,131,587, as a result of the change.

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B. Change in Accounting Principle

For fiscal year 1999, the City has implemented GASB Statement No. 21, Accounting for Escheat Property. The statement established accounting and reporting guidelines for unclaimed and or escheat property. The City has previously reported unclaimed funds as an agency fund. The adoption of this statement requires that unclaimed funds now be reported as an Expendable Trust fund. The adoption of this statement had no effect on fund balances as previously reported at December 31, 1999.

C. Deficit Fund Balances/Retained Earnings

Fund Balance/retained earnings at December 31, 1999 included the following individual fund deficits:

Capital Projects:	
Local Transportation Fund	\$ 40,481
Development Grant	243,902

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end. These deficits will be funded by anticipated future revenues not received and recorded as of December 31.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

A. Legal Requirements

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

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 City Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City 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 \$855 in undeposited cash on hand (in segregated accounts) which is included on the combined balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents", but is not considered part of the City's carrying amount of deposits at year end.

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.

B. Deposits

At year-end, the carrying amount of the City's deposits was \$9,767,465 and the bank balance was \$10,075,708. Both amounts include non-negotiable certificates of deposit and deposits in segregated accounts, but exclude cash on hand and the payroll clearance account. Of the bank balance:

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1. \$411,630 was covered by federal depository insurance; and
2. \$9,664,078 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
U.S. Government Agency Securities	\$1,055,247	\$1,055,247
Investments not Subject to Categorization:		
Investment in State Treasurer's Investment Pool	_____	4,483,191
Total Investments	<u>\$1,055,247</u>	<u>\$5,538,438</u>

The U.S. Government Agency Securities have maturity dates ranging from September 2000 to August 2004.

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 pooled cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	<u>Investments</u>
GASB Statement No. 9	\$15,306,758	
Combined Balance Sheet Reclassifications:		
Investments of the Cash Management Pool:		
U.S. Government Agency Securities	(1,055,247)	\$1,055,247
STAR Ohio	(4,483,191)	4,583,191
Cash on Hand	(855)	_____
GASB Statement No. 3	<u>\$ 9,767,465</u>	<u>\$5,638,438</u>

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(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized reconciliation of the City's operating transfers for 1999:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$3,300,000	\$ (440,000)
Special Revenue Funds		
Municipal Income Tax		(5,605,000)
Public Relations	255,000	
Street Maintenance	100,000	
Police Pension	230,000	
Fire Pension	<u>210,000</u>	
Total Special Revenue Funds	795,000	<u>(5,605,000)</u>
Capital Projects		
Capital Improvements	1,900,000	
Fire Equipment	<u>50,000</u>	
Total Capital Projects Funds	<u>1,950,000</u>	
Totals	<u>\$6,045,000</u>	<u>\$(6,045,000)</u>

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fremont. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 1999 was \$3.40 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property	\$173,665,970
Public Utility	13,285,600
Tangible Personal Property	<u>68,653,154</u>
 Total Valuation	 <u>\$255,604,724</u>

B. Income Taxes

The City levies a municipal income tax of one and a half percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Income tax receipts are credited to the Municipal Income Tax special revenue fund, and amounted to \$6,454,721 in 1999.

NOTE 7 - RECEIVABLES

Receivables at December 31, 1999 primarily consisted of taxes, interest, accounts (billings for user charged services) and intergovernmental receivables. All receivables are considered fully collectible.

A summary of principal receivables follows:

<u>General Fund</u>	
Real and Other Taxes	\$ 688,147
Due From Other Governments	12,184
Accounts	18,663
Accrued Interest	13,834
Due from other funds	13,016
 <u>Special Revenue Funds</u>	
Real and Other Taxes	1,575,369
Due from Other Governments	21,198
 <u>Capital Projects Funds</u>	
Accounts	15,536
 <u>Enterprise Funds</u>	
Accounts	1,026,553

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 8 - LOANS RECEIVABLE

The Fremont City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fremont in making loans from the City's Revolving Loan Fund to qualified applicants within the revolving loan fund geographic area. At the close of 1999, there were loans to five businesses with a total principal balance of \$459,827.

