

**CITY OF CONNEAUT**  
**ASHTABULA COUNTY, OHIO**

**GENERAL-PURPOSE FINANCIAL**  
**STATEMENTS AND AUDIT REPORTS**  
**(Single Audit)**

**FOR THE YEAR ENDED DECEMBER 31, 2001**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council  
City of Conneaut, Ohio

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, 2001 through December 31, 2001. 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

October 25, 2002

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***City of Conneaut, Ohio***

*General-Purpose Financial Statements and Audit Reports*

*For the Year Ended December 31, 2001*

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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, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2001, 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, 2001, 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 accounting principles generally accepted in the United States of America.

As disclosed in Note 2 to the financial statements, some cash funds that were misclassified as Enterprise Funds were reclassified to a debt service fund. A portion of debt in the GLTDG that was determined to be a liability of the Enterprise Funds was reclassified. Accordingly, adjustments were made to cash and fund or equity balances, as of January 1, 2001.

As discussed in Note 2 to the general-purpose financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, an amendment of GASB Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2002, 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. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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  
August 21, 2002



City of Conneaut, Ohio  
 Combined Balance Sheet - All Fund Types and Account Groups  
 December 31, 2001

|  | Governmental Fund Types |                     |                     |                     | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Account Groups             |                                     | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|---------------------|---------------------|---------------------|--------------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
|  | General<br>Fund         | Special<br>Revenue  | Debt<br>Service     | Capital<br>Projects | Enterprise               | Trust and<br>Agency    | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |                                |
| <b>Assets and Other Debits</b>   |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| <i>Assets</i>  |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| Cash and Cash Equivalents  | \$ 1,186,011            | \$ 861,012          | \$ 1,116,240        | \$ 100,185          | \$ 470,378               | \$ 2,968               | \$ -                       | \$ -                                | \$ 3,736,794                   |
| Cash and Cash Equivalents in Segregated Accounts                                 | -                       | -                   | -                   | -                   | -                        | 87,059                 | -                          | -                                   | 87,059                         |
| Receivables:   |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| Taxes  | 851,288                 | 812,286             | 442,549             | 14,914              | -                        | -                      | -                          | -                                   | 2,121,037                      |
| Accounts   | 234,423                 | 54,443              | -                   | -                   | 355,498                  | -                      | -                          | -                                   | 644,364                        |
| Special Assessments  | 144,125                 | -                   | 2,109,096           | -                   | 52,699                   | -                      | -                          | -                                   | 2,305,920                      |
| Accrued Interest   | -                       | -                   | -                   | 10,455              | -                        | -                      | -                          | -                                   | 10,455                         |
| Due From Other Funds   | 21,253                  | 220                 | -                   | 6,170               | -                        | -                      | -                          | -                                   | 27,643                         |
| Due From Other Governments   | 476,045                 | 326,388             | 25,884              | -                   | -                        | -                      | -                          | -                                   | 828,317                        |
| Due From Component Unit  | -                       | -                   | -                   | 355,000             | -                        | -                      | -                          | -                                   | 355,000                        |
| Materials and Supplies   |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| Inventory  | 13,082                  | 27,463              | -                   | -                   | 86,085                   | -                      | -                          | -                                   | 126,630                        |
| Loans Receivable   | 12,224                  | 239,399             | -                   | -                   | -                        | -                      | -                          | -                                   | 251,623                        |
| Bond Issue Costs   | -                       | -                   | -                   | -                   | 29,686                   | -                      | -                          | -                                   | 29,686                         |
| Fixed Assets (Net, where Applicable, of Accumulated Depreciation)                | -                       | -                   | -                   | -                   | 9,893,672                | -                      | 7,592,151                  | -                                   | 17,485,823                     |
| <i>Other Debits</i>  |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| Amount Available in Debt Service Fund for Retirement of General Obligation Bonds | -                       | -                   | -                   | -                   | -                        | -                      | -                          | 744,221                             | 744,221                        |
| Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds | -                       | -                   | -                   | -                   | -                        | -                      | -                          | 372,019                             | 372,019                        |
| Amount to be Provided from General Government Resources                          | -                       | -                   | -                   | -                   | -                        | -                      | -                          | 3,179,206                           | 3,179,206                      |
| Amount to be Provided from Special Assessments                                   | -                       | -                   | -                   | -                   | -                        | -                      | -                          | 1,447,966                           | 1,447,966                      |
| <b>Total Assets and Other Debits</b>   | <u>\$ 2,938,451</u>     | <u>\$ 2,321,211</u> | <u>\$ 3,693,769</u> | <u>\$ 486,724</u>   | <u>\$ 10,888,018</u>     | <u>\$ 90,027</u>       | <u>\$ 7,592,151</u>        | <u>\$ 5,743,412</u>                 | <u>\$ 33,753,763</u>           |

