

CITY OF CONNEAUT
ASHTABULA COUNTY, OHIO

GENERAL-PURPOSE FINANCIAL
STATEMENTS AND AUDIT REPORTS

FOR THE YEAR ENDED DECEMBER 31, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of Council
City of Conneaut

We have reviewed the Independent Auditor's Report of the City of Conneaut, Ashtabula County, prepared by S.R. Snodgrass, A.C. for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

September 8, 2000

City of Conneaut, Ohio
General-Purpose Financial Statements and Audit Reports
For the Year Ended December 31, 1999
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SNODGRASS

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

Members of Council
City of Conneaut, Ohio

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

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

The general-purpose financial statements referred to above do not include financial data of the Conneaut Port Authority, which should be included in order to conform with generally accepted accounting principles. Audited financial statements showing the financial position and results of financial activities of the Conneaut Port Authority were not available when these financial statements and audit report were completed.

The City does not have a complete schedule of infrastructure fixed assets and related depreciation in the enterprise funds. The effects on the financial position of the City of Conneaut, Ohio, as of December 31, 1999, and the results of its operations and cash flows of its enterprise funds for the year then ended cannot be determined.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Conneaut, Ohio, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2000, on our consideration of the City of Conneaut, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

S. R. Snodgrass, A.C.

Ashtabula, Ohio
July 21, 2000

City of Conneaut, Ohio
 Combined Balance Sheet - All Fund Types and Account Groups
 December 31, 1999

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			
	General Fund	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations
Assets and Other Debits										
<i>Assets</i>										
Cash and Cash Equivalents	\$ 1,333,659	\$ 756,188	\$ 567,217	\$ 139,248	\$ 1,240,773	\$ 6,082	\$ -	\$ -	\$ -	\$ 4,043,167
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-	-	59,117	-	-	-	59,117
Receivables:										
Taxes	542,590	709,565	697,017	8,445	-	-	-	-	-	1,957,617
Accounts	48,949	41,827	-	-	308,454	-	-	-	-	399,230
Special Assessments	-	-	1,626,818	-	-	-	-	-	-	1,626,818
Accrued Interest	-	-	-	12,729	-	-	-	-	-	12,729
Due From Other Funds	307,252	538	-	2,722	-	2,824	-	-	-	313,336
Due From Other Governments	188,817	83,014	-	-	184,749	-	-	-	-	456,580
Due From Component Unit	-	-	-	454,600	-	-	-	-	-	454,600
Materials and Supplies										
Inventory	11,531	24,496	-	-	136,897	-	-	-	-	172,924
Loans Receivable	-	299,109	-	-	-	-	-	-	-	299,109
Bond Issue Costs	-	-	-	-	33,322	-	-	-	-	33,322
Fixed Assets (Net, where Applicable, of Accumulated Depreciation)	-	-	-	-	8,972,911	-	6,685,552	-	-	15,658,463
Other Debits										
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	-	-	-	-	-	-	-	403,726	-	403,726
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	-	-	-	-	-	-	-	163,490	-	163,490
Amount to be Provided from General Government Resources	-	-	-	-	-	-	-	4,135,348	-	4,135,348
Amount to be Provided from Special Assessments	-	-	-	-	-	-	-	1,631,820	-	1,631,820
Total Assets and Other Debits	\$ 2,432,798	\$ 1,914,737	\$ 2,891,052	\$ 617,744	\$ 10,877,106	\$ 68,023	\$ 6,685,552	\$ 6,334,384	\$ -	\$ 31,821,396

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Balance Sheet - All Fund Types and Account Groups (Continued)
 December 31, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency	
Liabilities, Fund Equity and Other Credits									
Liabilities									
Accounts Payable	\$ 60,422	\$ 72,054	\$ -	\$ 576	\$ 42,582	\$ -	\$ -	\$ -	\$ 175,634
Contracts Payable	53,714	39,050	-	-	55,598	-	-	-	148,362
Accrued Wages and Benefits	76,835	30,065	-	-	34,814	-	-	-	141,714
Compensated Absences Payable	11,677	2,361	-	-	272,712	-	-	424,074	710,824
Due To Other Funds	-	-	-	-	280,666	32,670	-	-	313,336
Due To Other Governments	40,613	133,143	-	25,000	33,801	2,825	-	-	235,382
Deferred Revenue	308,317	547,319	2,323,835	-	-	-	-	-	3,179,471
Deposits Held and Due to Other Funds	-	-	-	-	-	5,967	-	-	5,967
Accrued Interest Payable	1,649	11,256	-	12,729	101,799	-	-	-	127,433
Notes Payable	315,554	402,000	-	454,600	174,445	-	-	-	1,346,599
OWDA Loans Payable	-	-	-	-	3,497,857	-	-	-	3,497,857
OPWC Loans Payable	-	-	-	-	61,243	-	-	-	61,243
General Obligations Bonds Payable	-	-	-	-	1,300,000	-	-	4,115,000	5,415,000
Premium on Bonds Payable	-	-	-	-	2,248	-	-	-	2,248
Special Assessment Debt with Governmental Commitment	-	-	-	-	-	-	-	1,795,310	1,795,310
Total Liabilities	868,781	1,237,248	2,323,835	492,905	5,857,765	41,462	-	6,334,384	17,156,380
Fund Equity (Deficit) and Other Credits									
Investment in General Fixed Assets	-	-	-	-	-	-	6,685,552	-	6,685,552
Contributed Capital	-	-	-	-	2,779,289	-	-	-	2,779,289
Retained Earnings:									
Unreserved	-	-	-	-	2,240,052	26,561	-	-	2,266,613
Fund Balances:									
Reserved For Encumbrances	67,368	16,481	3,000	27,787	-	-	-	-	114,636
Reserved For Inventory	11,531	24,496	-	-	-	-	-	-	36,027
Reserved For Loans Receivable	-	299,109	-	-	-	-	-	-	299,109
Unreserved, Undesignated	1,485,118	337,403	564,217	97,052	-	-	-	-	2,483,790
Total Fund Equity and Other Credits	1,564,017	677,489	567,217	124,839	5,019,341	26,561	6,685,552	-	14,665,016
Total Liabilities, Fund Equity and Other Credits	\$ 2,432,798	\$ 1,914,737	\$ 2,891,052	\$ 617,744	\$ 10,877,106	\$ 68,023	\$ 6,685,552	\$ 6,334,384	\$ 31,821,396

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types
 For The Year Ended December 31, 1999

