



**CITY OF PORT CLINTON
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Port Clinton
Ottawa County
1868 East Perry Street
Port Clinton, Ohio 43452-1497

To the City Council:

We have audited the accompanying general-purpose financial statements of the City of Port Clinton, Ottawa County, Ohio, (the City) as of and for the year ended December 31, 1999. 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 Port Clinton, Ottawa County, Ohio, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a white background.

Jim Petro
Auditor of State

August 25, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$217,547	\$624,270	\$51,354	\$436,663
Cash and Cash Equivalents with Fiscal Agents			2,032	
Receivables:				
Property Taxes	401,785			
Municipal Income Taxes	438,497			
Other Local Taxes	6,228			
Accounts (net, where applicable, of allowance for uncollectibles)	138,571			
Special Assessments			402,652	
Notes		424,205		
Due from Other Governments	289,611	32,749		25,000
Materials and Supplies Inventory	11,381	11,122		
Prepaid Items	63,420	12,958		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents				
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits				
Amount to be Provided from General Governmental Resources				
Amount to be Provided from Special Assessments				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds				
Total Assets and Other Debits	\$1,567,040	\$1,105,304	\$456,038	\$461,663

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust</u>	<u>General Fixed Assets</u>	<u>General Long -Term Obligations</u>	
\$1,041,632		\$10,144			\$2,381,610
177	\$84,686				86,895
					401,785
					438,497
					6,228
412,331					550,902
					402,652
					424,205
440					347,800
32,023					54,526
8,464					84,842
432					432
2,782,221			\$4,570,050		7,352,271
				\$2,345,276	2,345,276
				204,658	204,658
				5,045	5,045
				46,309	46,309
\$4,277,720	\$84,686	\$10,144	\$4,570,050	\$2,601,288	\$15,133,933

(Continued)

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$30,391	\$8,772		\$34,501
Contracts Payable				
Retainage Payable				
Accrued Wages Payable	61,210	34,367		
Due to Other Governments	167,036	1,407		11,359
Payable from Restricted Assets:				
Deposits Held and Due to Others				
Deferred Revenue	495,135		\$402,652	
Claims Payable				
Matured Interest Payable			2,032	
Accrued Interest Payable				
Notes Payable				
Compensated Absences Payable	4,949	8,221		
OWDA Loan Payable				
General Obligation Bonds Payable				
Special Assessment Bonds Payable				
Total Liabilities	758,721	52,767	404,684	45,860
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved:				
Reserved for Notes Receivable		424,205		
Reserved for Inventory	11,381	11,122		
Reserved for Encumbrances	41,663	11,338		88,559
Unreserved	755,275	605,872	51,354	327,244
Total Fund Equity and Other Credits	808,319	1,052,537	51,354	415,803
Total Liabilities, Fund Equity, and Other Credits	\$1,567,040	\$1,105,304	\$456,038	\$461,663

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

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust	General Fixed Assets	General Long -Term Obligations	
\$58,677					\$132,341
368,370					368,370
40,080					40,080
26,031					121,608
69,359				\$82,313	331,474
432					432
					897,787
	\$68,089				68,089
177					2,209
20,232					20,232
520,000				2,099,000	2,619,000
69,256				105,975	188,401
692,979					692,979
				63,033	63,033
				250,967	250,967
<u>1,865,593</u>	<u>68,089</u>			<u>2,601,288</u>	<u>5,797,002</u>
			\$4,570,050		4,570,050
231,840					231,840
2,180,287	16,597				2,196,884
					424,205
					22,503
					141,560
		\$10,144			1,749,889
<u>2,412,127</u>	<u>16,597</u>	<u>10,144</u>	<u>4,570,050</u>		<u>9,336,931</u>
<u>\$4,277,720</u>	<u>\$84,686</u>	<u>\$10,144</u>	<u>\$4,570,050</u>	<u>\$2,601,288</u>	<u>\$15,133,933</u>

**CITY OF PORT CLINTON
 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**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues		
Property Taxes	\$388,808	
Municipal Income Taxes	1,950,817	
Other Local Taxes	196,437	\$27,619
Intergovernmental	1,130,489	358,435
Charges for Services	643,041	683
Fees, Licenses, and Permits	23,773	
Fines and Forfeitures	25,198	1,138
Special Assessments		
Interest	120,322	17,687
Miscellaneous	29,909	33,707
Total Revenues	<u>4,508,794</u>	<u>439,269</u>
Expenditures		
Current:		
Security of Persons and Property	1,321,956	145,149
Public Health	186,804	
Leisure Time Activities	243,925	
Community Environment	4,768	68,398
Transportation		597,800
General Government	1,430,215	
Other		
Capital Outlay		
Debt Service:		
Principal Retirement	4,055	
Interest and Fiscal Charges	4,159	
Total Expenditures	<u>3,195,882</u>	<u>811,347</u>
Excess of Revenues Over (Under) Expenditures	<u>1,312,912</u>	<u>(372,078)</u>
Other Financing Sources (Uses)		
Proceeds of Notes	427,250	
Sale of Fixed Assets		
Operating Transfers - In		390,755
Operating Transfers - Out	(1,638,552)	
Total Other Financing Sources (Uses)	<u>(1,211,302)</u>	<u>390,755</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	101,610	18,677
Fund Balances at Beginning of Year	680,208	1,035,022
Residual Equity Transfers - In	26,174	4,721
Increase (Decrease) in Reserve for Inventory	327	(5,883)
Fund Balances at End of Year	<u>\$808,319</u>	<u>\$1,052,537</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>	
			\$388,808
			1,950,817
			224,056
	\$25,000		1,513,924
			643,724
			23,773
			26,336
\$48,284			48,284
	3,805		141,814
	27,515	\$733	91,864
<u>48,284</u>	<u>56,320</u>	<u>733</u>	<u>5,053,400</u>
			1,467,105
			186,804
			243,925
			73,166
			597,800
			1,430,215
		430	430
	1,148,758		1,148,758
2,212,945			2,217,000
137,934			142,093
<u>2,350,879</u>	<u>1,148,758</u>	<u>430</u>	<u>7,507,296</u>
<u>(2,302,595)</u>	<u>(1,092,438)</u>	<u>303</u>	<u>(2,453,896)</u>
	1,671,750		2,099,000
	6,100		6,100
2,301,622	713,023		3,405,400
	<u>(1,530,710)</u>		<u>(3,169,262)</u>
<u>2,301,622</u>	<u>860,163</u>		<u>2,341,238</u>
(973)	(232,275)	303	(112,658)
52,327	648,078	9,841	2,425,476
			30,895
			<u>(5,556)</u>
<u>\$51,354</u>	<u>\$415,803</u>	<u>\$10,144</u>	<u>\$2,338,157</u>