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, 2001

|   | Governmental Fund Types |                     |                     |                     | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Account Groups             |                                     | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|---------------------|---------------------|---------------------|--------------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
|   | General<br>Fund         | Special<br>Revenue  | Debt<br>Service     | Capital<br>Projects | Enterprise               | Trust and<br>Agency    | General<br>Fixed<br>Assets | General<br>Long-Term<br>Obligations |                                |
| <b>Liabilities, Fund Equity and<br/>Other Credits</b>       |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| <i>Liabilities</i>  |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| Accounts Payable  | \$ 37,889               | \$ 82,147           | \$ -                | \$ -                | \$ 81,443                | \$ -                   | \$ -                       | \$ -                                | \$ 201,479                     |
| Contracts Payable   | 114,543                 | 65,485              | -                   | 63,057              | 35,394                   | -                      | -                          | -                                   | 278,479                        |
| Accrued Wages and Benefits                                  | 102,867                 | 40,361              | -                   | -                   | 46,144                   | -                      | -                          | -                                   | 189,372                        |
| Compensated Absences<br>Payable                             | 26,111                  | 2,977               | -                   | -                   | 364,201                  | -                      | -                          | 688,427                             | 1,081,716                      |
| Due To Other Funds  | -                       | -                   | -                   | -                   | -                        | 27,643                 | -                          | -                                   | 27,643                         |
| Due To Other Governments                                    | 30,593                  | 116,428             | -                   | 25,000              | 26,401                   | 6,581                  | -                          | -                                   | 205,003                        |
| Deferred Revenue  | 1,080,276               | 901,890             | 2,577,529           | 5,912               | 52,699                   | -                      | -                          | -                                   | 4,618,306                      |
| Deposits Held and Due to Others                             | -                       | -                   | -                   | -                   | -                        | 27,592                 | -                          | -                                   | 27,592                         |
| Accrued Interest Payable                                    | 3,739                   | 11,191              | -                   | 10,455              | 93,714                   | -                      | -                          | -                                   | 119,099                        |
| Notes Payable   | 339,000                 | 380,000             | -                   | 355,000             | 116,000                  | -                      | -                          | -                                   | 1,190,000                      |
| OWDA Loans Payable  | -                       | -                   | -                   | -                   | 3,487,830                | -                      | -                          | -                                   | 3,487,830                      |
| OPWC Loans Payable  | -                       | -                   | -                   | -                   | 491,232                  | -                      | -                          | -                                   | 491,232                        |
| General Obligation Bonds<br>Payable                         | -                       | -                   | -                   | -                   | 1,160,000                | -                      | -                          | 3,235,000                           | 4,395,000                      |
