



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF PORT CLINTON  
OTTAWA COUNTY**

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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 (the City) as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2001, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

September 19, 2001

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**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$356,053	\$520,777	\$47,654	\$355,894
Cash and Cash Equivalents with Fiscal Agents			1,434	
Receivables:				
Property Taxes	389,534			
Municipal Income Taxes	295,552			
Other Local Taxes	6,517			
Accounts (net, where applicable, of allowance for uncollectibles)	91,874			
Special Assessments			440,671	
Notes		372,424		
Due from Other Governments	75,996	101,282		
Materials and Supplies Inventory	14,660	14,163		
Prepaid Items	28,959	3,894		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents				
Fixed Assets (net, where applicable, of accumulated depreciation)				
<u>Other Debits</u>				
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				
<b>Total Assets and Other Debits</b>	<b>\$1,259,145</b>	<b>\$1,012,540</b>	<b>\$489,759</b>	<b>\$355,894</b>



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long -Term Obligations	
\$752,323		\$33,869			\$2,066,570
177	\$86,773				88,384
					389,534
					295,552
					6,517
432,802					524,676
					440,671
					372,424
439					177,717
32,556					61,379
3,384					36,237
282					282
2,839,329			\$4,451,556		7,290,885
				\$1,843,158	1,843,158
				234,051	234,051
				5,045	5,045
				42,609	42,609
<b>\$4,061,292</b>	<b>\$86,773</b>	<b>\$33,869</b>	<b>\$4,451,556</b>	<b>\$2,124,863</b>	<b>\$13,875,691</b>

(Continued)

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2000  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, Fund Equity, and Other Credits</b>				
<u>Liabilities</u>				
Accounts Payable	\$13,975	\$8,593		\$6,178
Accrued Wages Payable	57,697	16,375		
Due to Other Governments	213,650	9,942		
Deferred Revenue	455,540		\$440,671	
Undistributed Monies				
Claims Payable				
Matured Interest Payable			1,434	
Payable from Restricted Assets:				
Deposits Held and Due to Others				
Accrued Interest Payable				
Notes Payable				
Compensated Absences Payable	3,367	93		
OWDA Loan Payable				
General Obligation Bonds Payable				
Special Assessment Bonds Payable				
Total Liabilities	744,229	35,003	442,105	6,178
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved (Deficit)				
Contributed Capital				
Fund Balance:				
Reserved:				
Reserved for Notes Receivable		372,424		
Reserved for Inventory	14,660	14,163		
Reserved for Encumbrances	23,940	19,351		
Unreserved	476,316	571,599	47,654	349,716
Total Fund Equity (Deficit) and Other Credits	514,916	977,537	47,654	349,716
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$1,259,145</b>	<b>\$1,012,540</b>	<b>\$489,759</b>	<b>\$355,894</b>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long -Term Obligations	
\$27,156					\$55,902
28,486					102,558
43,889				\$71,397	338,878
					896,211
		\$23,667			23,667
	\$88,718				88,718
177					1,611
282					282
54,624					54,624
420,000				1,599,000	2,019,000
65,581				118,828	187,869
1,027,009					1,027,009
				58,978	58,978
				276,660	276,660
<u>1,667,204</u>	<u>88,718</u>	<u>23,667</u>		<u>2,124,863</u>	<u>5,131,967</u>
			\$4,451,556		4,451,556
2,086,504	(1,945)				2,084,559
307,584					307,584
					372,424
					28,823
					43,291
		10,202			1,455,487
<u>2,394,088</u>	<u>(1,945)</u>	<u>10,202</u>	<u>4,451,556</u>		<u>8,743,724</u>
<u>\$4,061,292</u>	<u>\$86,773</u>	<u>\$33,869</u>	<u>\$4,451,556</u>	<u>\$2,124,863</u>	<u>\$13,875,691</u>

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended December 31, 2000**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues</b>		
Property Taxes	\$378,727	
Municipal Income Taxes	1,844,258	
Other Local Taxes	165,894	\$19,849
Intergovernmental	652,641	439,461
Charges for Services	461,427	728
Fees, Licenses, and Permits	32,253	
Fines and Forfeitures	22,521	5,861
Special Assessments		
Interest	56,071	63,983
Miscellaneous	33,751	38,567
	<u>3,647,543</u>	<u>568,449</u>
<b>Expenditures</b>		
Current:		
Security of Persons and Property	1,356,270	97,398
Public Health	191,933	
Leisure Time Activities	234,963	
Community Environment	6,050	174,868
Transportation		704,424
General Government	1,047,258	
Capital Outlay		
Debt Service:		
Principal Retirement	4,055	
Interest and Fiscal Charges	3,908	
	<u>2,844,437</u>	<u>976,690</u>
Excess of Revenues Over (Under) Expenditures	<u>803,106</u>	<u>(408,241)</u>
<b>Other Financing Sources (Uses)</b>		
Proceeds of Notes	339,750	
Proceeds of Bonds		
Operating Transfers - In		330,200
Operating Transfers - Out	(1,439,538)	
	<u>(1,099,788)</u>	<u>330,200</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(296,682)</u>	<u>(78,041)</u>
Fund Balances at Beginning of Year	808,319	1,052,537
Increase in Reserve for Inventory	3,279	3,041
<b>Fund Balances at End of Year</b>	<b>\$514,916</b>	<b>\$977,537</b>