NOTE 9 - FIXED ASSETS

A. A summary by class of the changes in general fixed assets during the fiscal year is as follows:

	<u>Balance</u> <u>1/1/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/99</u>
Land	\$ 732,209			\$ 732,209
Buildings	3,926,351	\$ 334,991		4,261,342
Improvements other than buildings	236,868	617,541		854,409
Machinery and equipment	3,731,828	373,030	\$(208,271)	3,896,587
Construction in progress	<u>587,542</u>	<u>3,588,911</u>	<u>(336,606)</u>	<u>3,839,847</u>
Total general fixed assets	9,214,906	<u>\$4,914,473</u>	<u>\$(544,877)</u>	\$13,584,394
Accumulated depreciation	<u>(4,184,897)</u>			<u>(4,517,032)</u>
Total general fixed assets	<u>\$5,030,009</u>			<u>\$9,067,362</u>

B. A summary of the proprietary fund property, plant, and equipment at December 31, 1999 is as follows:

	<u>Balance 12/31/99</u>
Land	\$ 161,723
Land Improvements	454,524
Buildings and Improvements	17,270,443
Furniture and Equipment	10,515,444
Infrastructure	9,209,356
Construction in Progress	<u>125,862</u>
Total Gross Assets	37,737,352
Less: Accumulated Depreciation	<u>(13,409,572)</u>
Total Net Assets	<u>\$ 24,327,780</u>

NOTE 10 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended December 31, 1999 are summarized by fund, as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u> <u>Enterprise Funds</u>
Contributed capital, January 1, 1999	\$2,750,087	\$2,262,162	\$5,012,249
Depreciation expense and disposal	<u>(108,819)</u>	<u>(38,271)</u>	<u>(147,090)</u>
Contributed capital, December 31, 1999	<u>\$2,641,268</u>	<u>\$2,223,891</u>	<u>\$4,865,159</u>

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - LONG TERM OBLIGATIONS

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

	<u>Outstanding</u> <u>12/31/98</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding</u> <u>12/31/99</u>
<u>General Long-Term Obligations:</u>				
Compensated Absences	\$ 356,232	\$ 50,089		\$ 406,321
Police and Fire Accrued Liability	905,093		\$(11,161)	893,932
1999 General obligation Construction bond - 5.20%		<u>4,780,000</u>		<u>4,780,000</u>
Total General Long-Term Obligations	<u>\$1,261,325</u>	<u>\$4,830,089</u>	<u>\$(11,161)</u>	<u>\$6,080,253</u>

General obligation bonds are direct obligations of the City and will be paid from the Debt Service fund using property tax revenues. During 1999 the City issued \$4,780,000 in general obligation bonds for the construction of a recreation center. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid.

Police and fire accrued liabilities for past service costs are financed from property taxes received from a special .3 mill tax, as well as a general fund subsidy. Semi-annual payments are made to the Police and Firemen's Disability and Pension fund. Payments will be made through the year 2040.

B. Changes in long-term debt for Enterprise funds during 1999 were as follows:

	<u>Interest</u> <u>Rate</u>	<u>Outstanding</u> <u>12/31/98</u>	<u>(Reductions)</u>	<u>Outstanding</u> <u>12/31/99</u>
<u>Long Term Obligations:</u>				
Mortgage Revenue Bonds 1994	3.65%-6.00%	\$ 2,575,000	\$ (45,000)	\$ 2,530,000
General Obligation Bonds 1994	3.65%-6.00%	5,750,000	(105,000)	5,645,000
Water/Sewer Various Purpose Bonds 1993	2.4%-4.45%	<u>3,055,000</u>	<u>(275,000)</u>	<u>2,780,000</u>
Total Long-Term Obligations		<u>\$11,380,000</u>	<u>\$(425,000)</u>	<u>\$10,955,000</u>

The various purpose, general obligation and mortgage revenue bonds are supported by full faith and credit of the City. The bonds will be retired with operating revenues of the water and sewer funds to the extent such revenues are available, or from the general operating revenues of the City.