| Premium on Bonds Payable                                    | -                       | -                   | -                   | -                   | 2,002                    | -                      | -                          | -                                   | 2,002                          |
| Special Assessment Debt with<br>Governmental Commitment     | -                       | -                   | -                   | -                   | -                        | -                      | -                          | 1,819,985                           | 1,819,985                      |
| <b>Total Liabilities</b>                                    | <b>1,735,018</b>        | <b>1,600,479</b>    | <b>2,577,529</b>    | <b>459,424</b>      | <b>5,957,060</b>         | <b>61,816</b>          | <b>-</b>                   | <b>5,743,412</b>                    | <b>18,134,738</b>              |
| <i>Fund Equity (Deficit) and<br/>Other Credits</i>          |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| Investment in General<br>Fixed Assets                       | -                       | -                   | -                   | -                   | -                        | -                      | 7,592,151                  | -                                   | 7,592,151                      |
| Contributed Capital   | -                       | -                   | -                   | -                   | 3,420,552                | -                      | -                          | -                                   | 3,420,552                      |
| Retained Earnings: Unreserved                               | -                       | -                   | -                   | -                   | 1,510,406                | -                      | -                          | -                                   | 1,510,406                      |
| Fund Balances:  |                         |                     |                     |                     |                          |                        |                            |                                     |                                |
| Reserved For Endowment                                      | -                       | -                   | -                   | -                   | -                        | 15,900                 | -                          | -                                   | 15,900                         |
| Reserved For Encumbrances                                   | 80,326                  | 57,218              | -                   | 4,496               | -                        | -                      | -                          | -                                   | 142,040                        |
| Reserved For Inventory                                      | 13,082                  | 27,463              | -                   | -                   | -                        | -                      | -                          | -                                   | 40,545                         |
| Reserved for Restricted Purposes                            | -                       | -                   | -                   | -                   | -                        | 12,311                 | -                          | -                                   | 12,311                         |
| Reserved For Loans Receivable                               | 12,224                  | 239,399             | -                   | -                   | -                        | -                      | -                          | -                                   | 251,623                        |
| Unreserved, Undesignated                                    | 1,097,801               | 396,652             | 1,116,240           | 22,804              | -                        | -                      | -                          | -                                   | 2,633,497                      |
| <b>Total Fund Equity and<br/>Other Credits</b>              | <b>1,203,433</b>        | <b>720,732</b>      | <b>1,116,240</b>    | <b>27,300</b>       | <b>4,930,958</b>         | <b>28,211</b>          | <b>7,592,151</b>           | <b>-</b>                            | <b>15,619,025</b>              |
| <b>Total Liabilities, Fund<br/>Equity and Other Credits</b> | <b>\$ 2,938,451</b>     | <b>\$ 2,321,211</b> | <b>\$ 3,693,769</b> | <b>\$ 486,724</b>   | <b>\$ 10,888,018</b>     | <b>\$ 90,027</b>       | <b>\$ 7,592,151</b>        | <b>\$ 5,743,412</b>                 | <b>\$ 33,753,763</b>           |