	Governmental Fund Types				Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	
Revenues					
Municipal Income Tax	\$ 1,894,076	\$ 841,714	\$ -	\$ 43,921	\$ 2,779,711
Property and Other Taxes	215,886	438,250	882,684	-	1,536,820
Charges for Services	34,391	223,380	-	-	257,771
Licenses and Permits	66,784	9,404	-	-	76,188
Fines and Forfeitures	277,461	5,276	-	45,702	328,439
Intergovernmental	912,970	897,426	-	194,919	2,005,315
Special Assessments	-	-	114,308	-	114,308
Interest	196,397	19,111	-	791	216,299
Rentals	19,000	21,200	-	-	40,200
Other	128,872	31,278	-	8,181	168,331
Total Revenues	3,745,837	2,487,039	996,992	293,514	7,523,382
Expenditures					
Current:					
General Government	764,302	-	24,170	-	788,472
Security of Persons and Property	1,990,051	790,168	-	-	2,780,219
Public Health and Welfare	133,622	34,948	-	-	168,570
Transportation	-	1,663,097	-	-	1,663,097
Community Environment	113,353	399,753	-	-	513,106
Basic Utility Services	95,686	27,573	-	-	123,259
Leisure Time Activity	9,568	46,120	-	-	55,688
Capital Outlay	152,349	6,784	-	257,410	416,543
Debt Service:					
Principal Retirement	-	-	596,901	-	596,901
Interest and Fiscal Charges	15,181	16,761	410,734	-	442,676
Total Expenditures	3,274,112	2,985,204	1,031,805	257,410	7,548,531
Excess (Deficiency) of Revenues Over (Under) Expenditures	471,725	(498,165)	(34,813)	36,104	(25,149)
Other Financing Sources (Uses)					
Sale of Fixed Assets	9,577	6,475	-	-	16,052
Other Expenses	-	(19,428)	-	-	(19,428)
Operating Transfers- In	-	387,278	23,367	-	410,645
Operating Transfers- Out	(316,900)	-	(107,701)	(11,367)	(435,968)
Total Other Financing Sources (Uses)	(307,323)	374,325	(84,334)	(11,367)	(28,699)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	164,402	(123,840)	(119,147)	24,737	(53,848)
Fund Balances (Deficit) at Beginning of Year	1,399,615	801,329	686,364	100,102	2,987,410
Fund Balances (Deficit) at End of Year	\$ 1,564,017	\$ 677,489	\$ 567,217	\$ 124,839	\$ 2,933,562

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For The Year Ended December 31, 1999

	General Fund				Special Revenue Funds				Debt Service Funds				Capital Projects Fund				Total (Memorandum Only)			
	Revised	Actual	Variance: Favorable (Unfavorable)		Revised	Actual	Variance: Favorable (Unfavorable)		Revised	Actual	Variance: Favorable (Unfavorable)		Revised	Actual	Variance: Favorable (Unfavorable)		Revised	Actual	Variance: Favorable (Unfavorable)	
	Budget				Budget				Budget				Budget				Budget			
Revenues																				
Municipal Income Tax	\$ 1,746,450	\$ 1,901,170	\$ 154,740	\$ 844,865	\$ 22,020	\$ 839,648	\$ 882,684	\$ -	\$ 46,514	\$ 44,085	\$ (2,429)	\$ 2,615,789	\$ 2,790,170	\$ 174,331						
Property and Other Taxes	205,600	215,329	9,719	438,230	20,830	417,400	417,400	43,036	-	-	-	1,916,688	1,536,373	(380,315)						
Charges for Services	25,000	25,000	0	19,652	19,652	19,652	(8)	-	-	-	223,478	223,478	-							
Licenses, Permits and Fees	84,720	73,241	(11,476)	9,050	9,050	9,050	8,454	-	-	-	137,770	82,648	(55,122)							
Fines and Penalties	163,000	252,484	89,484	5,023	4,000	1,023	1,023	-	30,000	44,165	14,165	107,000	301,672	194,672						
Intergovernmental	804,200	923,177	118,977	899,996	(27,765)	927,761	114,308	-	520,284	310,953	(209,331)	2,252,245	2,134,126	(118,119)						
Street Assessments	190,000	196,397	6,397	19,111	4,111	113,000	114,308	1,308	100	791	691	205,100	216,299	11,199						
Interest	19,500	19,000	(500)	15,100	15,100	15,100	6,100	-	-	-	34,600	40,200	5,600							
Rentals	51,845	83,580	31,735	95,887	6,187	95,700	95,887	-	2,165	8,181	6,016	149,710	187,648	37,938						
Other																				
Total Revenues	3,288,575	3,698,782	410,207	2,530,268	26,612	952,648	996,992	44,344	599,063	408,175	(190,888)	7,343,942	7,634,217	290,275						
Expenditures																				
Current:																				
General Government	809,789	789,886	19,903	-	-	56,050	31,764	24,286	-	-	-	865,839	821,650	44,189						
Security of Persons and Property	2,082,437	2,085,025	2,588	793,230	52,826	846,056	846,056	8,454	-	-	-	2,928,493	2,878,255	50,238						
Public Health and Welfare	140,511	136,719	3,792	31,493	39,947	31,493	8,454	-	-	-	-	180,458	168,212	12,246						
Transportation	-	-	-	1,619,729	1,785,119	1,619,729	1,785,119	(165,390)	-	-	-	1,619,729	1,785,119	(165,390)						
Community environment	123,249	119,758	3,491	492,954	392,967	99,987	99,987	-	-	-	-	616,203	512,725	103,478						
Leisure Time Activity	11,100	11,139	(39)	54,622	64,601	10,871	7,634	3,237	-	-	-	75,701	65,761	9,940						
Capital Outlay	158,200	252,577	(94,377)	10,871	10,871	10,871	7,634	3,237	488,400	290,642	197,758	657,471	550,853	106,618						
Basic Utility Services	103,600	103,600	-	27,600	(2,734)	27,600	30,334	-	-	-	-	131,200	133,934	(2,734)						
Debt Service:																				
Principal Retirement	371,139	371,139	-	366,000	366,000	606,563	603,157	3,406	557,167	557,167	3,406	1,900,869	1,897,463	3,406						
Interest and Fiscal Charges	18,160	16,265	1,895	16,607	16,653	413,042	411,604	1,438	24,834	24,834	-	472,689	469,310	3,379						
Total Expenditures	3,818,185	3,886,108	(67,923)	3,478,006	6,405	1,075,655	1,046,525	29,130	1,070,401	872,643	197,758	9,448,652	9,283,282	165,370						
Excess (Deficiency) of Revenues Over (Under) Expenditures	(529,610)	(187,326)	342,284	(947,738)	33,017	(123,007)	(49,533)	73,474	(471,338)	(464,468)	6,870	(2,104,710)	(1,649,065)	455,645						
Other Financing Sources (Uses)																				
Proceeds of Notes	340,553	315,554	(24,999)	402,000	(48,077)	-	-	-	454,600	454,600	25,000	1,245,230	1,172,154	(73,076)						
Proceeds of Loans	-	-	-	6,475	6,475	-	-	-	-	25,000	-	-	25,000	-						
Sale of Fixed Assets	500	9,577	9,077	387,393	68,893	-	-	-	-	-	-	500	16,052	15,552						
Operating Transfers - In	136,199	-	(136,199)	-	-	(78,078)	(78,078)	-	-	-	-	454,699	387,393	(67,306)						
Operating Transfers - (Out)	(457,906)	(457,906)	-	-	-	(78,078)	(78,078)	-	-	-	-	(535,984)	(535,984)	-						
Total Other Financing Sources (Uses)	19,346	(132,775)	(152,121)	795,868	27,291	(78,078)	(78,078)	-	(454,600)	479,600	25,000	1,164,445	1,064,615	(99,830)						
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(510,264)	(320,101)	190,163	(151,870)	60,308	(201,085)	(127,611)	73,474	(16,738)	15,132	31,870	(940,265)	(584,450)	355,815						
Fund Balances at Beginning of Year	1,455,599	1,455,599	-	586,120	586,120	679,005	679,005	-	(20,796)	(20,796)	-	2,699,928	2,699,928	-						
Prior Year Encumbrances Appropriated	209,538	209,538	-	226,865	226,865	12,823	12,823	-	13,518	13,518	-	552,244	552,244	-						
Fund Balances (Deficit) at End of Year	\$ 1,154,873	\$ 1,345,036	\$ 190,163	\$ 661,115	\$ 60,308	\$ 490,743	\$ 564,217	\$ 73,474	\$ (24,016)	\$ 7,854	\$ 31,870	\$ 2,222,407	\$ 2,578,222	\$ 355,815						