C. The following is a summary of the City's future annual debt service requirements to maturity for general obligation bonds:

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Years	General Obligations Bonds		Enterprise Bonds		Total
	Principal	Interest	Principal	Interest	
2000	\$ 155,000	\$ 214,900	\$ 450,000	\$ 618,073	\$ 1,437,973
2001	165,000	209,863	470,000	598,218	1,443,081
2002	170,000	204,088	490,000	576,631	1,440,719
2003	175,000	197,797	515,000	553,626	1,441,423
2004	180,000	191,147	545,000	526,431	1,442,578
2005-2009	1,030,000	836,438	2,310,000	2,112,194	6,288,632
2010-2014	1,280,000	581,167	1,500,000	1,668,936	5,030,103
2015-2019	1,625,000	243,712	2,000,000	1,169,826	5,038,538
2020-2024			<u>2,675,000</u>	<u>487,519</u>	<u>3,162,519</u>
Totals	<u>\$4,780,000</u>	<u>\$2,679,112</u>	<u>\$10,955,000</u>	<u>\$8,371,454</u>	<u>\$26,725,566</u>

D. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 1999, the City's total debt margin was \$11,116,512, and the unvoted debt margin was \$3,116,276.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All Fremont 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. 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. 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. Law enforcement employees contribute 9.0 percent of covered salary. The employer contribution rate was 13.55 percent of covered payroll; 9.35 percent was the portion used to fund pension obligations for 1999. The City's contributions for pension obligations to PERS for the years ended December 31, 1999, 1998, and 1997 were \$497,619, \$461,573, and \$441,181, respectively. 74% has been contributed for 1999, and 100% for 1998 and 1997 respectively. The unpaid contribution for 1999 of \$128,394 is recorded as a liability within the respective funds.

B. Police and Firemen's Disability and Pension Fund

Full-time uniformed employees of the City participate in the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. This is a single retirement system with one administration that provides retirement benefits to two classes of employees. Authority to establish and amend benefits is provided by state statute per Chapter 712 of the Ohio Revised Code. PFDPF issues a stand-alone financial

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

report which may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 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 PFDPF for the years ended December 31, 1999, 1998 and 1997 were \$529,678, \$488,461, and \$469,755, respectively. 71% has been contributed for 1999, and 100% has been contributed for both 1998 and 1997. The unpaid contribution for 1999 of \$153,523 is recorded as a liability within the respective funds.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care for 1999.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to postemployment benefits. 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.

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 \$154,244.

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 \$524 million. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9.8 billion. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund (the Fund) 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.

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

The health care coverage provided by the retirement system is considered another Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 6.5 percent of covered payroll is applied to the postemployment health care program. 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 was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$101,317 for police and \$72,258 for fire. The PFDPF's total health care expense for the year ended December 31, 1997 (the latest information available) was \$76.459 million.

NOTE 14 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police and dispatchers may carry over 40 hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 500 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Upon retirement, an employee can be paid for 42 percent of his/her accumulated hours of sick leave, except fire department employees, who are part time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 1999, the liability for unpaid compensated absences reported in the General Long-Term Obligations Account Group was \$406,321. \$278,576 was the liability for the non-current portion of compensated absences in proprietary fund types. The total liability for the City's compensated absences for all fund types and account groups was \$684,897.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP (generally accepted accounting principles) basis are:

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

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- 4) Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

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

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

	Governmental Fund Types			
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Budget Basis	\$157,391	\$442,141	\$ 825	\$(1,031,827)
Adjustments:				
Net Adjustment for Revenue Accruals	18,776	(62,737)		6,679
Net Adjustment for Expenditure Accruals	34,121	162,630		235,069
Encumbrances	<u>58,717</u>	<u>368,974</u>	<u> </u>	<u>2,021,429</u>
GAAP Basis	<u>\$269,005</u>	<u>\$911,008</u>	<u>\$ 825</u>	<u>\$ 1,231,350</u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supporting from user fees charged for services provided to consumers for water and sewer operations. Segment information as of and for the year ended December 31, 1999 is as follows:

	Water Fund	Sewer Fund	Total
Operating revenues	\$3,367,905	\$2,981,271	\$6,349,176
Depreciation	607,291	486,726	1,094,017
Operating income	560,703	432,735	993,438
Net income	113,467	269,138	382,605

CITY OF FREMONT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Additions to fixed assets			
Net working capital	2,096,552	1,300,578	3,397,130
Total assets	18,464,918	10,679,624	29,144,542
Long-term liabilities payable			
from fund revenues	8,307,520	2,926,056	11,233,576
Total equity	9,925,793	7,600,011	17,525,804
Encumbrances outstanding			
at December 31	95,295	80,849	176,144
Contributed Capital	2,223,891	2,641,268	4,865,159

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Ohio Government Risk Management Plan (the Plan). The Plan assumes the risk of loss up to the limits of the City's policy.