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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property Taxes	\$278,700	\$388,808	\$110,108			
Municipal Income Taxes	1,914,078	1,894,923	(19,155)			
Other Local Taxes	218,687	193,575	(25,112)	\$58,479	\$27,608	(\$30,871)
Intergovernmental	1,026,263	912,669	(113,594)	393,646	352,272	(41,374)
Charges for Services	603,177	567,197	(35,980)	1,000	683	(317)
Fees, Licenses, and Permits	37,446	23,773	(13,673)			
Fines and Forfeitures	17,315	25,230	7,915	2,000	1,162	(838)
Special Assessments						
Interest	135,689	127,363	(8,326)	50,040	11,770	(38,270)
Miscellaneous	78,686	55,837	(22,849)	90,876	38,478	(52,398)
Total Revenues	4,310,041	4,189,375	(120,666)	596,041	431,973	(164,068)
Expenditures						
Current:						
Security of Persons and Property	1,446,900	1,357,321	89,579	220,513	142,090	78,423
Public Health	227,700	198,366	29,334			
Leisure Time Activities	280,500	250,840	29,660			
Community Environment	7,740	5,988	1,752	457,130	36,855	420,275
Transportation				837,350	594,349	243,001
General Government	1,595,353	1,442,198	153,155			
Other						
Capital Outlay						
Debt Service:						
Principal Retirement	5,000	4,055	945			
Interest and Fiscal Charges	5,000	4,159	841			
Total Expenditures	3,568,193	3,262,927	305,266	1,514,993	773,294	741,699
Excess of Revenues Over (Under) Expenditures	741,848	926,448	184,600	(918,952)	(341,321)	577,631
Other Financing Sources (Uses)						
Other Financing Sources				100,000	34,316	(65,684)
Proceeds of Notes	500,000	427,250	(72,750)			
Sale of Fixed Assets						
Advances - In				5,000		(5,000)
Advances - Out	(5,000)		5,000			
Operating Transfers - In	245,384		(245,384)	419,192	390,755	(28,437)
Operating Transfers - Out	(1,714,843)	(1,638,552)	76,291			
Total Other Financing Sources (Uses)	(974,459)	(1,211,302)	(236,843)	524,192	425,071	(99,121)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(232,611)	(284,854)	(52,243)	(394,760)	83,750	478,510
Fund Balances at Beginning of Year	360,297	360,297		480,224	480,224	
Prior Year Encumbrances Appropriated	68,562	68,562		39,279	39,279	
Fund Balances at End of Year	\$196,248	\$144,005	(\$52,243)	\$124,743	\$603,253	\$478,510

Debt Service Funds			Capital Projects Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$50,000	\$48,284	(\$1,716)			
			\$32,201	\$27,515	(\$4,686)
<u>50,000</u>	<u>48,284</u>	<u>(1,716)</u>	<u>32,201</u>	<u>27,515</u>	<u>(4,686)</u>
			1,500,000	1,287,960	212,040
1,995,000	1,987,945	7,055			
178,500	126,796	51,704			
<u>2,173,500</u>	<u>2,114,741</u>	<u>58,759</u>	<u>1,500,000</u>	<u>1,287,960</u>	<u>212,040</u>
<u>(2,123,500)</u>	<u>(2,066,457)</u>	<u>57,043</u>	<u>(1,467,799)</u>	<u>(1,260,445)</u>	<u>207,354</u>
			1,972,744	1,671,750	(300,994)
			62,299	6,100	(56,199)
2,500,000	2,065,484	(434,516)	887,391	713,023	(174,368)
(5,045)		5,045	(1,558,500)	(1,530,710)	27,790
<u>2,494,955</u>	<u>2,065,484</u>	<u>(429,471)</u>	<u>1,363,934</u>	<u>860,163</u>	<u>(503,771)</u>
371,455	(973)	(372,428)	(103,865)	(400,282)	(504,147)
52,327	52,327		645,493	645,493	
			63,310	63,310	
<u>\$423,782</u>	<u>\$51,354</u>	<u>(\$372,428)</u>	<u>\$604,938</u>	<u>\$308,521</u>	<u>(\$504,147)</u>

(Continued)