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, 2001

|   | Governmental Fund Types |                    |                     |                     | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|---------------------|---------------------|--------------------------------|
|   | General<br>Fund         | Special<br>Revenue | Debt<br>Service     | Capital<br>Projects |                                |
| <b>Revenues</b>   |                         |                    |                     |                     |                                |
| Municipal Income Tax  | \$ 1,572,082            | \$ 861,225         | \$ -                | \$ 44,953           | \$ 2,478,260                   |
| Property and Other Taxes  | 510,008                 | 440,777            | 555,059             | -                   | 1,505,844                      |
| Charges for Services  | 40,459                  | 190,668            | -                   | -                   | 231,127                        |
| Licenses and Permits  | 239,304                 | 15,759             | -                   | -                   | 255,063                        |
| Fines and Forfeitures   | 228,523                 | 2,136              | -                   | 70,016              | 300,675                        |
| Intergovernmental   | 1,031,053               | 919,511            | -                   | 147,153             | 2,097,717                      |
| Special Assessments   | -                       | -                  | 281,762             | -                   | 281,762                        |
| Interest  | 147,681                 | 19,244             | -                   | 17,248              | 184,173                        |
| Rentals   | 19,400                  | 36,050             | -                   | -                   | 55,450                         |
| Other revenue   | 308,049                 | 41,186             | -                   | -                   | 349,235                        |
| <b>Total Revenues</b>   | <b>4,096,559</b>        | <b>2,526,556</b>   | <b>836,821</b>      | <b>279,370</b>      | <b>7,739,306</b>               |
| <b>Expenditures</b>   |                         |                    |                     |                     |                                |
| <i>Current:</i>   |                         |                    |                     |                     |                                |
| General Government  | 1,010,847               | -                  | 19,379              | -                   | 1,030,226                      |
| Security of Persons and Property  | 2,148,032               | 859,246            | -                   | -                   | 3,007,278                      |
| Public Health and Welfare   | 147,387                 | 61,334             | -                   | -                   | 208,721                        |
| Transportation  | -                       | 1,591,213          | -                   | -                   | 1,591,213                      |
| Community Environment   | 138,348                 | 470,924            | -                   | -                   | 609,272                        |
| Basic Utility Services  | 107,239                 | 29,920             | -                   | -                   | 137,159                        |
| Leisure Time Activity   | 12,574                  | 70,019             | -                   | -                   | 82,593                         |
| Capital Outlay  | 192,598                 | 10,182             | -                   | 357,026             | 559,806                        |
| <i>Debt Service:</i>  |                         |                    |                     |                     |                                |
| Principal Retirement  | 16,000                  | -                  | 477,541             | -                   | 493,541                        |
| Interest and Fiscal Charges   | 17,633                  | 17,203             | 294,097             | 16,800              | 345,733                        |
| <b>Total Expenditures</b>   | <b>3,790,658</b>        | <b>3,110,041</b>   | <b>791,017</b>      | <b>373,826</b>      | <b>8,065,542</b>               |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b>  | <b>305,901</b>          | <b>(583,485)</b>   | <b>45,804</b>       | <b>(94,456)</b>     | <b>(326,236)</b>               |
| <b>Other Financing Sources (Uses)</b>   |                         |                    |                     |                     |                                |
| Proceeds of Loans   | -                       | 16,000             | -                   | -                   | 16,000                         |
| Sale of Fixed Assets  | 1,825                   | -                  | -                   | -                   | 1,825                          |
| Operating Transfers In  | -                       | 441,675            | 14,207              | 24                  | 455,906                        |
| Operating Transfers Out   | (436,675)               | -                  | (5,000)             | (14,231)            | (455,906)                      |
| <b>Total Other Financing<br/>Sources (Uses)</b>   | <b>(434,850)</b>        | <b>457,675</b>     | <b>9,207</b>        | <b>(14,207)</b>     | <b>17,825</b>                  |
| <b>Excess (Deficiency) of Revenues<br/>and Other Financing Sources<br/>Over (Under) Expenditures<br/>and Other Financing (Uses)</b> | <b>(128,949)</b>        | <b>(125,810)</b>   | <b>55,011</b>       | <b>(108,663)</b>    | <b>(308,411)</b>               |
| Fund Balances (Deficit) at  |                         |                    |                     |                     |                                |
| Beginning of Year   | 1,328,797               | 845,084            | 1,061,229           | 135,963             | 3,371,073                      |
| Increase (Decrease) in<br>Reserve for Inventory   | 3,585                   | 1,458              | -                   | -                   | 5,043                          |
| <b>Fund Balances (Deficit)<br/>at End of Year</b>   | <b>\$ 1,203,433</b>     | <b>\$ 720,732</b>  | <b>\$ 1,116,240</b> | <b>\$ 27,300</b>    | <b>\$ 3,067,705</b>            |