City of Conneaut, Ohio
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 All Proprietary Fund Types and Similar Trust Funds
 For The Year Ended December 31, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trusts	
Operating Revenues			
Charges for Services	\$ 2,757,515	\$ -	\$ 2,757,515
Tap-in Fees	38,351	-	38,351
Other	38,437	-	38,437
Total Operating Revenues	2,834,303	-	2,834,303
Operating Expenses			
Personal Services	1,251,759	-	1,251,759
Contractual Services	529,049	-	529,049
Materials and Supplies	407,143	794	407,937
Capital Outlay	50,336	-	50,336
Other Expenses	5,107	-	5,107
Depreciation	263,962	-	263,962
Total Operating Expenses	2,507,356	794	2,508,150
Operating Income (Loss)	326,947	(794)	326,153
Non-operating Revenues (Expenses)			
Proceeds from Grants	18,249	-	18,249
Contributions - Property Owners	170,221	-	170,221
Investment Income	-	958	958
Gain on Disposal of Fixed Assets	63,685	-	63,685
Amortization of Bond Premium	123	-	123
Bond Issue Costs	(1,818)	-	(1,818)
Interest Expense and Fiscal Charges	(273,545)	-	(273,545)
Total Nonoperating Revenues (Expenses)	(23,085)	958	(22,127)
Income Before Operating Transfers	303,862	164	304,026
Operating Transfers In	38,061	-	38,061
Operating Transfers Out	(12,738)	-	(12,738)
Net Income	329,185	164	329,349
Retained Earnings at Beginning of Year	1,913,362	26,397	1,939,759
Residual Equity Transfers to Other Funds	(2,495)	-	(2,495)
Retained Earnings at End of Year	2,240,052	26,561	2,266,613
Contributed Capital at End of Year	2,779,289	-	2,779,289
Total Fund Equity at End of Year	\$ 5,019,341	\$ 26,561	\$ 5,045,902

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds
 For The Year Ended December 31, 1999

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trusts	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents			
<i>Cash Flows From Operating Activities:</i>			
Cash Received from Customers	\$ 2,759,417	\$ -	\$ 2,759,417
Tap-In Fees	38,351	-	38,351
Cash Payments to Suppliers for Goods and Services	(393,037)	(794)	(393,831)
Cash Payments for Contractual Services	(601,559)	-	(601,559)
Cash Payments for Employee Services and Benefits	(1,326,311)	-	(1,326,311)
Other Revenues	38,437	-	38,437
Other Expenses	(3,666)	-	(3,666)
<i>Net Cash Provided by (Used for) Operating Activities</i>	511,632	(794)	510,838
<i>Cash Flows From Noncapital Financing Activities:</i>			
Transfers In from Other Funds	38,061	-	38,061
Transfers Out to Other Funds	(12,738)	-	(12,738)
Advances In from Other Funds	144,541	-	144,541
<i>Net Cash Provided by Noncapital Financing Activities</i>	169,864	-	169,864

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds (Continued)
 For the Year Ended December 31, 1999

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trusts	Totals (Memorandum Only)
<i>Cash Flows from Capital and Related</i>			
<i>Financing Activities:</i>			
Principal Paid on Bonds	(70,000)	-	(70,000)
Proceeds from OWDA Loan	3,721	-	3,721
Principal Paid on OWDA and OPWC Loans	(203,607)	-	(203,607)
Proceeds from Issuance of Notes	104,445	-	104,445
Principal Paid on Notes	(128,561)	-	(128,561)
Interest	(325,205)	-	(325,205)
Proceeds from Sale of Fixed Assets	66,267	-	66,267
Proceeds from Capital Grants	507,459	-	507,459
Acquisition of Capital Assets	(994,659)	-	(994,659)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(1,040,140)	-	(1,040,140)
<i>Cash Flows from Investing Activities:</i>			
Interest	-	964	964
<i>Net Cash Provided by Investing Activities</i>	-	964	964
Net Increase (Decrease) in Cash and Cash Equivalents	(358,644)	170	(358,474)
Cash and Cash Equivalents Beginning of Year	1,599,417	26,397	1,625,814
Cash and Cash Equivalents End of Year	\$ 1,240,773	\$ 26,567	\$ 1,267,340

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds (Continued)
 For the Year Ended December 31, 1999

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trusts	Totals (Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<i>Operating Income (Loss)</i>	\$ 326,947	\$ (794)	\$ 326,153
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i>			
Depreciation	263,962	-	263,962
Changes in Assets and Liabilities:			
Accounts Receivable	1,901	-	1,901
Materials and Supplies Inventory	16,324	-	16,324
Accounts Payable	(22,953)	-	(22,953)
Contracts Payable	(5,938)	-	(5,938)
Accrued Wages and Benefits	1,891	-	1,891
Compensated Absences Payable	(48,998)	-	(48,998)
Due to Other Governments	(21,504)	-	(21,504)
Net Cash Provided by (Used for) Operating Activities	\$ 511,632	\$ (794)	\$ 510,838

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds (Continued)
For The Year Ended December 31, 1999

Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet:

<i>Cash and Cash Equivalents - All Fiduciary Funds:</i>	
Cash and Cash Equivalents	\$ 6,082
Cash and Cash Equivalents in Segregated Accounts	59,117
	<hr/>
	65,199
Cash and Cash Equivalents - Agency Funds	(38,632)
	<hr/>
Cash and Cash Equivalents - Nonexpendable Trust Funds	\$ 26,567
	<hr/> <hr/>

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

The City of Conneaut is a charter municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent not in conflict with applicable general laws. The City was incorporated as a city in 1902. The City operates under its own charter and is governed by a City Manager-Council form of government. Members of Council are elected to two-year terms.

For financial reporting purposes, the reporting entity is defined to include the primary government and component units, consistent with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity".

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water and wastewater.