*The notes to the general-purpose financial statements are an integral part of the 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>	
			\$378,727
			1,844,258
			185,743
	\$23,520		1,115,622
			462,155
			32,253
			28,382
\$43,065	35,220		78,285
			120,054
	30,279	\$58	102,655
<hr/>	<hr/>	<hr/>	<hr/>
43,065	89,019	58	4,348,134
			1,453,668
			191,933
			234,963
			180,918
			704,424
			1,047,258
	375,457		375,457
2,127,945			2,132,000
121,695			125,603
<hr/>	<hr/>	<hr/>	<hr/>
2,249,640	375,457		6,446,224
<hr/>	<hr/>	<hr/>	<hr/>
(2,206,575)	(286,438)	58	(2,098,090)
			1,599,000
	1,259,250		54,638
	54,638		3,195,570
2,202,875	662,495		(3,195,570)
	(1,756,032)		
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2,202,875	220,351		1,653,638
			(3,700)
(3,700)	(66,087)	58	(444,452)
51,354	415,803	10,144	2,338,157
			6,320
<hr/>	<hr/>	<hr/>	<hr/>
<b>\$47,654</b>	<b>\$349,716</b>	<b>\$10,202</b>	<b>\$1,900,025</b>

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended December 31, 2000**

	<b>General Fund</b>		<b>Variance Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues</b>			
Property Taxes	\$392,900	\$378,727	(\$14,173)
Municipal Income Taxes	1,960,000	1,935,360	(24,640)
Other Local Taxes	190,000	165,241	(24,759)
Intergovernmental	739,600	865,334	125,734
Charges for Services	620,765	533,137	(87,628)
Fees, Licenses, and Permits	23,185	32,253	9,068
Fines and Forfeitures	25,000	23,012	(1,988)
Special Assessments			
Interest	100,000	54,377	(45,623)
Miscellaneous	23,550	34,032	10,482
Total Revenues	<u>4,075,000</u>	<u>4,021,473</u>	<u>(53,527)</u>
<b>Expenditures</b>			
Current:			
Security of Persons and Property	1,420,500	1,330,298	90,202
Public Health	209,350	188,991	20,359
Leisure Time Activities	266,300	243,805	22,495
Community Environment	6,740	6,550	190
Transportation			
General Government	1,273,453	1,035,523	237,930
Other			
Capital Outlay			
Debt Service:			
Principal Retirement	5,000	4,055	945
Interest and Fiscal Charges	5,000	3,908	1,092
Total Expenditures	<u>3,186,343</u>	<u>2,813,130</u>	<u>373,213</u>
Excess of Revenues Over (Under) Expenditures	<u>888,657</u>	<u>1,208,343</u>	<u>319,686</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources			
Proceeds of Notes	800,000	339,750	(460,250)
Proceeds of Bonds			
Advances - In			
Advances - Out	(7,560)		7,560
Operating Transfers - In			
Operating Transfers - Out	<u>(1,687,535)</u>	<u>(1,439,538)</u>	<u>247,997</u>
Total Other Financing Sources (Uses)	<u>(895,095)</u>	<u>(1,099,788)</u>	<u>(204,693)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,438)	108,555	114,993
Fund Balances at Beginning of Year	144,005	144,005	
Prior Year Encumbrances Appropriated	68,130	68,130	
<b>Fund Balances at End of Year</b>	<u><b>\$205,697</b></u>	<u><b>\$320,690</b></u>	<u><b>\$114,993</b></u>

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$28,000	\$19,943	(\$8,057)
432,767	370,801	(61,966)
1,000	728	(272)
1,500	5,894	4,394
40,550	66,470	25,920
68,700	38,567	(30,133)
<u>572,517</u>	<u>502,403</u>	<u>(70,114)</u>
230,275	100,248	130,027
376,678	163,240	213,438
778,500	734,213	44,287
1,385,453	997,701	387,752
(812,936)	(495,298)	317,638
65,000	39,343	(25,657)
10,000		(10,000)
(5,000)		5,000
554,400	330,200	(224,200)
(2,560)		2,560
<u>621,840</u>	<u>369,543</u>	<u>(252,297)</u>
(191,096)	(125,755)	65,341
603,253	603,253	
14,195	14,195	
<u><b>\$426,352</b></u>	<u><b>\$491,693</b></u>	<u><b>\$65,341</b></u>

Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$50,000	\$43,065	(\$6,935)
<u>50,000</u>	<u>43,065</u>	<u>(6,935)</u>
2,233,000	2,127,945	105,055
147,000	121,695	25,305
<u>2,380,000</u>	<u>2,249,640</u>	<u>130,360</u>
(2,330,000)	(2,206,575)	123,425
3,000,000	2,202,875	(797,125)
(5,045)		5,045
<u>2,994,955</u>	<u>2,202,875</u>	<u>(792,080)</u>
664,955	(3,700)	(668,655)
51,354	51,354	
<u><b>\$716,309</b></u>	<u><b>\$47,654</b></u>	<u><b>(\$668,655)</b></u>

(Continued)

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended December 31, 2000  
(Continued)**

	<u>Capital Projects Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property Taxes			
Municipal Income Taxes			
Other Local Taxes			
Intergovernmental	\$55,000	\$48,520	(\$6,480)
Charges for Services			
Fees, Licenses, and Permits			
Fines and Forfeitures			
Special Assessments		35,220	35,220
Interest	5,000	3,805	(1,195)
Miscellaneous	31,000	30,279	(721)
	<u>91,000</u>	<u>117,824</u>	<u>26,824</u>
<b>Expenditures</b>			
Current:			
Security of Persons and Property			
Public Health			
Leisure Time Activities			
Community Environment			
Transportation			
General Government			
Other			
Capital Outlay	976,658	415,139	561,519
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
	<u>976,658</u>	<u>415,139</u>	<u>561,519</u>
Excess of Revenues Over (Under) Expenditures	<u>(885,658)</u>	<u>(297,315)</u>	<u>588,343</u>
<b>Other Financing Sources (Uses)</b>			
Other Financing Sources			
Proceeds of Notes	2,392,000	1,259,250	(1,132,750)
Proceeds of Bonds		54,638	54,638
Advances - In			
Advances - Out			
Operating Transfers - In	775,000	662,495	(112,505)
Operating Transfers - Out	(1,840,000)	(1,756,032)	83,968
	<u>1,327,000</u>	<u>220,351</u>	<u>(1,106,649)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	441,342	(76,964)	(518,306)
Fund Balances at Beginning of Year	308,521	308,521	
Prior Year Encumbrances Appropriated	124,337	124,337	
<b>Fund Balances at End of Year</b>	<b><u>\$874,200</u></b>	<b><u>\$355,894</u></b>	<b><u>(\$518,306)</u></b>

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





**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Equity  
All Proprietary Fund Types  
For the Year Ended December 31, 2000**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
<b>Operating Revenues</b>			
Charges for Services	\$2,103,486	\$361,920	\$2,465,406
Other Operating Revenues	18,731	1,335	20,066
<b>Total Operating Revenues</b>	<u>2,122,217</u>	<u>363,255</u>	<u>2,485,472</u>
<b>Operating Expenses</b>			
Personal Services	894,142		894,142
Contractual Services	245,760	52,731	298,491
Materials and Supplies	694,232		694,232
Claims		334,023	334,023
Bad Debt	5,888		5,888
Depreciation	152,295		152,295
Other Operating Expenses	80,000	275	80,275
<b>Total Operating Expenses</b>	<u>2,072,317</u>	<u>387,029</u>	<u>2,459,346</u>
Operating Income (Loss)	<u>49,900</u>	<u>(23,774)</u>	<u>26,126</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	973	5,232	6,205
Interest Expense	(123,700)		(123,700)
Loss on Disposal of Fixed Assets	(89,432)		(89,432)
Grants	70,000		70,000
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(142,159)</u>	<u>5,232</u>	<u>(136,927)</u>
Net Loss	(92,259)	(18,542)	(110,801)
Retained Earnings at Beginning of Year	2,180,287	16,597	2,196,884
Residual Equity Transfer Out	(1,524)		(1,524)
Retained Earnings (Deficit) at End of Year	<u>2,086,504</u>	<u>(1,945)</u>	<u>2,084,559</u>
Contributed Capital at Beginning of Year	231,840		231,840
Contributed from Other Governments	53,596		53,596
Contributed from Other Funds	22,148		22,148
Contributed Capital at End of Year	<u>307,584</u>		<u>307,584</u>
<b>Total Fund Equity (Deficit) at End of Year</b>	<u><b>\$2,394,088</b></u>	<u><b>(\$1,945)</b></u>	<u><b>\$2,392,143</b></u>