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, 2001

|   | General Fund      |                     |                                   | Special Revenue Funds |                   |                                   | Debt Service Funds |                     |                                   | Capital Projects Funds |                  |                                   | Totals<br>(Memorandum Only) |                     |                                   |
|---|-------------------|---------------------|-----------------------------------|-----------------------|-------------------|-----------------------------------|--------------------|---------------------|-----------------------------------|------------------------|------------------|-----------------------------------|-----------------------------|---------------------|-----------------------------------|
|   | Revised Budget    | Actual              | Variance: Favorable (Unfavorable) | Revised Budget        | Actual            | Variance: Favorable (Unfavorable) | Revised Budget     | Actual              | Variance: Favorable (Unfavorable) | Revised Budget         | Actual           | Variance: Favorable (Unfavorable) | Revised Budget              | Actual              | Variance: Favorable (Unfavorable) |
| <b>Revenues</b>   |                   |                     |                                   |                       |                   |                                   |                    |                     |                                   |                        |                  |                                   |                             |                     |                                   |
| Municipal Income Tax  | \$ 1,905,092      | \$ 1,915,963        | \$ 10,871                         | \$ 846,168            | \$ 851,011        | \$ 4,843                          | \$ -               | \$ -                | \$ -                              | \$ 44,042              | \$ 44,421        | \$ 379                            | \$ 2,795,302                | \$ 2,811,395        | \$ 16,093                         |
| Property and Other Taxes  | 254,625           | 235,558             | (19,067)                          | 461,100               | 505,777           | 44,677                            | 606,500            | 650,059             | 43,559                            | -                      | -                | -                                 | 1,322,225                   | 1,391,394           | 69,169                            |
| Charges for Services  | 28,305            | 40,459              | 12,154                            | 206,900               | 226,794           | 19,894                            | -                  | -                   | -                                 | -                      | -                | -                                 | 235,205                     | 267,253             | 32,048                            |
| Licenses, Permits and Fees  | 115,590           | 211,146             | 95,556                            | 13,200                | 15,759            | 2,559                             | -                  | -                   | -                                 | -                      | -                | -                                 | 128,790                     | 226,905             | 98,115                            |
| Fines and Forfeitures   | 247,000           | 223,891             | (23,109)                          | 4,600                 | 2,086             | (2,514)                           | -                  | -                   | -                                 | 56,000                 | 69,120           | 13,120                            | 307,600                     | 295,097             | (12,503)                          |
| Intergovernmental   | 944,100           | 1,033,421           | 89,321                            | 1,122,519             | 917,050           | (205,469)                         | -                  | -                   | -                                 | 915,077                | 216,188          | (698,889)                         | 2,981,696                   | 2,166,659           | (815,037)                         |
| Special Assessments   | -                 | -                   | -                                 | -                     | -                 | -                                 | 115,000            | 281,762             | 166,762                           | -                      | -                | -                                 | 115,000                     | 281,762             | 166,762                           |
| Interest  | 240,000           | 147,681             | (92,319)                          | 17,200                | 19,244            | 2,044                             | -                  | -                   | -                                 | 750                    | 448              | (302)                             | 257,950                     | 167,373             | (90,577)                          |
| Rentals   | 19,400            | 19,400              | -                                 | 35,400                | 36,050            | 650                               | -                  | -                   | -                                 | -                      | -                | -                                 | 54,800                      | 55,450              | 650                               |
| Other revenue   | 319,099           | 372,391             | 53,292                            | 72,610                | 106,721           | 34,111                            | -                  | -                   | -                                 | 11,824                 | -                | (11,824)                          | 403,533                     | 479,112             | 75,579                            |