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

	Expendable Trust Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property Taxes				\$278,700	\$388,808	\$110,108
Municipal Income Taxes				1,914,078	1,894,923	(19,155)
Other Local Taxes				277,166	221,183	(55,983)
Intergovernmental				1,419,909	1,264,941	(154,968)
Charges for Services				604,177	567,880	(36,297)
Fees, Licenses, and Permits				37,446	23,773	(13,673)
Fines and Forfeitures				19,315	26,392	7,077
Special Assessments				50,000	48,284	(1,716)
Interest				185,729	139,133	(46,596)
Miscellaneous	\$1,000	\$733	(\$267)	202,763	122,563	(80,200)
Total Revenues	1,000	733	(267)	4,989,283	4,697,880	(291,403)
Expenditures						
Current:						
Security of Persons and Property				1,667,413	1,499,411	168,002
Public Health				227,700	198,366	29,334
Leisure Time Activities				280,500	250,840	29,660
Community Environment				464,870	42,843	422,027
Transportation				837,350	594,349	243,001
General Government				1,595,353	1,442,198	153,155
Other	10,000	430	9,570	10,000	430	9,570
Capital Outlay				1,500,000	1,287,960	212,040
Debt Service:						
Principal Retirement				2,000,000	1,992,000	8,000
Interest and Fiscal Charges				183,500	130,955	52,545
Total Expenditures	10,000	430	9,570	8,766,686	7,439,352	1,327,334
Excess of Revenues Over (Under) Expenditures	(9,000)	303	9,303	(3,777,403)	(2,741,472)	1,035,931
Other Financing Sources (Uses)						
Other Financing Sources				100,000	34,316	(65,684)
Proceeds of Notes				2,472,744	2,099,000	(373,744)
Sale of Fixed Assets				62,299	6,100	(56,199)
Advances - In				5,000		(5,000)
Advances - Out				(5,000)		5,000
Operating Transfers - In				4,051,967	3,169,262	(882,705)
Operating Transfers - Out				(3,278,388)	(3,169,262)	109,126
Total Other Financing Sources (Uses)				3,408,622	2,139,416	(1,269,206)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,000)	303	(8,697)	(368,781)	(602,056)	(233,275)
Fund Balances at Beginning of Year	9,841	9,841		1,548,182	1,548,182	
Prior Year Encumbrances Appropriated				171,151	171,151	
Fund Balances at End of Year	\$841	\$10,144	(\$8,697)	\$1,350,552	\$1,117,277	(\$233,275)

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

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

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Operating Revenues			
Charges for Services	\$2,428,402	\$349,076	\$2,777,478
Other Operating Revenues	7,871	1,401	9,272
Total Operating Revenues	<u>2,436,273</u>	<u>350,477</u>	<u>2,786,750</u>
Operating Expenses			
Personal Services	873,645		873,645
Contractual Services	801,975	48,365	850,340
Materials and Supplies	716,046		716,046
Claims		294,193	294,193
Bad Debt	5,161		5,161
Depreciation	89,294		89,294
Other Operating Expenses	40,000	275	40,275
Total Operating Expenses	<u>2,526,121</u>	<u>342,833</u>	<u>2,868,954</u>
Operating Income (Loss)	<u>(89,848)</u>	<u>7,644</u>	<u>(82,204)</u>
Non-Operating Revenues (Expenses)			
Interest Income	507	2,248	2,755
Interest Expense	(22,294)		(22,294)
Loss on Disposal of Fixed Assets	(3,509)		(3,509)
Grants	125,000		125,000
Total Non-Operating Revenues (Expenses)	<u>99,704</u>	<u>2,248</u>	<u>127,755</u>
Income before Operating Transfers	9,856	9,892	45,551
Operating Transfers - Out	<u>(236,138)</u>		<u>(236,138)</u>
Net Income (Loss)	(226,282)	9,892	(190,587)
Retained Earnings at Beginning of Year - Restated Note 3	2,396,453	47,716	2,444,169
Residual Equity Transfers - In	10,116		10,116
Residual Equity Transfers - Out		<u>(41,011)</u>	<u>(41,011)</u>
Retained Earnings at End of Year	<u>2,180,287</u>	<u>16,597</u>	<u>2,222,687</u>
Contributed Capital at Beginning of Year	89,139		89,139
Contributed from Other Governments	125,000		125,000
Contributed from Other Funds	17,701		17,701
Contributed Capital at End of Year	<u>231,840</u>		<u>231,840</u>
Total Fund Equity at End of Year	<u>\$2,412,127</u>	<u>\$16,597</u>	<u>\$2,454,527</u>

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

**CITY OF PORT CLINTON
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 ALL ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Charges for Services	\$2,721,857	\$2,432,865	(\$288,992)
Proceeds of Notes	591,589	520,000	(71,589)
Proceeds of OWDA Loan		692,979	692,979
Grants	125,000	125,000	
Other Revenues	74,886	18,132	(56,754)
	<u>3,513,332</u>	<u>3,788,976</u>	<u>275,644</u>
Expenses			
Personal Services	967,700	951,324	16,376
Contractual Services	844,715	797,778	46,937
Materials and Supplies	834,300	798,105	36,195
Capital Outlay	978,750	1,321,780	(343,030)
Other Operating Expenses	40,000	40,000	
Debt Service:			
Principal Retirement	620,000	620,000	
Interest and Fiscal Charges	31,025	30,689	336
	<u>4,316,490</u>	<u>4,559,676</u>	<u>(243,186)</u>
Total Expenses			
Excess of Revenues Under Expenses	(803,158)	(770,700)	32,458
Fund Balances at Beginning of Year	1,305,780	1,305,780	
Prior Year Encumbrances Appropriated	273,736	273,736	
Fund Balances at End of Year	<u>\$776,358</u>	<u>\$808,816</u>	<u>\$32,458</u>