The City continued to carry commercial insurance for all other risks of loss, including employee health insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE 18 - CONTINGENT LIABILITIES

Grants

The City receives financial assistance from various federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the 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.

NOTE 19 - RESERVE BALANCE ACCOUNT

During the fiscal year, the City established, in accordance with § 5705.13 of the Ohio Revised Code, an account for the express purpose of budget stabilization. The City Council established the reserve in the General fund in the amount of \$208,113. These funds are intended to be used for future workers compensation claims. Cash in the General fund has been restricted, and fund balance has been reserved.

**CITY OF FREMONT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Project Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed through Ohio Department of Development</i>			
Community Development Block Grants/State's Program			
Small Cities CDBG Program - Formula	14.228	AF-97-123-1	\$36,852
Small Cities CDBG Program - Formula	14.228	AF-98-123-1	95,660
Small Cities CDBG Program - Housing	14.228	AC-97-123-1	<u>408,457</u>
Total CDBG - Small Cities			540,968
HOME Investment Partnerships Program	14.239	AC-97-123-2	<u>71,022</u>
Total Department of Housing and Urban Development			<u>611,990</u>
UNITED STATES DEPARTMENT OF JUSTICE <i>Passed through Ohio Department of Justice</i>			
Local Law Enforcement Block Grants Program	16.592	98-LBVX-2450	20,049
Public Safety Partnership and Community Policing Grant	16.710	1995-CFWX-4772	<u>2,303</u>
Total Department of Justice			<u>22,352</u>
Total Federal Awards Expenditures			<u><u>\$634,342</u></u>

CITY OF FREMONT
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from lo-moderate income. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule.

These loans are collateralized by mortgages on the property. At December 31, 1999, the gross amount of loans outstanding under this program were \$459,827. Delinquent amounts due are \$5,400.



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

City of Fremont
Sandusky County
323 South Front Street
Fremont, Ohio 43420-3037

To the City Council:

We have audited the financial statements of the City of Fremont (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated August 10, 2000 in which we noted that the City change its method of accounting for fixed assets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-20172-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated August 10, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 10, 2000.

This report is intended for the information and use of management, City Council, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 10, 2000



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

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Fremont
Sandusky County
323 South Front Street
Fremont, Ohio 43420-3037

To the City Council:

Compliance

We have audited the compliance of the City of Fremont (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 1999-20172-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 10, 2000.

This report is intended for the information and use of management, City Council, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

August 10, 2000

**CITY OF FREMONT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants/State's Program CFDA# 14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 1999-20172-001

Ohio Revised Code § 9.38 provides a public official other than a state officer or agent shall deposit all public funds received by him with the treasurer of the public office or the properly designated depository once every twenty-four hours. Utility revenues were being held for several days before being deposited which could result in asset loss. In addition, there were delays posting revenues and which precludes the City from expending and investing of these monies on a timely basis. We recommend collections be deposited daily.

3. FINDINGS FOR FEDERAL AWARDS

Federal Reporting Requirements

Finding Number	1999-20172-002
CFDA Title and Number	CFDA #14.239 HOME Investment Partnerships Program
Federal Award Number / Year	AC-97-123-2/1999
Federal Agency	United States Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Reportable Condition

The City did not prepare or file the final project performance report to the Department of Housing and Urban Development by the deadline of October 31, 1999. As of April 1, 2000, the final performance report had not been received from the City. Not properly filing the required reports could increase the possibility of the City not receiving their reimbursements from the grantor. We recommend the City review its procedures in completing the required reporting requirements as established by the awarding agency.



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CITY OF FREMONT

SANDUSKY 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
SEPTEMBER 5, 2000**