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

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Statement of Revenues, Expenses, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
All Enterprise Funds  
For the Year Ended December 31, 2000**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Charges for Services	\$2,704,000	\$2,077,507	(\$626,493)
Proceeds of Notes	525,000	420,000	(105,000)
Proceeds of OWDA Loan		368,371	368,371
Interest	1,000	1,480	480
Grants		70,000	70,000
Other Revenues	35,000	18,731	(16,269)
	<u>3,265,000</u>	<u>2,956,089</u>	<u>(308,911)</u>
<b>Expenses</b>			
Personal Services	922,100	884,570	37,530
Contractual Services	362,368	263,634	98,734
Materials and Supplies	805,105	739,401	65,704
Capital Outlay	529,091	673,748	(144,657)
Other Expenses	80,000	80,000	
Debt Service:			
Principal Retirement	555,768	554,341	1,427
Interest and Fiscal Charges	94,459	89,308	5,151
	<u>3,348,891</u>	<u>3,285,002</u>	<u>63,889</u>
Excess of Revenues Over (Under) Expenses	(83,891)	(328,913)	(245,022)
Fund Balances at Beginning of Year	808,816	808,816	
Prior Year Encumbrances Appropriated	232,741	232,741	
<b>Fund Balances at End of Year</b>	<b><u><u>\$957,666</u></u></b>	<b><u><u>\$712,644</u></u></b>	<b><u><u>(\$245,022)</u></u></b>

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

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended December 31, 2000**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
<b>Increases (Decreases) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,077,128		\$2,077,128
Cash Received from Quasi-External Operating Transactions with Other Funds		\$361,920	361,920
Cash Payments for Personal Services	(883,391)		(883,391)
Cash Payments for Contractual Services	(260,408)	(52,731)	(313,139)
Cash Payments to Suppliers	(1,152,599)		(1,152,599)
Cash Payments for Quasi-External Operating Transactions with Other Funds	(80,000)		(80,000)
Cash Payments for Claims		(313,394)	(313,394)
Cash Received from Other Revenues	18,731	1,335	20,066
Cash Payments for Other Expenses		(275)	(275)
Net Cash Provided by (Used for) Operating Activities	<u>(280,539)</u>	<u>(3,145)</u>	<u>(283,684)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Grants	<u>70,000</u>		<u>70,000</u>
Net Cash Used for Noncapital Financing Activities	<u>70,000</u>		<u>70,000</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal Paid on Bond Anticipation Notes	(520,000)		(520,000)
Principal Paid on OWDA Loan	(34,341)		(34,341)
Interest Paid on Bond Anticipation Notes	(22,620)		(22,620)
Interest Paid on OWDA Loan	(66,688)		(66,688)
Proceeds of Notes	420,000		420,000
Proceeds of OWDA Loan	368,371		368,371
Acquisition of Fixed Assets	(224,615)		(224,615)
Net Cash Used for Capital and Related Financing Activities	<u>(79,893)</u>		<u>(79,893)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest	<u>973</u>	<u>5,232</u>	<u>6,205</u>
Net Decrease in Cash and Cash Equivalents	(289,459)	2,087	(287,372)
Cash and Cash Equivalents at Beginning of Year	<u>1,042,241</u>	<u>84,686</u>	<u>1,126,927</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$752,782</u></b>	<b><u>\$86,773</u></b>	<b><u>\$839,555</u></b>

(Continued)

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended December 31, 2000  
(Continued)**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
Operating Income (Loss)	\$49,900	(\$23,774)	\$26,126
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	152,295		152,295
Bad Debt Expense	5,888		5,888
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	(26,359)		(26,359)
Increase in Due from Other Governments	1		1
Increase in Materials and Supplies Inventory	(533)		(533)
Decrease in Prepaid Items	5,080		5,080
Decrease in Accounts Payable	(31,521)		(31,521)
Decrease in Contracts Payable	(368,370)		(368,370)
Decrease in Retainage Payable	(40,080)		(40,080)
Increase in Accrued Wages Payable	2,455		2,455
Decrease in Due to Other Governments	(25,470)		(25,470)
Decrease in Deposits Held and Due to Others	(150)		(150)
Decrease in Claims Payable		20,629	20,629
Decrease in Compensated Absences Payable	(3,675)		(3,675)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b><u>(\$280,539)</u></b>	<b><u>(\$3,145)</u></b>	<b><u>(\$283,684)</u></b>

**Non-Cash Capital Financing Activities:**

In 2000, Ottawa County constructed and donated water and sewer lines, in the amount of \$30,864, to the Water Enterprise Fund, and in the amount of \$22,732, to the Sewer Enterprise Fund. In addition, fixed assets were constructed in the Municipal Purpose Capital Projects Fund and donated to the Water and Sewer Enterprise Funds, in the amount of \$20,298 and \$326, respectively. During 2000, the Water enterprise Fund acquired fixed assets, in the amount of \$1,524, and donated them to the Sewer Enterprise Fund.