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

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

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Increases (Decreases) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities</u>			
Cash Received from Customers	\$2,432,865		\$2,432,865
Cash Received from Quasi-External Operating Transactions with Other Funds		\$349,076	349,076
Cash Payments for Personal Services	(942,173)		(942,173)
Cash Payments for Contractual Services	(727,313)	(48,365)	(775,678)
Cash Payments to Suppliers	(482,214)		(482,214)
Cash Payments for Quasi-External Operating Transactions with Other Funds	(40,000)		(40,000)
Cash Payments for Claims		(303,063)	(303,063)
Cash Received from Other Revenues	8,016	1,401	9,417
Cash Payments for Other Expenses		(275)	(275)
Net Cash Provided by (Used for) Operating Activities	<u>249,181</u>	<u>(1,226)</u>	<u>247,955</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Residual Equity Transfers	10,116	(41,011)	(30,895)
Operating Transfers Out	(225,000)		(225,000)
Net Cash Used for Noncapital Financing Activities	<u>(214,884)</u>	<u>(41,011)</u>	<u>(255,895)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Principal Paid on Bond Anticipation Notes	(395,000)		(395,000)
Interest Paid on Bond Anticipation Notes	(30,689)		(30,689)
Proceeds of Notes	520,000		520,000
Proceeds of OWD A Loan	692,979		692,979
Acquisition of Fixed Assets	(1,484,546)		(1,484,546)
Grants	125,000		125,000
Net Cash Used for Capital and Related Financing Activities	<u>(572,256)</u>		<u>(572,256)</u>
<u>Cash Flows from Investing Activities</u>			
Interest	507	2,248	2,755
Net Decrease in Cash and Cash Equivalents	(537,452)	(39,989)	(577,441)
Cash and Cash Equivalents at Beginning of Year	<u>1,579,693</u>	<u>124,675</u>	<u>1,704,368</u>
Cash and Cash Equivalents at End of Year	<u>\$1,042,241</u>	<u>\$84,686</u>	<u>\$1,126,927</u>

(Continued)

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

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	(\$89,848)	\$7,644	(\$82,204)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>			
Depreciation	89,294		89,294
Bad Debt Expense	5,161		5,161
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	5,048		5,048
Increase in Due from Other Governments	(440)		(440)
Increase in Materials and Supplies Inventory	(17,768)		(17,768)
Decrease in Prepaid Items	133		133
Decrease in Accounts Payable	(60,844)		(60,844)
Increase in Contracts Payable	353,530		353,530
Increase in Retainage Payable	30,143		30,143
Decrease in Accrued Wages Payable	(2,332)		(2,332)
Decrease in Due to Other Governments	(19,417)		(19,417)
Decrease in Deposits Held and Due to Others	(53,990)		(53,990)
Decrease in Claims Payable		(8,870)	(8,870)
Increase in Compensated Absences Payable	10,511		10,511
Net Cash Provided by (Used for) Operating Activities	<u>\$249,181</u>	<u>(\$1,226)</u>	<u>\$247,955</u>

Non-Cash Capital Financing Activities

In 1999, fixed assets were constructed in the Industrial Park capital projects fund and donated to the Water enterprise fund, in the amount of \$12,683, and the Sewer enterprise fund, in the amount of \$5,018.

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

**CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

NOTE 1 - DESCRIPTION OF THE CITY OF PORT CLINTON AND THE REPORTING ENTITY

A. The City

The City of Port Clinton is a statutory municipal corporation operating under the laws of the State of Ohio. Port Clinton was incorporated as a city in 1955.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Safety-Service Director, are elected positions. The Safety-Service Director is appointed by the Mayor, with approval by the City Council.

The City of Port Clinton is divided into various departments and financial management and control systems. Services provided include police protection, parks and recreation, street maintenance and repair, and water and sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Port Clinton consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Port Clinton in 1999.

The City is associated with two insurance pools, the Ohio Municipal League Joint Self-Insurance Pool and the North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 19 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

A. Fund Accounting

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

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

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) whose use is restricted. The use and limitation of each special revenue fund is specified by City ordinances or federal and state statutes.

Debt Service Funds

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

Capital Projects Funds

The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

2. Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The following are the City's proprietary fund types:

Enterprise Funds

The enterprise funds are used to account for the City's water and sewer operations. These funds are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's fiduciary funds include an expendable trust fund and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

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

General Fixed Assets Account Group

The general fixed assets account group is used to account for all fixed assets of the City, except those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City, except those accounted for in the proprietary funds.

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund 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 fund types are accounted for using 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. Operating statements of these funds 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 followed for the governmental fund types, expendable trust fund, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the City is thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income taxes withheld by employers, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), reimbursements due from federally funded projects for which corresponding expenditures have been made, charges for current services, fines and forfeitures, and earnings on investments. Other revenues, including income taxes other than those withheld by employers, fees, licenses, and permits, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of December 31, 1999, and delinquent property taxes, whose availability is indeterminable and which are not intended to finance 1999 operations, have been recorded as deferred revenue. Special assessments are also recorded as deferred revenue because they do not meet the availability criteria.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available expendable resources rather than in the period earned by employees.

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund types are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated.

Budgetary information for the Self-Insurance internal service fund is not reported because it is not included in the entity for which the "appropriated budget" is adopted.

1. Tax Budget

A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

2. Estimated Resources

The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget 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 estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended official certificate of estimated resources issued during 1999.

3. Appropriations

A temporary appropriations ordinance to control the level of expenditures for all funds may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. Appropriations may not exceed estimated resources as established in the

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

amended official certificate of estimated resources. The allocation of appropriations among departments and objects within a fund may be modified during the year with City Council approval. One appropriations resolution was legally enacted by the City Council during the year. The budget figures which appear in the statements of budgetary comparisons represent the appropriated budget amounts and all supplemental appropriations.

4. Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by the City Council. For all funds, council appropriations are made to personal services, contractual services, materials and supplies, capital outlay, other expenditures, debt retirement, and transfer accounts for each department. The appropriations set by the City Council must remain fixed unless amended by City Council resolution. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within the City Council's appropriated amount.

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the proprietary fund types.

6. 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 appropriation. Encumbered appropriations are carried forward to the succeeding year and are not reappropriated.

D. Cash and Investments

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

Cash and cash equivalents that are held separately for the City by fiscal agents and not held with the City Treasurer are recorded on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

During 1999, investments were limited to repurchase agreements and STAR Ohio. Repurchase agreements 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 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.