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 significantly influence 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 final budget, the issuing of debt or the levying of taxes.

The component unit information has not been included as part of the City of Conneaut's General-Purpose Financial Statements as required by GASB-14. Audited financial statements were not available.

Conneaut Port Authority. The Conneaut Port Authority is a legally separate, non-profit organization, served by a seven-member board appointed by the City Manager. Charged with the responsibility of industrial development and the improvement of Conneaut's waterways, the Port Authority is empowered with the ability to carry out the actions they consider necessary to achieve these responsibilities. Since the City appoints the voting majority of the Board and is financially accountable for the Port Authority, the Port Authority is a component unit of the City. Once completed, separately issued financial statements can be obtained from the Conneaut Port Authority, 1205 Broad Street, Conneaut, Ohio 44030.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Related Organization - The Conneaut Carnegie Library is a related organization of the City of Conneaut. The City Manager is responsible for appointing the five-member board of trustees; however, the City cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the City. The City serves in a ministerial capacity as the taxing authority for the Library. When the Library decides to present a levy to the voters, the City must place the levy on the ballot. The Library may not issue debt. The Library did not receive any funding from the City during 1999. Separately issued financial statements can be obtained from the Conneaut Carnegie Library, 282 State Street, Conneaut, Ohio 44030.

B. Basis of Presentation - Fund Accounting

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a set of self-balancing 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. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types." The City uses the following fund types and account groups:

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The following are the City's governmental fund types:

General Fund - This fund 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 - These funds are established to account for the proceeds of specific revenue sources (other than amounts for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - The debt service fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Proprietary Fund Type

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this approach, the focus is upon the determination of net income, financial position and cash flows. The City utilizes the enterprise fund type.

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

Fiduciary Fund Types

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds 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. Operating statements present increases and decreases in net total assets. A periodic determination of revenues earned, expenses incurred and/or net income is made to insure capital maintenance. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement or results of operations.

Account Groups

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

General Fixed Assets Account Group - to account for all general fixed assets of the City other than those accounted for in the enterprise funds.

General Long-Term Obligations Account Group - to account for all unmatured long-term indebtedness of the City that is not a specific liability of the enterprise funds.

C. Basis of Accounting

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

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

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

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

D. Budgets

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 1999.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures, which appear in the statement of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation, and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent year expenditures. Encumbrances for the enterprise funds are disclosed in the notes to the financial statements.

E. Cash and Cash Equivalents

Cash received by the City is deposited into a central bank account. Monies for all funds, including the enterprise funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. Each fund's interest in the pooled bank account is presented as "cash and cash equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to repurchase agreements and interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market.

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

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

F. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received and amounts to be distributed from agency funds to operating funds as well as short-term interfund loans are classified as "Due from Other Funds" and "Due to Other Funds" on the balance sheet.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

G. Inventory

Inventory is stated at cost for governmental funds and at the lower of cost or market for the enterprise funds on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the enterprise funds when used. Recorded inventories in the governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute available, spendable resources.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed. The City had no material prepaid items at December 31, 1999.

I. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value at the time received.

Infrastructure fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized by the City and are not reported as part of the General Fixed Assets Account Group.

Depreciation for the proprietary funds is determined by allocating the cost of fixed assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Buildings, Structures and Improvements	10 - 30 years
Equipment	5 - 25 years
Vehicles	5 - 6 years
Infrastructure	60 years

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, compensated absences and special termination benefits are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Bonds, long-term loans and special assessment bonds are recognized as a liability of the General Long-Term Obligations Account Group until due or until resources have been accumulated in the fund for payment early in the following year.

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

K. Compensated Absences

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Fund Equity

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

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Memorandum Only - Total Columns

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

Note 2 - Budgetary Basis of Accounting

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
- 4) Short-term note proceeds and note principal retirement for governmental funds are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses) All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 164,402	\$ (123,840)	\$ (119,147)	\$ 24,737
Net Adjustment for Revenue Accruals	(47,055)	43,229	-	114,661
Net Adjustment for Expenditure Accruals	(487,417)	(403,065)	(11,720)	(586,870)
Net adjustments for other financing sources/uses) accruals	174,548	421,543	6,256	490,967
Encumbrances	(124,579)	(89,737)	(3,000)	(28,363)
Budget Basis	\$ (320,101)	\$ (151,870)	\$ (127,611)	\$ 15,132

Note 3 - Accountability and Compliance

A. Deficit Balances

The following funds had a deficit fund balance as of December 31, 1999:

<i>Special Revenue Funds</i>	
Police Pension	\$46,425
Fire Pension	34,716
Street Maintenance	128,584
 <i>Capital Projects Fund</i>	
Thompson Road	7,753

The deficits in the Police Pension and Fire Pension special revenue funds are caused by revenues being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in the funds and provides operating transfers when cash is required.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

The deficits in the Street Maintenance and the Thompson Road funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

B. Depository Compliance

The City's investment policy requires that every two years the City will advertise for applications for depositories of public funds in accordance with Ohio Revised Code Section 135.12. This has not been done since 1994.

Note 4 - 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 that Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director 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 Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

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 Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

A. Deposits

At fiscal year-end, the carrying amount of the City's deposits was \$530,123 and the bank balance was \$657,731, of which \$133,106 was covered by federal depository insurance. The remaining amounts were protected by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

B. Investments

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

	1	Category 2	3	Carrying Value	Fair Value
Repurchase Agreement	\$ -	\$ -	\$ 401,687	\$ 401,687	\$ 401,687
STAR Ohio	-	-	-	3,170,474	3,170,474
				<u>4</u>	
Total Investments				\$ 3,572,161	\$ 3,572,161
				<u>1</u>	

The classification of cash and cash equivalents on the combined financial statements represents cash and cash equivalents as defined in GASB Statement No. 9, entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 4,102,284	\$ -
Investments:		
Repurchase Agreement	(401,687)	401,687
STAR Ohio	<u>(3,170,474)</u>	<u>3,170,474</u>
GASB Statement No. 3	<u>\$ 530,123</u>	<u>\$ 3,572,161</u>

Note 5 - Taxes

A. Property Taxes

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

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for all City operations for the year ended December 31, 1999 was \$14.78 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

Real Property	\$109,519,710
Public Utility	12,173,790
Tangible Personal Property	18,300,360
Total Valuation	<u><u>\$139,993,860</u></u>

B. Income Taxes

The City levies a municipal income tax of 1.65 percent on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to file a declaration annually and quarterly estimated tax payments are recommended.

Income tax proceeds are received by the General Fund, Street, Street Lighting, and Recreation special revenue funds and the Capital Improvements capital projects fund.