| <b>Total Revenues</b>   | <b>4,073,211</b>  | <b>4,199,910</b>    | <b>126,699</b>                    | <b>2,779,697</b>      | <b>2,680,492</b>  | <b>(99,205)</b>                   | <b>721,500</b>     | <b>931,821</b>      | <b>210,321</b>                    | <b>1,027,693</b>       | <b>330,177</b>   | <b>(697,516)</b>                  | <b>8,602,101</b>            | <b>8,142,400</b>    | <b>(459,701)</b>                  |
| <b>Expenditures</b>   |                   |                     |                                   |                       |                   |                                   |                    |                     |                                   |                        |                  |                                   |                             |                     |                                   |
| <i>Current:</i>   |                   |                     |                                   |                       |                   |                                   |                    |                     |                                   |                        |                  |                                   |                             |                     |                                   |
| General Government  | 1,078,336         | 992,215             | 86,121                            | -                     | -                 | -                                 | 30,500             | 19,379              | 11,121                            | 1,000                  | -                | 1,000                             | 1,109,836                   | 1,011,594           | 98,242                            |
| Security of Persons and Property  | 2,319,947         | 2,178,857           | 141,090                           | 908,805               | 843,856           | 64,949                            | -                  | -                   | -                                 | -                      | -                | -                                 | 3,228,752                   | 3,022,713           | 206,039                           |
| Public Health and Welfare   | 164,447           | 154,383             | 10,064                            | 66,709                | 64,876            | 1,833                             | -                  | -                   | -                                 | -                      | -                | -                                 | 231,156                     | 219,259             | 11,897                            |
| Transportation  | -                 | -                   | -                                 | 1,725,926             | 1,674,186         | 51,740                            | -                  | -                   | -                                 | -                      | -                | -                                 | 1,725,926                   | 1,674,186           | 51,740                            |
| Community environment   | 174,121           | 157,995             | 16,126                            | 910,675               | 487,569           | 423,106                           | -                  | -                   | -                                 | -                      | -                | -                                 | 1,084,796                   | 645,564             | 439,232                           |
| Leisure Time Activity   | 13,301            | 12,995              | 306                               | 79,708                | 72,752            | 6,956                             | -                  | -                   | -                                 | -                      | -                | -                                 | 93,009                      | 85,747              | 7,262                             |
| Capital Outlay  | 287,621           | 283,531             | 4,090                             | 10,201                | 10,182            | 19                                | -                  | -                   | -                                 | 656,473                | 406,719          | 249,754                           | 954,295                     | 700,432             | 253,863                           |
| Basic Utility Services  | 116,763           | 107,239             | 9,524                             | 33,552                | 30,585            | 2,967                             | -                  | -                   | -                                 | -                      | -                | -                                 | 150,315                     | 137,824             | 12,491                            |
| <i>Debt Service:</i>  |                   |                     |                                   |                       |                   |                                   |                    |                     |                                   |                        |                  |                                   |                             |                     |                                   |
| Principal Retirement  | 379,000           | 379,000             | -                                 | 460,000               | 460,000           | -                                 | 477,986            | 477,542             | 444                               | 405,000                | 405,000          | -                                 | 1,721,986                   | 1,721,542           | 444                               |
| Interest and Fiscal Charges   | 19,115            | 18,735              | 380                               | 21,600                | 21,600            | -                                 | 295,804            | 294,097             | 1,707                             | 19,035                 | 19,035           | -                                 | 355,554                     | 353,467             | 2,087                             |