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

The City has allocated interest earnings according to Ohio statutes. As such, interest revenue credited to the General fund during 1999 was \$120,322, which includes \$100,157 assigned from other City funds.

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

E. Materials and Supplies Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Restricted Assets

Restricted assets represent utility deposits from customers that are restricted because their use is limited to the payment of unpaid utility bills or refunding the deposit to the customer.

H. Fixed Assets

The fixed asset values were initially determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were used. Donated fixed assets are capitalized at fair market value on the date donated.

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

1. General Fixed Assets

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

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

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

2. Proprietary Fund Fixed Assets

Fixed assets reflected in the proprietary funds are stated at historical cost or estimated historical cost and are updated for the cost of additions and reductions during the year. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Asset Category</u>	<u>Estimated Lives</u>
Buildings and Improvements	45 years
Furniture, Fixtures, and Equipment	10-15 years
Vehicles	6 years
Water and Sewer Lines	50 years

Capitalization of Interest

Interest is capitalized on enterprise 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 the temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 1999, there was no capitalized interest cost incurred on enterprise fund construction projects.

I. 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 City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in City policies or by union contracts. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

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

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

J. 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, contractually required pension contributions and compensated absences that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than thirty-one days after year end are considered not to have used current available expendable resources. Long-term notes and bonds are reported as liabilities in the general long-term obligations account group until due. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate fund.

Under Ohio law, a debt service fund may be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the appropriate funds and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt service funds have been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Contributed Capital

Contributed capital represents contributions made by the City and other governments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

L. Reserves of Fund Equity

The City records reservations for portions of fund balance that are segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for notes receivable, inventory, and encumbrances.

M. Intergovernmental Revenues

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

N. Interfund Transactions

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

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. 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.

P. Total Columns on General-Purpose Financial Statements

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

NOTE 3 - CORRECTION OF AN ERROR AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

Fixed assets and accumulated depreciation in the Water and Sewer enterprise funds were misstated in the prior year due to items improperly recorded. In addition, the City did not previously record any contributed capital in the Water and Sewer enterprise funds. Fixed assets increased \$141,264, from \$3,792,180 to \$3,933,444 and accumulated depreciation increased \$37,942, from \$2,647,725 to \$2,685,667 as a result of the restatement. The effect of this change on net income as previously reported for the year ended December 31, 1998, was a decrease of \$90,067, from \$480,388 to \$390,321. Contributed capital increased \$89,139 and retained earnings increased \$14,183, from \$2,382,270 to \$2,396,453, as of December 31, 1998.

NOTE 4 - COMPLIANCE

The following accounts had expenditures/expenses in excess of appropriations for the year ended December 31, 1999.

Fund Type/Fund/ Program/Department	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
Security of Persons and Property/Disaster		\$984	\$984
Capital Projects Fund			
Municipal Purpose			
Capital Outlay/Municipal Purpose	\$810,000	950,217	140,217
Enterprise Fund			
Water			
Capital Outlay	950,000	1,293,129	343,129

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for the governmental fund types and expendable trust fund (GAAP basis). Material encumbrances are disclosed in the notes for the proprietary fund types (GAAP basis).
4. Under Ohio law, debt transactions may be recorded in a debt service fund (budget basis) as opposed to allocating the payments to the fund in which the proceeds were recorded (GAAP basis).
5. For the proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$101,610	\$18,677	(\$973)	(\$232,275)
Increases (Decreases) Due To				
Revenue Accruals:				
Accrued 1998, Received in Cash 1999	426,923	26,667		
Accrued 1999, Not Yet Received in Cash	(779,557)	(32,749)		(25,000)
Expenditure Accruals:				
Accrued 1998, Paid in Cash 1999	(263,712)	(33,414)		(60,725)
Accrued 1999, Not Yet Paid in Cash	263,586	52,767		45,860
Cash Adjustments:				
Unrecorded Activity 1998	12,453	887		
Unrecorded Activity 1999	(5,412)	(6,822)		(3,805)
Notes Receivable - Repayments		34,316		
Notes Receivable - Written off		33,585		
Prepaid Items	1,211	(690)		

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	General	Special Revenue	Debt Service	Capital Projects
Note Principal Retirement			225,000	
Residual Equity Transfers - In	26,174	4,721		
Excess of Revenues Under Expenditures into Financial Statement Fund Types			(225,000)	
Encumbrances Outstanding at Year End (Budget Basis)	(68,130)	(14,195)		(124,337)
Budget Basis	<u>(\$284,854)</u>	<u>\$83,750</u>	<u>(\$973)</u>	<u>(\$400,282)</u>

Net Income (Loss)/Excess of Revenues Under Expenses
and Operating Transfers
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$226,282)	\$9,892
Increases (Decreases) Due To Revenue Accruals:		
Accrued 1998, Received in Cash 1999	462,005	
Accrued 1999, Not Yet Received in Cash	(457,397)	
Expense Accruals:		
Accrued 1998, Paid in Cash 1999	(377,136)	
Accrued 1999, Not Yet Paid in Cash	642,641	68,089
Cash Adjustments:		
Unrecorded Activity 1999	(507)	
Materials and Supplies Inventory	(17,768)	
Prepaid Items	133	
Acquisition of Fixed Assets	(1,484,546)	
Depreciation Expense	89,294	
Loss on Disposal of Fixed Assets	3,509	
Proceeds of Notes	520,000	
Note Principal Retirement	(620,000)	
Proceeds of OWDA Loan	692,979	
Residual Equity Transfers - In (Out)	10,116	(41,011)
Excess of Revenues Over Expenses into Financial Statement Fund Types	225,000	
Excess Revenues Over Expenses for Nonbudgeted Fund		(36,970)
Encumbrances Outstanding at Year End (Budget Basis)	(232,741)	
Budget Basis	<u>(\$770,700)</u>	<u></u>

CITY OF PORT CLINTON
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NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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; and
6. The State Treasurer's investment pool (STAR Ohio).