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

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**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000**

**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 2000.

The City is associated with two insurance pools, the Ohio Government Risk Management Plan and the North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan. These organizations are presented in Note 18 to the combined financial statements.

**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

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

**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 or expendable trusts) 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  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(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.

**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

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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, 2000, and delinquent property taxes, whose availability is indeterminable and which are not intended to finance 2000 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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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. Un-billed 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 appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that 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 2000.

**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

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

January 1 to December 31. Appropriations may not exceed estimated resources as established in the 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. Several appropriation ordinances were 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".

Investments are reported at fair value, except for repurchase agreements which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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, 2000.

The City has allocated interest earnings according to Ohio statutes. As such, interest revenue credited to the General fund during 2000 was \$56,071, which includes \$47,307 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, and not purchased from the pool, 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, 2000, 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.

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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.

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.

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 2000, 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.

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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.

**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.

**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

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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.

Non-recurring or non-routine 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.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At December 31, 2000, the Self-Insurance internal service fund had deficit retained earnings, in the amount of \$1,945, which was a result of the claims expenses and costs associated with claims processing exceeding premiums charged for the payment of those claims.

**B. Compliance**

The following accounts had expenditures/expenses plus encumbrances in excess of appropriations for the year ended December 31, 2000.

<u>Fund Type/Fund/ Department or Object</u>	<u>Appropriations</u>	<u>Expenditures/ Expenses Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Mayor	\$23,400	\$23,532	\$132
Enterprise Fund			
Water			
Capital Outlay	\$529,091	\$676,748	\$147,657

**4. 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 encumbrances. The Combined Statement of Revenues, Expenditures, and



**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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 the expendable trust fund (GAAP basis). Material encumbrances are disclosed in the notes for the proprietary fund types (GAAP basis).
4. 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).
5. Although not part of the appropriated budget, the Self-Insurance internal service fund is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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 Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	(\$296,682)	(\$78,041)	(\$66,087)
<u>Increases (Decreases) Due To</u>			
Revenue Accruals:			
Accrued 1999, Received in Cash 2000	779,557	32,749	25,000
Accrued 2000, Not Yet Received in Cash	(403,933)	(101,282)	
Expenditure Accruals:			
Accrued 1999, Paid in Cash 2000	(263,586)	(52,767)	(45,860)
Accrued 2000, Not Yet Paid in Cash	288,689	35,003	6,178
Cash Adjustments:			
Unrecorded Activity 1999	5,412	6,822	3,805
Unrecorded Activity 2000	(7,106)	(4,335)	
Notes Receivable - Repayments		39,343	
Notes Receivable - Written Off		12,438	
Prepaid Items	34,461	9,064	
Encumbrances Outstanding at Year End (Budget Basis)	(28,257)	(24,749)	
Budget Basis	\$108,555	(\$125,755)	(\$76,964)

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

Net Loss/Excess of Revenues Under Expenses All Proprietary Fund Types		
	Enterprise	Internal Service
GAAP Basis	(\$92,259)	(\$18,542)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 1999, Received in Cash 2000	457,397	
Accrued 2000, Not Yet Received in Cash	(483,755)	
Expense Accruals:		
Accrued 1999, Paid in Cash 2000	(696,631)	(68,089)
Accrued 2000, Not Yet Paid in Cash	270,100	88,718
Cash Adjustments:		
Unrecorded Activity 1999	507	
Unrecorded Activity 2000	379	
Materials and Supplies Inventory	(\$533)	
Prepaid Items	5,080	
Acquisition of Fixed Assets	(224,615)	
Depreciation Expense	152,295	
Loss on Disposal of Fixed Assets	89,432	
Proceeds of Notes	420,000	
Proceeds of OWDA Loan	368,371	
Note Principal Retirement	(554,341)	
Excess Revenues Over Expenses for Non-budgeted Fund		(2,087)
Encumbrances Outstanding at Year End (Budget Basis)	(40,340)	
Budget Basis	<u>(\$328,913)</u>	<u></u>

**5. 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

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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).

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

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

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

At year end, the City had \$4,392 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 \$86,773 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 Ohio Mid-Eastern Regional Education Service Agency (OME-RESA). OME-RESA is the City's fiscal agent for health insurance, and 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 \$146,465 and the bank balance was \$247,745. Of the bank balance, \$189,830 was covered by federal depository insurance and \$57,915 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.