| <b>Total Expenditures</b>   | <b>4,552,651</b>  | <b>4,284,950</b>    | <b>267,701</b>                    | <b>4,217,176</b>      | <b>3,665,606</b>  | <b>551,570</b>                    | <b>804,290</b>     | <b>791,018</b>      | <b>13,272</b>                     | <b>1,081,508</b>       | <b>830,754</b>   | <b>250,754</b>                    | <b>10,655,625</b>           | <b>9,572,328</b>    | <b>1,083,297</b>                  |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>  | <b>(479,440)</b>  | <b>(85,040)</b>     | <b>394,400</b>                    | <b>(1,437,479)</b>    | <b>(985,114)</b>  | <b>452,365</b>                    | <b>(82,790)</b>    | <b>140,803</b>      | <b>223,593</b>                    | <b>(53,815)</b>        | <b>(500,577)</b> | <b>(446,762)</b>                  | <b>(2,053,524)</b>          | <b>(1,429,928)</b>  | <b>623,596</b>                    |
| <b>Other Financing Sources (Uses)</b>   |                   |                     |                                   |                       |                   |                                   |                    |                     |                                   |                        |                  |                                   |                             |                     |                                   |
| Proceeds of Notes   | 339,000           | 339,000             | -                                 | 379,700               | 380,000           | 300                               | -                  | -                   | -                                 | 308,300                | 355,000          | 46,700                            | 1,027,000                   | 1,074,000           | 47,000                            |
| Proceeds of Loans   | -                 | -                   | -                                 | -                     | -                 | -                                 | -                  | -                   | -                                 | -                      | -                | -                                 | -                           | -                   | -                                 |
| Sale of Fixed Assets  | -                 | 1,825               | 1,825                             | -                     | -                 | -                                 | -                  | -                   | -                                 | -                      | -                | -                                 | -                           | 1,825               | 1,825                             |
| Operating Transfers In  | -                 | -                   | -                                 | 466,050               | 441,675           | (24,375)                          | -                  | 14,207              | 14,207                            | -                      | -                | -                                 | 466,050                     | 455,882             | (10,168)                          |
| Operating Transfers Out   | (466,050)         | (436,675)           | 29,375                            | -                     | -                 | -                                 | (5,000)            | (5,000)             | -                                 | (14,207)               | (14,207)         | -                                 | (485,257)                   | (455,882)           | 29,375                            |
| Advances In   | 5,000             | 5,000               | -                                 | -                     | -                 | -                                 | -                  | -                   | -                                 | -                      | -                | -                                 | 5,000                       | 5,000               | -                                 |
| Advances Out  | -                 | -                   | -                                 | -                     | -                 | -                                 | -                  | -                   | -                                 | -                      | -                | -                                 | -                           | -                   | -                                 |
| <b>Total Other Financing Sources (Uses)</b>   | <b>(122,050)</b>  | <b>(90,850)</b>     | <b>31,200</b>                     | <b>845,750</b>        | <b>821,675</b>    | <b>(24,075)</b>                   | <b>(5,000)</b>     | <b>9,207</b>        | <b>14,207</b>                     | <b>294,093</b>         | <b>340,793</b>   | <b>46,700</b>                     | <b>1,012,793</b>            | <b>1,080,825</b>    | <b>68,032</b>                     |
| <b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b> | <b>(601,490)</b>  | <b>(175,890)</b>    | <b>425,600</b>                    | <b>(591,729)</b>      | <b>(163,439)</b>  | <b>428,290</b>                    | <b>(87,790)</b>    | <b>150,010</b>      | <b>237,800</b>                    | <b>240,278</b>         | <b>(159,784)</b> | <b>(400,062)</b>                  | <b>(1,040,731)</b>          | <b>(349,103)</b>    | <b>691,628</b>                    |
| Fund Balances at Beginning of Year  | 992,319           | 992,319             | -                                 | 784,628               | 784,628           | -                                 | 847,615            | 847,615             | -                                 | 216,191                | 216,191          | -                                 | 2,840,753                   | 2,840,753           | -                                 |
| Prior Year Encumbrances   | 219,372           | 219,372             | -                                 | 99,449                | 99,449            | -                                 | 118,615            | 118,615             | -                                 | 39,282                 | 39,282           | -                                 | 476,718                     | 476,718             | -                                 |
| <b>Fund Balances at End of Year</b>   | <b>\$ 610,201</b> | <b>\$ 1,035,801</b> | <b>\$ 425,600</b>                 | <b>\$ 292,348</b>     | <b>\$ 720,638</b> | <b>\$ 428,290</b>                 | <b>\$ 878,440</b>  | <b>\$ 1,116,240</b> | <b>\$ 237,800</b>                 | <b>\$ 495,751</b>      | <b>\$ 95,689</b> | <b>\$ (400,062)</b>               | <b>\$ 2,276,740</b>         | <b>\$ 2,968,368</b> | <b>\$ 691,628</b>                 |