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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; and
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 two years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the City had \$933 in undeposited cash on hand which is included on the combined balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents". The City had \$84,686 in cash and cash equivalents which are included on the combined balance sheet as part of "Cash and Cash Equivalents with Fiscal Agents". This represents monies held by the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA), the fiscal agent for the City's health insurance; therefore, the City cannot classify this money by risk under GASB Statement No. 3.

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".

At year end, the carrying amount of the City's deposits was \$196,980 and the bank balance was \$247,390. Of the bank balance, \$202,209 was covered by federal depository insurance and \$45,181 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. 231

The City's investments are 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 for which the securities are held by the City or the City's 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 3	Carrying Value	Fair Value
Repurchase Agreement	<u>\$661,144</u>	<u>\$661,144</u>	<u>\$661,208</u>
STAR Ohio		<u>1,525,194</u>	<u>1,525,194</u>
		<u>\$2,186,338</u>	<u>\$2,186,402</u>

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The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,468,937	
Cash on Hand	(933)	
Cash and Cash Equivalents with Fiscal Agents	(84,686)	
Investments:		
Repurchase Agreement	(661,144)	\$661,144
STAR Ohio	(1,525,194)	1,525,194
GASB Statement No. 3	\$196,980	\$2,186,338

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 1999 represent the collection of 1998 taxes. For 1999, real property taxes were levied after October 1, 1999, on the assessed values as of January 1, 1999, the lien date. These taxes will be collected in and are intended to finance 2000 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1996. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes were levied after October 1, 1999, on the assessed values as of December 31, 1998, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 1999 (other than public utility property) represent the collection of 1999 taxes. For 1999, tangible personal property taxes were levied after October 1, 1998, on the true value as of December 31, 1998, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

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

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

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

The full tax rate for all City operations for the year ended December 31, 1999, was \$3.90 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 1999 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural/Residential	\$64,539,500
Commercial/Industrial	25,871,760
Public Utility Property	
Real	13,340
Personal	10,652,210
Tangible Personal Property	8,546,957
Total Assessed Value	\$109,623,767

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 ½ percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax revenue is credited to the General fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 1999, consisted of taxes; accounts (billings for user charged services, including unbilled utility services); special assessments; notes; and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>General Fund</u>	
Charges for Services	\$250
Economic Development Grant	225,000
Estate Tax	33,396
Fines and Forfeitures	813
Local Government	29,871
Miscellaneous	281
Total General Fund	289,611

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(Continued)

	Amount
<u>Special Revenue Funds</u>	
Main Thoroughfare	
Permissive Motor Vehicle License Tax	1,313
State Highway	
Gasoline Tax	1,036
Motor Vehicle License Tax	563
Total State Highway	1,599
Street Maintenance	
Gasoline Tax	12,778
Motor Vehicle License Tax	6,934
Total Street Maintenance	19,712
Enforcement and Education	
Fines and Forfeitures	83
COPS Grant	
COPS Grant	10,042
Total Special Revenue Funds	32,749
 <u>Capital Projects Fund</u>	
Parks and Recreation	
Coastal Management Assistance Grant	25,000
 <u>Enterprise Fund</u>	
Water	
Charges for Services	440
Total All Funds	\$347,800

By statute, local property taxes have been reduced 10 percent, with additional reductions for the elderly and the disabled. The amount of these reductions, estimated to be approximately \$46,551, will be paid to the City by the State of Ohio in the latter part of 2000.

NOTE 10 - NOTES RECEIVABLE

A summary of the changes in notes receivable during 1999 follows:

	Balance 12/31/98	New Loans	Repayments	Written Off During 1999	Balance 12/31/99
Special Revenue Funds					
CDBG					
Individual Loans	\$216,000		\$11,888	\$ 9,751	\$194,361
FHA HPG Revolving Loan					
Individual Loans	276,106		22,428	23,834	229,844
Total	\$492,106		\$34,316	\$33,585	\$424,205

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(Continued)

Notes receivable are reduced each year by the amount of loans which have been determined to be uncollectible. In addition, some loans have provisions that a portion of the loan will be forgiven and need not be repaid if certain requirements are met. Notes receivable on the combined balance sheet are presented net of amounts written off.

NOTE 11 - FIXED ASSETS

A. General Fixed Assets

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

	Balance 12/31/98	Additions	Reductions	Balance 12/31/99
Land	\$284,975	\$130,147		\$415,122
Buildings and Improvements	1,621,327	18,294	\$58,000	1,581,621
Furniture, Fixtures, and Equipment	1,304,452	240,892	329,228	1,216,116
Vehicles	1,126,923	555,222	324,954	1,357,191
Total General Fixed Assets	<u>\$4,337,677</u>	<u>\$944,555</u>	<u>\$712,182</u>	<u>\$4,570,050</u>

B. Enterprise Fund Fixed Assets

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

	Water	Sewer	Total Enterprise Funds
Land	\$12,552	\$8,760	\$21,312
Buildings and Improvements	973,100	1,268,400	2,241,500
Furniture, Fixtures, and Equipment	347,516	481,040	828,556
Vehicles	42,408	101,683	144,091
Water and Sewer Lines	782,711	375,347	1,158,058
Construction in Progress	1,123,474		1,123,474
Total	<u>3,281,761</u>	<u>2,235,230</u>	<u>5,516,991</u>
Less: Accumulated Depreciation	<u>1,260,949</u>	<u>1,473,821</u>	<u>2,734,770</u>
Total Fixed Assets Net of Accumulated Depreciation	<u>\$2,020,812</u>	<u>\$761,409</u>	<u>\$2,782,221</u>