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 1	Category 3	Carrying Value	Fair Value
Repurchase Agreements		\$487,660	\$487,660	\$487,809
City of Port Clinton Bonds	\$54,638		54,638	54,638
	\$54,638	\$487,660		
STAR Ohio			1,375,308	1,375,308
			\$1,917,606	\$1,917,755

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet 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	\$2,155,236	
Cash on Hand	(4,392)	
Cash and Cash Equivalents with Fiscal Agents	(86,773)	

(Continued)

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

	Cash and Cash Equivalents/ Deposits	Investments
(Continued)		
Investments:		
Repurchase Agreements	(487,660)	\$487,660
City of Port Clinton Bonds	(54,638)	54,638
STAR Ohio	(1,375,308)	1,375,308
GASB Statement No. 3	\$146,465	\$1,917,606

**6. 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 2000 represent the collection of 1999 taxes. For 2000, real property taxes were levied after October 1, 2000, on the assessed values as of January 1, 2000, the lien date. These taxes will be collected in and are intended to finance 2001 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, 2000, on the assessed values as of December 31, 1999, the lien date. These taxes will be collected in and are intended to finance 2001 operations. 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 2000 (other than public utility property) represent the collection of 2000 taxes. For 2000, tangible personal property taxes were levied after October 1, 1999, on the true value as of December 31, 1999. 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, 2000. 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 2000 operations.

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

The full tax rate for all City operations for the year ended December 31, 2000, was \$3.90 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2000 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	
Agricultural/Residential	\$64,670,400
Commercial/Industrial	25,858,410
Public Utility Property	
Real	17,640
Personal	9,911,010
Tangible Personal Property	<u>8,844,859</u>
Total Assessed Value	<u><u>\$109,302,319</u></u>

**7. 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.

**8. RECEIVABLES**

Receivables at December 31, 2000, consisted of taxes; accounts (billings for user charged services, including un-billed 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:

	<u>Amount</u>
General Fund	
Charges for Services	\$100
EMS Computer Grant	940
Estate Tax	38,011
Fines and Forfeitures	322
Local Government	<u>36,623</u>
Total General Fund	<u>75,996</u>
Special Revenue Funds	
Main Thoroughfare	
Permissive Motor Vehicle License Tax	1,219
Reimbursement	<u>76,533</u>
Total Main Thoroughfare	<u><u>77,752</u></u>

(Continued)

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

	Amount
(Continued)	
State Highway	
Gasoline Tax	1,117
Motor Vehicle License Tax	550
Total State Highway	1,667
Street Maintenance	
Gasoline Tax	13,774
Motor Vehicle License Tax	6,789
Total Street Maintenance	20,563
Drug Law Enforcement	
Fines and Forfeitures	25
Enforcement and Education	
Fines and Forfeitures	25
COPS Grant	
COPS Grant	1,250
Total Special Revenue Funds	101,282
Enterprise Fund	
Water	
Charges for Services	439
Total All Funds	\$177,717

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 \$45,851, will be paid to the City by the State of Ohio in the latter part of 2001.

**9. NOTES RECEIVABLE**

A summary of the changes in notes receivable during 2000 follows:

	Balance 12/31/99	New Loans	Repayments	Written Off During 2000	Balance 12/31/00
Special Revenue Funds					
CDBG					
Individual Loans	\$194,361		\$3,829	\$10,874	\$179,658
FHA HPG Revolving Loan					
Individual Loans	229,844		35,514	1,564	192,766
Total	\$424,205		\$39,343	\$12,438	\$372,424

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.

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

**10. FIXED ASSETS**

**A. General Fixed Assets**

A summary of the changes in general fixed assets during 2000 is as follows:

	Balance 12/31/99	Additions	Reductions	Balance 12/31/00
Land	\$415,122	\$31,360		\$446,482
Buildings and Improvements	1,581,621			1,581,621
Furniture, Fixtures, and Equipment	1,216,116	173,721	\$150,282	1,239,555
Vehicles	1,357,191	160,268	333,561	1,183,898
Total General Fixed Assets	<u>\$4,570,050</u>	<u>\$365,349</u>	<u>\$483,843</u>	<u>\$4,451,556</u>

**B. Enterprise Fund Fixed Assets**

A summary of the enterprise funds' fixed assets at December 31, 2000, follows:

	Water	Sewer	Total Enterprise Funds
Land	\$26,517	\$8,760	\$35,277
Buildings and Improvements	973,100	1,268,400	2,241,500
Furniture, Fixtures, and Equipment	299,808	461,871	761,679
Vehicles	42,408	36,183	78,591
Water and Sewer Lines	2,035,683	399,929	2,435,612
Total	<u>3,377,516</u>	<u>2,175,143</u>	<u>5,552,659</u>
Less Accumulated Depreciation	<u>1,276,861</u>	<u>1,436,469</u>	<u>2,713,330</u>
Total Fixed Assets Net of Accumulated Depreciation	<u>\$2,100,655</u>	<u>\$738,674</u>	<u>\$2,839,329</u>

**11. 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 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 10.84 percent; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for 2000 represents a temporary rate reduction from the 1999 contribution rate of 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially.