Note 6 - Receivables

Receivables at December 31, 1999, primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments, loans receivable and interest on investments. All receivables are considered fully collectible.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

A summary of the principal items of intergovernmental receivables is as follows:

	Amount
<i>General Fund</i>	
Undivided Local Government	\$ 50,128
Estate Tax	133,926
Liquor License Tax	4,763
<i>Total General Fund</i>	188,817
<i>Special Revenue Funds</i>	
Gasoline Tax	20,662
Motor Vehicle License Tax	5,038
Motor Vehicle Permissive Tax	9,141
Ambulance Services	48,173
<i>Total Special Revenue Funds</i>	83,014
<i>Enterprise Funds</i>	
Grants	184,749
TOTAL	\$456,580

Note 7 - Interfund Transactions

A. Interfund Balances

Interfund balances at December 31, 1999, consist of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 307,252	\$ -
Special Revenue Funds	538	-
Capital Projects Funds	2,722	-
Enterprise Funds	-	280,666
Trust and Agency Funds	2,824	32,670
Total Due From/Due To Other Funds	\$ 313,336	\$ 313,336

B. Operating Transfers

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

	Transfers In	Transfers Out
General Fund	\$ -	\$ 316,900
Special Revenue Funds	387,278	-
Debt Service Funds	23,367	107,701
Capital Project Funds	-	11,367
Enterprise Funds	38,061	12,738
Totals	\$ 448,706	\$ 448,706

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

C. Residual Equity Transfers

During 1999, the City transferred assets from the enterprise funds to the General Fixed Asset Account Group. The book value of these assets represent the residual equity transferred.

Note 8 - Contingencies

A. Litigation

The City of Conneaut is a party to legal proceedings seeking damages. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Grants

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

Note 9 - Fixed Assets

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

Land	\$12,860
Buildings	738,412
Equipment	3,453,515
Vehicles	426,438
Infrastructure	6,365,312
Construction in Progress	518,375
Total	11,514,912
Less Accumulated Depreciation	2,542,001
Net Fixed Assets	\$8,972,911

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

	Balance 12/31/98	Additions	Deletions	Balance 12/31/99
Land	\$ 591,643	\$ -	\$ (15,485)	\$ 576,158
Buildings	1,549,950	18,309	-	1,568,259
Equipment	1,242,089	146,031	(73,575)	1,314,545
Furniture and Fixtures	16,742	-	-	16,742
Vehicles	2,939,263	334,805	(64,220)	3,209,848
Total	\$6,339,687	\$499,145	\$(153,280)	\$6,685,552

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Note 10 - Operating Lease

The City has entered into lease agreements for office equipment for various departments. The required minimum lease payments are \$889 per month. Future minimum lease payments are as follows:

2000	\$6,383
2001	<u>1,025</u>
Total	<u><u>\$7,408</u></u>

Note 11 - Note Debt

The City's note activity for the year ended December 31, 1999 is as follows:

	<u>Balance 12/31/98</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/99</u>
<i>General Fund:</i>				
5.05% Prison Land	\$310,000	\$285,000	\$(310,000)	\$285,000
4.25% Computers	61,139	30,554	(61,139)	30,554
<i>Special Revenue Funds:</i>				
4.20% Street Equipment	300,000	362,000	(300,000)	362,000
4.20% Ambulance	66,000	40,000	(66,000)	40,000
<i>Capital Projects Funds:</i>				
4.20% Conneaut Port Authority	434,500	362,000	(434,500)	362,000
4.20% Conneaut Port Authority	111,300	92,600	(111,300)	92,600
<i>Enterprise Funds:</i>				
4.25% Computers, Sewer Jet	<u>130,561</u>	<u>104,445</u>	<u>(130,561)</u>	<u>104,445</u>
Total Notes	<u><u>\$1,413,500</u></u>	<u><u>\$1,276,599</u></u>	<u><u>\$(1,413,500)</u></u>	<u><u>\$1,276,599</u></u>

All of the notes are backed by the full faith and credit of the City of Conneaut and mature within one year. The note liability is reflected in the fund which received the proceeds.

The notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Note 12 - Long-Term Obligations

Changes in Long-term obligations of the City during 1999 were as follows:

	Outstanding 12/31/98	Additions	(Reductions)	Outstanding 12/31/99
General Long-Term Obligations				
General Obligation Bonds (Unvoted)				
1959 - 5.25%				
Water Works	\$ 12,000	\$ -	\$ (12,000)	\$ -
1979 - 6.00%				
Broad Street Underpass	900,000	-	(150,000)	750,000
1986 - 6.875%				
City Hall Annex	1,300,000	-	(100,000)	1,200,000
1995 - 5.70%				
Fire Truck	310,000	-	(150,000)	160,000
1998 - 5.05%				
Library	2,115,000	-	(110,000)	2,005,000
<i>Total General Obligation Bonds</i>	4,637,000	-	(522,000)	4,115,000
Special Assessment Obligation				
1997 - 5.65%				
Janet/Geraldine Paving	82,000	-	(19,000)	63,000
OWDA Loans				
1996 - 4.16%				
East Conneaut Sewer II	810,787	15,404	(21,129)	805,062
1993 - 4.80%				
East - West Gateway	460,313	-	(21,561)	438,752
1993 - 4.80%				
Gateway Phase II	74,134	-	(3,316)	70,818
1998 - 3.98%				
I-90	257,352	3,721	(9,895)	251,178
1999 - 3.5%				
East Conneaut Sewer III	-	166,500	-	166,500
<i>Total OWDA Loans</i>	1,602,586	185,625	(55,901)	1,732,310
<i>Total Special Assessment Obligation</i>	1,684,586	185,625	(74,901)	1,795,310
<i>Compensated Absences</i>	547,354	-	(123,280)	424,074
<i>Police and Fire Pension</i>	121,114	-	(121,114)	-
Total General Long-Term Obligations	\$6,990,054	\$185,625	\$(841,295)	\$6,334,384

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

	Outstanding 12/31/98	Additions	(Reductions)	Outstanding 12/31/99
<i>Enterprise Fund Obligations</i>				
<i>OWDA Loans</i>				
1971 - 5.25%				
Wastewater Plant Improvement	543,926	-	(24,704)	519,222
1987 - 9.06%				
Wastewater Plant Improvement	457,778	-	(15,519)	442,259
1988 - 4.80%				
Wastewater	2,067,937	-	(117,808)	1,950,129
1995 - 4.35%				
Water III	496,610	15,022	(17,817)	493,815
1997 - 3.20%				
West Jackson Sanitary Sewer	21,292	-	(6,873)	14,419
1997 - 4.12%				
Dechlorination Project	80,440	-	(2,427)	78,013
<i>Total OWDA Loans</i>	<u>3,667,983</u>	<u>15,022</u>	<u>(185,148)</u>	<u>3,497,857</u>
<i>OPWC Loans</i>				
1991 - 0%				
East Conneaut Sewer I	30,118	-	(8,605)	21,513
1997- 0%				
East Conneaut Sewer II	11,573	-	(1,543)	10,030
1992 - 0%				
Grove Street Project	36,300	-	(6,600)	29,700
<i>Total OPWC Loans</i>	<u>77,991</u>	<u>-</u>	<u>(16,748)</u>	<u>61,243</u>
1997 - Note Pivable - 0%				
Prison Water Line	90,000	-	(20,000)	70,000
1998- 5.05%				
Water III Bonds	1,370,000	-	(70,000)	1,300,000
<i>Total Enterprise Fund Obligations</i>	<u>\$ 5,205,974</u>	<u>\$ 15,022</u>	<u>\$ (291,896)</u>	<u>\$ 4,929,100</u>
GRAND TOTAL	<u>\$12,196,028</u>	<u>\$200,647</u>	<u>\$(1,133,191)</u>	<u>\$11,263,484</u>

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

General obligation bonds are direct obligations of the City and will be paid from the general bond retirement debt service fund using property tax revenues. Special assessment debt will be paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. Enterprise fund obligations will be paid from sewer and water fund user service charges.