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (the System), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. The System provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The System issues a publicly available financial report that

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(Continued)

includes financial statements and required supplementary information. The report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 9.35 percent was the portion used to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the System for the years ended December 31, 1999, 1998, and 1997, were \$179,097, \$174,956, and \$151,696, respectively; 73 percent has been contributed for 1999 and 100 percent has been contributed for 1998 and 1997. The unpaid contribution for 1999, in the amount of \$48,588, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer defined benefit pension plan administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Police and Firemen's Disability and Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent; 12.5 percent was the portion used to fund pension obligations. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 1999, 1998, and 1997, were \$75,699, \$75,427, and \$69,508, respectively; 69 percent has been contributed for 1999 and 100 percent has been contributed for 1998 and 1997. The unpaid contribution for 1999, in the amount of \$23,222, is recorded as a liability within the respective funds and the general long-term obligations account group.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

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

Benefits are funded on a pay-as-you-go-basis. OPB are financed through employer contributions and investment earnings. 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.

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During 1999, OPB expenditures made by the System were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPB through the System was 118,062. The City's actual contributions for 1999 which were used to fund OPB were \$80,450.

B. Police and Firemen's Disability and Pension Fund

The Police and Firemen's Disability and Pension Fund of Ohio (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 eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the 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 rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7 percent was the portion used to fund health care for 1999. 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 \$42,391. The Fund's total health care expenses for the year ending December 31, 1998, (the latest information available), were \$78,596,790.

NOTE 14 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components is derived from negotiated agreements and state laws.

City employees earn vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Full-time employees with twenty or more years of service, who leave the employment of the City for reasons other than termination of employment by the City, or employees who retire from the City are entitled to receive one-fourth of the value of their accumulated unused sick leave up to a maximum of three hundred seventy-five hours for employees who retire under a collective bargaining agreement or five hundred hours for all other employees.

NOTE 15 - SHORT-TERM OBLIGATIONS

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability for short-term notes is presented in the fund receiving the proceeds.

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The Sewer enterprise fund issued \$415,000 and retired \$395,000 in bond anticipation notes during 1999. The Water enterprise fund issued \$105,000 in bond anticipation notes during 1999. The bond anticipation notes are backed by the full faith and credit of the City of Port Clinton and have a maturity of one year.

NOTE 16 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 1999, was as follows:

	Interest Rate	Balance 12/31/98	Issued	Retired	Balance 12/31/99
<u>General Long-Term Obligations</u>					
Notes Payable	4.43-5.00%	\$2,184,000	\$2,099,000	\$2,184,000	\$2,099,000
General Obligation Bonds	6.22	67,088		4,055	63,033
Special Assessment Bonds	6.22-10.875	279,912		28,945	250,967
Due to Other Governments		71,696	82,313	71,696	82,313
Compensated Absences Payable		119,577		13,602	105,975
Total General Long-Term Obligations		<u>2,722,273</u>	<u>2,181,313</u>	<u>2,302,298</u>	<u>2,601,288</u>
<u>Enterprise Fund Long-Term Obligations</u>					
Compensated Absences Payable		56,912	8,188		65,100
OWDA Loan Payable			692,979		692,979
Total Enterprise Fund Long-Term Obligations		<u>56,912</u>	<u>701,167</u>		<u>758,079</u>
Total Long-Term Obligations		<u>\$2,779,185</u>	<u>\$2,882,480</u>	<u>\$2,302,298</u>	<u>\$3,359,367</u>

Notes Payable

Bond anticipation notes are supported by the full faith and credit of the City of Port Clinton. The City's long-term bond anticipation notes are presented in the general long-term obligations account group and are payable from unvoted property tax revenues.

General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of the City of Port Clinton. The general obligation bonds are presented as a liability in the general long-term obligations account group and are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest expenditures.

Special Assessment Bonds

The special assessment bonds are supported by the full faith and credit of the City of Port Clinton. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the bonds, the City will be required to pay the related debt.

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Due to Other Governments

The due to other governments liability, representing the City's contractually required pension obligation, will be paid from the fund from which the employees' salaries are paid.

Compensated Absences Payable

Compensated absences are presented at net because it is not practical to determine the actual increases and decreases. The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

OWDA Loan Payable

The City entered into a loan agreement with the Ohio Water Development Authority for construction of a water tower. The loan will be paid from resources of the Water enterprise fund.

The City's legal debt margin was \$9,353,508 at December 31, 1999.

The water tower project funded by an OWDA loan has not been completed. An amortization schedule for repayment of the loan will not be available until the project is completed and therefore is not included in the following schedule. The following is a summary of the City's future annual debt service requirements for long-term obligations:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2000	\$4,055	\$3,908	\$28,945	\$17,819
2001	4,055	3,657	28,945	15,327
2002	4,055	3,405	15,945	12,835
2003	4,055	3,154	15,945	11,756
2004	4,055	2,903	15,945	10,677
2005-2009	20,642	10,742	82,358	37,143
2010-2014	22,116	4,114	59,884	11,464
2015			3,000	197
	<u>\$63,033</u>	<u>\$31,883</u>	<u>\$250,967</u>	<u>\$117,218</u>

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 has entered into contracts with various insurance agencies for the following coverages and deductibles:

Type of Coverage	Coverage	Deductible
Old City Hall/Fire Station/EMS	\$1,000,000	\$250
Street Department	300,000	250
Park Office	80,000	250

(continued)

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Type of Coverage	Coverage	Deductible
New City Hall Personal Property	\$300,000	\$250
Water Works Building	2,090,000	250-1000
Sewer Plant	2,025,392	1,000
Cemetery Building and Contents	85,000	250
Senior Center/Youth Building	80,000	250
H.S. Concession/Restroom	55,000	250
Old Cemetery Storage Building	18,000	250
Parks, Playgrounds, Shelter House	38,000	250
Sewer Lift Stations	13,000-60,000	250
Boilers	1,000,000	500
Fleet Insurance - Various Vehicles	1,000,000	250
	occurrence	
Fire Boat	25,000	500
Harbor Patrol Boat	35,750	50
General Liability	1,000,000	1,000
	occurrence	
Inland Marine	125,000	500
Employee Theft/Dishonesty	25,000	250
	occurrence	
Elected Officials	5,000-50,000	

There have been no significant reductions in insurance coverage from 1998, and no insurance settlement has exceeded insurance coverage during the last three years.