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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

The City's contributions to the System for the years ended December 31, 2000, 1999, and 1998, were \$122,167, \$179,097, and \$174,956, respectively; 76 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000, in the amount of \$29,131, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (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 Ohio Police and Fire 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 for police (12.25 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, 2000, 1999, and 1998, were \$77,579, \$75,699, and \$75,427, respectively; 68 percent has been contributed for 2000 and 100 percent has been contributed for 1999 and 1998. The unpaid contribution for 2000, in the amount of \$24,992, is recorded as a liability within the respective funds and the general long-term obligations account group.

**12. 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. Health care coverage for disability and primary survivor 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 10.84 percent of covered payroll; 4.3 percent was the portion used to fund health care for 2000. In 1999, the employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion used to fund health care.

Benefits are advance funded using the entry age normal cost method (For 2000, the System returned to an actuarially prefunded disclosure because this provides a better presentation of the System's actual funding methodology. In prior years, the disclosure was based on a pay-as-you-go basis.). Significant actuarial assumptions include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually, and an additional increase in total payroll of .54 percent to 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

OPB are financed through employer contributions and investment earnings. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2000, the total number of benefit recipients eligible for OPB through the System was 401,339. As of December 31, 2000, the actuarial value of net assets available for future OPB payments were \$10,085.5 million. The actuarially accrued liability and the unfunded actuarial liability were \$12,473.6 million and \$1,668.1 million, respectively. The City's actual contributions for 2000 which were used to fund OPB were \$80,324.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 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; 7.25 percent was the portion used to fund health care for 2000. The portion used to fund health care was 7 percent in 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, 1999, was 12,467 for police and 9,807 for firefighters. The City's actual contributions for 2000 that were used to fund postemployment benefits were \$45,914 for police. The Fund's total health care expenses for the year ended December 31, 1999, (the latest information available), were \$95,004,633, which was net of member contributions of \$5,518,098.

**13. 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

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

hundred seventy-five hours for employees who retire under a collective bargaining agreement or five hundred hours for all other employees.

**14. 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.

The Sewer enterprise fund issued \$345,000 and retired \$415,000 in bond anticipation notes during 2000. The Water enterprise fund issued \$75,000 and retired \$105,000 in bond anticipation notes during 2000. 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.

**15. LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2000, was as follows:

	Interest Rate	Balance 12/31/99	Additions	Reductions	Balance 12/31/00
<u>General Long-Term Obligations</u>					
Notes Payable	4.43-5.75%	\$2,099,000	\$1,599,000	\$2,099,000	\$1,599,000
General Obligation Bonds	6.22%	63,033		4,055	58,978
Special Assessment Bonds	6.22-10.875%	250,967	54,638	28,945	276,660
Due to Other Governments		82,313	71,397	82,313	71,397
Compensated Absences Payable		105,975	12,853		118,828
Total General Long-Term Obligations		<u>2,601,288</u>	<u>1,737,888</u>	<u>2,214,313</u>	<u>2,124,863</u>
<u>Enterprise Fund Long-Term Obligations</u>					
Compensated Absences Payable		65,100	481		65,581
OWDA Loan Payable		692,979	368,371	34,341	1,027,009
Total Enterprise Fund Long-Term Obligations		<u>758,079</u>	<u>368,852</u>	<u>34,341</u>	<u>1,092,590</u>
Total Long-Term Obligations		<u>\$3,359,367</u>	<u>\$2,106,740</u>	<u>\$2,248,654</u>	<u>\$3,217,453</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.

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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.

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 \$9,823,810 at December 31, 2000.

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		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$4,055	\$3,657	\$30,706	\$19,167	\$29,329	\$56,896
2002	4,055	3,405	18,506	15,875	30,954	55,271
2003	4,055	3,154	18,653	14,649	32,668	53,557
2004	4,055	2,903	18,809	13,415	34,478	51,747
2005	4,055	2,651	18,973	12,171	36,388	49,837
2006-2010	21,011	9,462	101,950	41,625	214,508	216,617
2011-2015	17,692	2,746	69,063	11,871	280,885	150,240
2016-2020					367,799	63,325
	<u>\$58,978</u>	<u>\$27,978</u>	<u>\$276,660</u>	<u>\$128,773</u>	<u>\$1,027,009</u>	<u>\$697,490</u>

**16. 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. During 2000, the City contracted with the Ohio Government Risk Management Plan, an insurance pool, for the following coverages:

**CITY OF PORT CLINTON  
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**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