During 1999 the City received approval for a new construction loan from the Ohio Water Development Authority (OWDA). The estimated total loan is \$1,385,933. Under the terms of this loan agreement, OWDA will reimburse, advance or directly apply the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. The loan will be repaid using special assessments and wastewater revenues. Partial loan proceeds have been reported as property owner contributions in the Enterprise Fund, in accordance with generally accepted accounting principles. The current loan balance is included in the Long-Term Obligations Account Group as Special Assessment Obligations. The loan will not have a repayment schedule until the loan is finalized and is not included in the schedule of debt service requirements. As of December 31, 1999, the City has received \$166,500 as construction reimbursement toward the total project cost.

The City's overall legal debt margin was \$8,609,162 at December 31, 1999. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999 are as follows:

	General Obligations	Special Assessment	Ohio Water Development Authority	Ohio Public Works Commission	Note Payable- Ashtabula County
2000	\$885,295	\$151,102	\$380,611	\$16,748	\$10,000
2001	692,200	161,750	380,611	16,748	10,000
2002	663,225	161,563	373,112	12,445	10,000
2003	639,475	138,321	373,112	8,143	10,000
2004	615,725	138,321	373,112	4,843	10,000
2005 - 2009	2,060,931	691,601	1,865,557	2,316	20,000
2010 - 2014	1,386,815	644,788	1,108,287	-	-
2015 - 2019	765,850	262,391	117,964	-	-
Total	7,709,516	2,349,837	4,972,366	61,243	70,000
Less interest	2,294,516	721,027	1,474,509	-	-
Total	<u>\$5,415,000</u>	<u>\$1,628,810</u>	<u>\$3,497,857</u>	<u>\$61,243</u>	<u>\$70,000</u>

Note 13 - Early Extinguishment of Debt

During 1999, the City entirely paid off its Police and Fire Pension liability. As of December 31, 1998, the City owed \$121,114 to the Ohio Police and Fire Pension Fund (OP & F). The City received a 32 percent discount from OP & F to pay the liability. The City paid \$83,644, including accrued interest, in 1999 to pay off the liability.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Note 14 - Defined Benefit Pension Plans

A. Public Employees Retirement System

The City contributes to the Public Employee Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement, disability, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary (for full-time employees, 4 percent is "picked up" by the City and 4.5 percent is contributed by the member) to fund pension obligations and the City is required to contribute 9.35 percent. For law enforcement employees covered by PERS, the employee contribution is 9 percent and the employer contribution is 12.5 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 1999, 1998, and 1997 were \$285,288, \$264,666, and \$229,199, respectively. The full amount has been contributed for 1998 and 1997. 88.81 percent has been contributed for 1999 with the remainder being reported as a fund liability.

B. Police and Firemen's Disability and Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP & F), a cost-sharing multiple-employer defined benefit pension plan. OP & F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP & F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the OP & F, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary (4 percent is "picked up" by the City and 6 percent is contributed by the member) to fund pension obligations and for 1999 the City was required to contribute 12.5 percent for police and 17 percent for firefighters. The City's contributions to the Fund for police and firefighters were \$120,591 and \$96,557 for the year ended December 31, 1999, \$118, 513, and \$86,128 for 1998, and \$115,759 and \$78,453 for 1997. 75.03 percent and 74.52 percent, respectively, have been contributed for 1999 with the remainder being reported as a fund liability.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Note 15 - Post-employment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Board, provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by state statute. The 1999 employer contribution rate was 13.55% of covered payroll for employees not engaged in law enforcement; 4.2% was the portion that was used to fund health care for 1999. For law enforcement employees, the employer contribution rate was 16.7%, of which 4.2% was used to fund health care. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Benefits are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. PERS's expenditures for other post-employment benefits during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future benefit payments were \$9,870,285,641. The number of benefit recipients eligible for benefits at December 31, 1999 was 118,062. The City's actual contributions for 1999, which were used to fund OPEB, were \$128,151.

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

B. Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund (OP & F) provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP & F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24.0 % of the covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP & F's Board of Trustees to provide health care coverage to all eligible individuals.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

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

The number of participants eligible to receive health care benefits as of December 31, 1998, the date of the last actuarial valuation available, was 11,424 for Police and 9,186 for Firefighters. The City's actual contributions for 1999 that were used to fund post-employment benefits were \$67,531 for police and \$39,759 for fire. OP & F's total health care expense for the year ended December 31, 1998, the date of the last actuarial valuation available, was \$78,596,790, which was net of contributions of \$5,331,515.

Note 16 - Other Employee Benefits

Compensated Absences

Employees earn vacation and sick leave at different rates, which are also affected by length of service. Vacation and sick leave is accrued without limit. Upon retirement, an employee can be paid for one quarter of his/her accumulated sick hours, but if the employee has ten or more years of service with the City, paid sick time is limited to a maximum number of hours set by each department. However, in no case shall any City employee in any department be paid for more than 1,000 hours of accumulated sick leave. There is no limitation on paying accrued vacation, so an employee may be paid for the entire amount of vacation earned but not yet used.

As of December 31, 1999, the liability for unpaid compensated absences was \$710,824 for the entire City.

Note 17 - Contractual Commitments

The City had the following outstanding contractual commitments as of December 31, 1999:

	Amount
Peterson Oil	\$18,480
Coldwell Tanks	364,600
CMC Electric	7,451
Morton Thiokol	4,447
Unity Development Contracting	36,693
DOT Construction	145,486
County Disposal	825
C. T. Consultants	10,232
Total	\$588,214

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

Note 18 - 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 1999, the City entered into contracts for various types of insurance as follows:

Company	Type of Coverage	Deductible
Love Insurance	Property	\$1,000
	Inland Marine	250
	Boilers and Machinery	1,000
	Vehicles	
	Comprehensive	100
	Collision	250
	Valuable Papers and Records	-0-
	Police	2,500
	Public Officials	2,500
	Business Electronic Equipment	250
	Fire Vehicles and ambulances	250

Note 19 - Segment Information for Enterprise Funds

The City maintains two enterprise funds to account for water distribution and sewer services. Segment information for these operations as of and for the year ended December 31, 1999 follows:

	Water Fund	Sewer Fund	Total
Operating Revenues	\$1,395,556	\$1,438,747	\$2,834,303
Operating Expenses	(1,420,288)	(1,087,068)	(2,507,356)
Depreciation Expense	(124,765)	(139,197)	(263,962)
Operating Income (Loss)	(24,732)	351,679	326,947
Gain on Disposal of Fixed Assets	30,804	32,881	63,685
Contributions – property owners	-	170,221	170,221
Proceeds from Grants	-	18,249	18,249
Interest & Fiscal Charges	(110,713)	(162,832)	(273,545)
Operating Transfers In	13,850	24,211	38,061
Operating Transfers Out	(12,738)	-	(12,738)
Net Income (Loss)	(105,224)	434,409	329,185

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For The Year Ended December 31, 1999

	Water Fund	Sewer Fund	Total
Property, Plant & Equipment Acquisitions	1,389,712	1,179,507	2,569,219
Net Working Capital	711,966	609,647	1,321,613
Total Assets	5,425,654	5,451,452	10,877,106
Long-Term Liabilities	2,011,249	3,297,256	5,308,505
Total Equity	3,208,396	1,810,945	5,019,341
Encumbrances Outstanding at December 31, 1999	60,288	22,131	82,419

Note 20 - Changes in Contributed Capital

The changes in contributed capital of the City's enterprise funds for the year are accounted for as follows:

	Sewer	Water	Total
Contributed capital at beginning at year	\$1,069,686	\$1,202,144	\$2,271,830
Capital grants	364,605	142,854	507,459
Contributed capital at end of year	\$1,434,291	\$1,344,998	\$2,779,289

Note 21 - Related Party Transactions

The Conneaut Port Authority, a component unit of the City of Conneaut, owes the City \$454,600 as of December 31, 1999. The City has a note in the same amount. During 1999, the Port Authority paid the City \$116,034, the amount of principal and interest on the note. The Port Authority also paid the City \$27,431 for legal services and police protection during 1999.

Note 22 - Subsequent Events

During March 2000, the City issued a new note for \$295,000 to purchase a fire truck, a public works truck and an excavator.

City of Conneaut, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 1999

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Disbursements
<u>U S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
HOME Investment Partnerships Program	14.239	A-C-97-107-2	\$ 113,582
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants - State's Program:			
Street Improvements	14.228	A-F-97-107-1	1,335
CHIP - Rental Rehab.	14.228	A-C-97-107-1	<u>38,481</u>
Subtotal passed through programs			<u>39,816</u>
Community Development Block Grants - Small Cities Program:			
Revolving Loan Funds (Note B)	14.219	N/A	<u>24,924</u>
Total passed through Ohio Department of Development			<u>64,740</u>
Total U.S. Department of Housing and Urban Development			<u>178,322</u>
<u>U S. DEPARTMENT OF JUSTICE</u>			
Public Safety Partnerships and Community Policing Grants -			
COPS Fast	16.710	95-CF-WX-2915	7,667
COPS More	16.710	97-CM-WX-0844	<u>3,021</u>
Total U.S. Department of Justice			<u>10,688</u>
<u>U S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed through Ohio Water Development Authority:</i>			
Capitalization Grants for State Revolving Funds - Water Pollution Control Loan	66.458	CS391197-06	166,500
<u>U S. DEPARTMENT OF COMMERCE</u>			
Economic Development - Grants for Public Works and Infrastructure Development - Title I - PWEDA	11.300	06-01-02860	<u>49,919</u>
Total Expenditures of Federal Awards			<u>\$ 405,429</u>

The accompanying notes to this schedule are an integral part of this schedule.

City of Conneaut, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 1999

NOTE A - BASIS OF ACCOUNTING

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

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

The City of Conneaut has outstanding federal loan balances that are revolving loans provided through the HUD Community Development Block Grants. The total of outstanding loan balances as of December 31, 1999, was \$299,109. This amount was included as part of the federal disbursements by the City in determining the audit requirements for major and nonmajor programs in accordance with the OMB Circular A-133.

NOTE C - FEDERAL EXPENDITURE REPAYMENT

During 1999, the State conducted a monitoring visit. It was found that a participant was ineligible (see Finding 99-1 in the Schedule of Findings and Questioned Costs). The amount of \$16,670, that has been paid back to HUD, has not been included as a federal expenditure in the Schedule of Expenditures of Federal Awards.



SNODGRASS

Certified Public Accountants and Consultants

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

Members of Council
City of Conneaut, Ohio

We have audited the financial statements of the City of Conneaut, Ohio, as of and for the year ended December 31, 1999, and have issued our report thereon dated July 21, 2000. In our report our opinion was qualified because we were unable to obtain audited financial statements supporting the financial activities of the Conneaut Port Authority, and the City does not have a complete schedule of infrastructure fixed assets and related depreciation in the enterprise funds. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Conneaut's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Conneaut in a separate letter dated July 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Conneaut's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the

Members of Council
City of Conneaut, Ohio
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*
Page 2

normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated July 21, 2000.

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

S. R. Snodgrass, A.C.

Ashtabula, Ohio
July 21, 2000



SNODGRASS

Certified Public Accountants and Consultants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of Council
City of Conneaut, Ohio

Compliance

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

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

As described in findings 99-1 through 99-3, in the accompanying schedule of findings and questioned costs, the City of Conneaut did not comply with requirements regarding eligibility and support documentation that are applicable to the HOME Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City of Conneaut to comply with requirements applicable to that program.

Members of Council

City of Conneaut, Ohio

Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Page 2

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Conneaut complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported on in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 99-4 through 99-5.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Conneaut's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 99-2, 99-3 and 99-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we believe that none of the reportable conditions described above is a material weaknesses.

Members of Council

City of Conneaut, Ohio

Report on Compliance with Requirements Applicable to each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133

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

S. R. Snodgrass, A.C

Ashtabula, Ohio

July 21, 2000

City of Conneaut, Ohio
Schedule of Findings and Questioned Costs
For The Year Ended December 31, 1999

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: **Qualified**

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified
that are not considered to be
material weaknesses? yes X none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified
that are not considered to be material
weakness(es)? X yes no

Type of auditor’s report issued on compliance for major programs: **Qualified**

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? X yes no

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
14.239	HOME Investment Partnerships Program
14.219	CDBG – Revolving Loan Funds

Dollar threshold used to distinguish
between type A and B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

City of Conneaut, Ohio
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended December 31, 1999

Section II – Financial Statement Findings

No findings were reported.

Section III – Federal Award Findings

Questioned
Costs

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Home Investment Partnerships Program CFDA 14.239 Grant A-C-97-107-2

99-1 Ineligible Recipient

Statement of Condition: The Office of Housing and Community Partnerships (OHCP) of the Ohio Department of Development conducted a monitoring visit in November 1999. Their monitoring report indicated that a rehabilitation project was ineligible for funds due to a participant's household income being above the limit at the time the assistance was provided and that the City must return \$16,670 to the U.S. Department of Housing and Urban Development (HUD). The money was returned in the year 2000, but repaid from the grant program income funds. This shifts the ineligible contract expense to the program income funds, which is not allowable.