The City participates in the Ohio Municipal League Joint Self-Insurance Pool (OML), a public entity shared risk pool. The City pays monthly premiums for law enforcement, emergency medical, public official, and general liability insurance. OML is responsible for the management and operation of the programs. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverages provided under the respective programs. Member cities are subject to supplemental assessments in the event of deficiencies. Upon withdrawal from OML, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal from the respective programs.

The City has elected to provide employee health insurance benefits through a partially self-insured program. The City established a Self-Insurance internal service fund to account for and finance the cost of the program. All funds of the City participate in the self-insurance program and make payments to the Self-Insurance internal service fund based upon actuarial estimates of the amounts needed to pay prior- and current-year claims. For 1999, the City utilized a claims servicing pool, the Ohio Mid Eastern Regional Education Service Agency (OME-RESA) to process all claims. All premiums paid to the Self-Insurance internal service fund were deposited with the claims servicing pool. At December 31, 1999, the City had \$84,686 on deposit with OME-RESA.

Under the City's self-insured program, the Self-Insurance internal service fund pays claims up to a maximum of \$30,000 per individual. Claims ranging from \$30,000 to \$50,000 are paid by OME-RESA, and claims in

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

excess of \$50,000 are covered by stop-loss insurance. Settled claims have not exceeded the stop-loss coverage for the last three years.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 1999, is estimated by the third party administrator at \$68,089.

The changes in the claims liability for 1999 and 1998 were as follows:

Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
1999	\$76,959	\$294,193	\$303,063	\$68,089
1998	71,634	312,178	306,853	76,959

In prior years, the City participated in a different self insured program for employee health insurance. Although this program was terminated in 1997, the City still had funds on deposit with the third party administrator, Stateline TPA, Inc. at December 31, 1998, in the amount of \$43,720. After the payment of all claims and costs, Stateline TPA, Inc. returned \$41,011 to the City during 1999. The City's internal service fund for this program was closed during 1999 and all monies were returned to the funds from which these monies were originally provided.

For 1999, the City participated in the North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers for water and sewer services. Financial segment information as of and for the year ended December 31, 1999, was as follows:

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

	Water	Sewer	Total Enterprise Funds
Operating Revenues	\$1,188,467	\$1,247,806	\$2,436,273
Depreciation	30,027	59,267	89,294
Operating Income (Loss)	78,757	(168,605)	(89,848)
Operating Transfers - Out	141,683	94,455	236,138
Net Income (Loss)	54,988	(281,270)	(226,282)
Current Capital Contributions			
Contributed from Other Governments	125,000		125,000
Contributed from Other Funds	12,683	5,018	17,701
Fixed Assets			
Additions	1,613,702	13,545	1,627,247
Reductions	23,400	20,300	43,700
Net Working Capital	544,031	(156,046)	387,985
Long-Term Obligations			
Compensated Absences Payable	28,442	36,658	65,100
OWDA Loan Payable	692,979		692,979
Total Assets	3,160,413	1,117,307	4,277,720
Total Equity	1,843,422	568,705	2,412,127
Encumbrances Outstanding at Year End (Budget Basis)	183,347	49,394	232,741

NOTE 19 - INSURANCE POOLS

A. Ohio Municipal League Joint Self-Insurance Pool

The Ohio Municipal League Joint Self-Insurance Pool (OML) is a public entity shared risk pool. OML was formed as an unincorporated not-for-profit association and operates various insurance programs, of which the City participates in law enforcement, emergency medical, public official, and general liability insurance. Each member participates in the election of the Board of Trustees by mail ballot.

Participation in OML is by written application subject to the approval of the Board of Trustees and the payment of premiums. A member may withdraw from a program by giving a notice of sixty days. Financial information may be obtained from J & H Marsh and McLennan, One Columbus, Suite 1200, 10 West Broad Street, Columbus, Ohio 43215.

B. North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan

The City participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The North Central Ohio Municipal Finance Officers' Association Workers'

CITY OF PORT CLINTON
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)

Compensation Group Rating Plan (the Plan) was established through the North Central Ohio Municipal Finance Officers' Association (NCOMFOA) as a group insurance purchasing pool.

Larry Rush serves as coordinator of the NCOMFOA. Each year, the participating members pay an enrollment fee to the NCOMFOA to cover the costs of administering the program.

NOTE 20 - CONTINGENT LIABILITIES

A. Litigation

The City of Port Clinton is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 1999, to December 31, 1999, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 21 - SUBSEQUENT EVENT

On February 11, 2000, the City issued \$1,654,000 in bond anticipation notes for acquiring motorized vehicles and equipment. The notes have an interest rate of 5.22 percent and mature on February 9, 2001.



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

City of Port Clinton
Ottawa County
1868 East Perry Street
Port Clinton, Ohio 43452-1497

To the City Council:

We have audited the financial statements of the City of Port Clinton, Ottawa County, Ohio, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated August 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 25, 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 25, 2000.

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

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

Jim Petro
Auditor of State

August 25, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF PORT CLINTON

OTTAWA 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 19, 2000**