Type of Coverage	Coverage	Deductible
Blanket Building and Personal Property	\$7,266,160	\$1,000
Special Property	775,872	500
Electronic Equipment	89,400	250
Electronic Media	60,000	250
Extra Expense	20,000	250
Arson Reward	5,000	
Fire Department Service Charge	1,000	
Outdoor Property	100,000	
Personal Effects	2,500	
Pollution Clean Up and Removal	25,000	
Property Off Premises	10,000	
Accounts Receivable	100,000	
Builders Risk	500,000	
Fine Arts	25,000	
Fire Protection Services	5,000	
Newly Acquired or Constructed Building	500,000	
Newly Acquired Personal Property	100,000	
Valuable Papers and Records	100,000	
Utility Services	25,000	
Property in Transit	25,000	
General Liability:		
Occurrence	1,000,000	
Aggregate	3,000,000	
Medical Expense		
Per Person	10,000	
Aggregate	50,000	
Employer's Liability	1,000,000	
Employee Benefits		
Occurrence	\$1,000,000	
Aggregate	3,000,000	
Public Officials Liability		
Occurrence	1,000,000	5,000
Aggregate	3,000,000	5,000
Law Enforcement Liability		
Occurrence	1,000,000	5,000
Aggregate	3,000,000	5,000
Medical Expense		
Occurrence	10,000	5,000
Aggregate	50,000	5,000
Crime	25,000	0/100
Auto Liability	1,000,000	500
Medical Payments	5,000	500
Uninsured Motorists	1,000,000	500
Property Damage	50,000	250/500
Property Damage-Emergency	100,000	250/500

There have been no significant reductions in insurance coverage from 1999, and no insurance settlement has exceeded insurance coverage during the last three years.

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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 2000, 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, 2000, the City had \$86,773 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 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, 2000, is estimated by the third party administrator at \$88,718.

The changes in the claims liability for 2000 and 1999 were as follows:

Year	Beginning Balance	Claims and Changes in Estimates	Claims Payments	Ending Balance
2000	\$68,089	\$334,023	\$313,394	\$88,718
1999	76,959	294,193	303,063	68,089

For 2000, 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.

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

**17. 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, 2000, was as follows:

	Water	Sewer	Total Enterprise Funds
Operating Revenues	\$875,340	\$1,246,877	\$2,122,217
Depreciation	60,384	91,911	152,295
Operating Income (Loss)	(310,369)	360,269	49,900
Grants		\$70,000	\$70,000
Net Income (Loss)	(458,163)	365,904	(92,259)
Residual Equity Transfer Out	1,524		1,524
Current Capital Contributions			
Contributed from Other Governments	30,864	22,732	53,596
Contributed from Other Funds	20,298	1,850	22,148
Fixed Assets			
Additions	183,510	115,325	298,835
Reductions	87,755	175,412	263,167
Net Working Capital	411,195	233,709	644,904
Long-Term Obligations:			
Compensated Absences Payable	28,623	34,513	63,136
OWDA Loan Payable	1,027,009		1,027,009
Total Assets	2,669,321	1,391,971	4,061,292
Total Equity	1,456,218	937,870	2,394,088
Encumbrances Outstanding at Year End (Budget Basis)	10,617	29,723	40,340

**18. INSURANCE POOLS**

**A. Ohio Government Risk Management Plan**

The City participates in the Ohio Government Risk Management Plan (the Plan), an insurance purchasing pool consisting of various entities in the State of Ohio. The intent of the Plan is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. Membership in the Plan is by written application subject to the approval of the Plan Manager. Financial information may be obtained from the Ohio Government Risk Management Plan, 1505 Jefferson Avenue, Toledo, Ohio 43603.

**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 Section 4123.29 of the Ohio Revised Code. The North Central Ohio Municipal Finance Officers' Association Workers' Compensation Group Rating Plan was established through the North Central Ohio Municipal Finance Officers' Association (NCOMFOA) as an insurance purchasing pool.

**CITY OF PORT CLINTON  
OTTAWA COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Year Ended December 31, 2000  
(Continued)**

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.

**19. CONTINGENT LIABILITIES**

**A. Litigation**

There are currently no matters in litigation with the City as a defendant.

**B. Federal and State Grants**

For the period January 1, 2000, to December 31, 2000, 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.

**20. SUBSEQUENT EVENT**

On February 8, 2001, the City issued \$1,254,000 in general obligation bonds for acquiring and remodeling City offices; improving roads, curbs and gutters, sanitary and storm sewers; and upgrading the municipal wastewater treatment plant. The bonds have an interest rate of 4.90 percent and mature on February 1, 2008.





STATE OF OHIO  
OFFICE OF THE AUDITOR

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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 (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated September 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's 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 September 19, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 September 19, 2001.

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.

**Jim Petro**  
Auditor of State

September 19, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
OCTOBER 16, 2001**