Criteria: The Ohio Department of Development Non-Participating Jurisdiction Housing Handbook, Section 3 Part A states that household income must be below the income guidelines to be eligible for grant assistance in the rehab program. OHCP Financial Management Rules and Regulations and OMB Circular A-87, Attachment A, Part C(1) and Attachment B, paragraph 20, contain definitions for allowable costs for the grant and program income funds.

City of Conneaut, Ohio
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended December 31, 1999

Section III – Federal Award Findings (Continued)

Questioned
Costs

99-1 Ineligible Recipient (Continued)

Effect of Condition: There are still questionable costs. Repayment of the ineligible grant costs from program income does not correct the unallowable program costs.

Questioned Costs: The total costs of the rehab project are questioned. \$16,670.

Perspective Information: This appears to be an isolated case. The ineligible costs have been adjusted out of the final status report and the Schedule of Expenditures of Federal Awards.

Cause of Condition: Participant was eligible when the application was completed initially in September 1997. The project was started a year later before the participant's income verification with the updated amounts was completed.

Recommendation: The City needs to reimburse the CDBG program income fund.

Response: The City agrees that the participant was ineligible, but the City Manager believes that the money paid to HUD can come from program income.

City of Conneaut, Ohio
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended December 31, 1999

Section III – Federal Award Findings (Continued)

Questioned
Costs

99-2 Lack of Adequate Time Records (Compliance and Reportable Condition)

Statement of Condition: In a test of all time reports, it was found that only time spent on the grant program activity was recorded. Time reports were not prepared on a weekly or monthly basis and were not signed. A time summary was prepared after-the-fact. The time recorded is an estimate. The hourly rates used to record wage costs to the grant for each employee were not supported by anything. The rate used for each employee exceeded the employee's base wage rate in all cases and there was no worksheet to support the net difference.

Criteria: The support of salaries and wages requirement in OMB Circular A-87, Attachment B requires that where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation, which reflect an after-the-fact distribution of the actual activity of each employee. The report will be prepared at least monthly and must coincide with one or more pay periods and must be signed by the employee or his/her supervisor.

Effect of Condition: Support for wages charged to the grant was inadequate. This could cause these costs to be questioned.

Questioned Costs: None. The state department OHCP that is responsible for the administration of these grant funds reviewed this compliance area in late 1999 and has determined that the wage costs were supported by enough documentation to eliminate questioning the costs.

Perspective Information: The problem was addressed in the early part of 2000 and appears to be corrected.

City of Conneaut, Ohio
 Schedule of Findings and Questioned Costs (Continued)
 For The Year Ended December 31, 1999

Section III – Federal Award Findings (Continued)

Questioned
 Costs

99-2 Lack of Adequate Time Records (Continued)

Cause of Condition: City officials were unaware of the OMB Circular A-87 requirements. A consultant hired to oversee the program did not address this area.

Recommendation: Each employee involved with the grant should keep a complete record of his/her daily time that must be signed and turned in to the Finance Director at least monthly to coincide with the end of a pay period.

Response: The City agrees with the finding and has taken steps to correct the problem.

99-3 Missing Records (Compliance and Reportable Condition)

Statement of Condition: Two files from the rehabilitation activity and one from the acquisition activity were examined. The following table shows documents that were missing from the files.

	File 1	File 2	File 3
Non-Discrimination – Contractors	X	X	
Mortgage	X	X	X
Promissory note	X		
Bid summary	X	X	
Non-Collusion Affidavit	X		
Non-Discrimination on Procurement – Subcontractors	X		
Final specifications	X	X	
Change orders	X	X	
Release of liens	X		
Payment request form	X		

City of Conneaut, Ohio
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended December 31, 1999

Section III – Federal Award Findings (Continued)

Questioned
Costs

99-3 Missing Records (Continued)

If required signatures were missing on the form, it was considered incomplete and is included in the above table as missing.

Criteria: The Ohio Department of Development Non-Participating Jurisdiction Housing Handbook, Section 5, requires certain documents, including the above listed, be obtained for each participant.

Effect of Condition: Documentation is needed to show compliance with the program requirements. Certain costs could be disallowed if the documentation is not present.

Questioned Costs: None

Perspective Information: Each file tested had varying degrees of missing documentation. It appears to be a systematic problem.

Cause of Condition: There was no control checklist used.

Recommendation: Each file should contain a checklist of all required documents to ensure that all information is collected. The checklist should be completed thoroughly, and it should be reviewed by the City Manager.

Response: The City agrees with the finding.

City of Conneaut, Ohio
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended December 31, 1999

Section III – Federal Award Findings (Continued)

Questioned
Costs

CDBG-REVOLVING LOAN FUNDS CFDA 14.219 (Continuing grants)

99-4 Excess Administrative Costs (Compliance and Reportable Condition)

Statement of Condition: The City exceeded the amount of program income that can be used to pay administrative expenses for the CDBG Revolving Loan Fund.

Criteria: 24 CFR section 570.200(g) states that no more than 20 percent of the sum of any grant, plus program income, shall be expended for planning and program administrative costs. This is an earmarking requirement for the grant.

Effect of Condition: Costs beyond the 20 percent limitation could be disallowed.

Questioned Costs: None

Cause of Condition: The City was not accurately, and with enough frequency, calculating any potential overcharging of administrative expenses.

Recommendation: On a monthly basis, the Finance Director, or designee, should perform the calculation on an adding machine and retain the tape (with a date of the calculation) in an RLF file.

Response: The Finance Director agrees with the auditor's calculation and stated that she must not have been checking the calculation closely enough.

City of Conneaut, Ohio
Schedule of Findings and Questioned Costs (Continued)
For The Year Ended December 31, 1999

Section III – Federal Award Findings (Continued)

Questioned
Costs

99-5 Unallowable Bad Debts

Statement of Condition: Two CDBG Revolving Loan Fund loans were written off during 1999 without the proper approval. The two loans' remaining balances totaled \$24,652. The businesses had previously declared bankruptcy, and the City collected a total of \$5,224 by selling repossessed equipment. On the June 30, 1999 "ED RLF Semi-Annual Report", the City wrote off these loans. The City is unable to provide documentation to support this reported loss.

Criteria: OMB Circular A-87, Attachment B, disallows recognizing a loss from non-payment of a loan made, unless this is provided for in the Federal program award regulations.

Effect of Condition: Inaccurate reporting and possible disallowed costs.

Questioned Costs: None

Cause of Condition: The City believed that since all legal action against the businesses had been taken, they could write off the loans. The City also wrote and called requesting the State's write-off procedures, to which the State did not respond. Furthermore, the City passed ordinances in November 1998 allowing the Finance Director to write off the loans for accounting purposes.

Recommendation: The City should obtain written permission from the State before writing the loans off of the reports.

Response: The City believes that there was approval by the state, but no documentation could be found.

Total Questioned Costs - U.S. Department of Housing and Urban
Development

\$16,670



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF CONNEAUT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 26, 2000**