See accompanying notes to the general-purpose financial statements

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, 2001

|   | Proprietary<br>Fund Type | Fiduciary<br>Fund Type  | Totals<br>(Memorandum<br>Only) |
|---|--------------------------|-------------------------|--------------------------------|
|   | Enterprise               | Nonexpendable<br>Trusts |                                |
| <b>Operating Revenues</b>                               |                          |                         |                                |
| Charges for Services                                    | \$ 2,888,776             | \$ -                    | \$ 2,888,776                   |
| Other revenue   | 15,518                   | -                       | 15,518                         |
| <b>Total Operating Revenues</b>                         | <b>2,904,294</b>         | <b>-</b>                | <b>2,904,294</b>               |
| <b>Operating Expenses</b>                               |                          |                         |                                |
| Personal Services                                       | 1,469,503                | -                       | 1,469,503                      |
| Contractual Services                                    | 706,754                  | -                       | 706,754                        |
| Materials and Supplies                                  | 457,895                  | 174                     | 458,069                        |
| Other Expenses  | (260)                    | -                       | (260)                          |
| Depreciation  | 306,767                  | -                       | 306,767                        |
| <b>Total Operating Expenses</b>                         | <b>2,940,659</b>         | <b>174</b>              | <b>2,940,833</b>               |
| <b>Operating Income (Loss)</b>                          | <b>(36,365)</b>          | <b>(174)</b>            | <b>(36,539)</b>                |
| <b>Non-operating Revenues (Expenses)</b>                |                          |                         |                                |
| Investment Income                                       | -                        | 1,043                   | 1,043                          |
| Loss on Disposal of Fixed Assets                        | (6,771)                  | -                       | (6,771)                        |
| Amortization of Bond Premium                            | 123                      | -                       | 123                            |
| Bond Issue Costs  | (1,818)                  | -                       | (1,818)                        |
| Interest Expense and Fiscal Charges                     | (259,043)                | -                       | (259,043)                      |
| <b>Total Nonoperating Revenues (Expenses)</b>           | <b>(267,509)</b>         | <b>1,043</b>            | <b>(266,466)</b>               |
| <b>Income (Loss) Before Contributions and Transfers</b> | <b>(303,874)</b>         | <b>869</b>              | <b>(303,005)</b>               |
| Capital Contributions                                   | 328,551                  | -                       | 328,551                        |
| Operating Transfers In                                  | -                        | -                       | -                              |
| Operating Transfers Out                                 | -                        | -                       | -                              |
| <b>Net Income (Loss)</b>                                | <b>24,677</b>            | <b>869</b>              | <b>25,546</b>                  |
| Retained Earnings/Fund Balances at Beginning of Year    | 1,485,729                | 27,342                  | 1,513,071                      |
| Retained Earnings/Fund Balances at End of Year          | 1,510,406                | 28,211                  | 1,538,617                      |
| Contributed Capital at End of Year                      | 3,420,552                | -                       | 3,420,552                      |
| <b>Total Fund Equity at End of Year</b>                 | <b>\$ 4,930,958</b>      | <b>\$ 28,211</b>        | <b>\$ 4,959,169</b>            |

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, 2001

|   | Proprietary<br>Fund Type | Fiduciary<br>Fund Type  | Totals<br>(Memorandum<br>Only) |
|---|--------------------------|-------------------------|--------------------------------|
|   | Enterprise               | Nonexpendable<br>Trusts |                                |
| <b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>    |                          |                         |                                |
| <b>Cash Flows From Operating Activities</b>                       |                          |                         |                                |
| Cash Received from Customers                                      | \$ 2,897,243             | \$ -                    | \$ 2,897,243                   |
| Cash Payments to Suppliers for Goods and Services                 | (427,293)                | (174)                   | (427,467)                      |
| Cash Payments for Contractual Services                            | (670,554)                | -                       | (670,554)                      |
| Cash Payments for Employee Services and Benefits                  | (1,408,638)              | -                       | (1,408,638)                    |
| Other Revenues  | 39,888                   | -                       | 39,888                         |
| Other Expenses  | (3,403)                  | -                       | (3,403)                        |
| <i>Net Cash Provided by (Used for) Operating Activities</i>       | 427,243                  | (174)                   | 427,069                        |
| <b>Cash Flows From Noncapital Financing Activities</b>            |                          |                         |                                |
| Advances Out to Other Funds                                       | (5,000)                  | -                       | (5,000)                        |
| <i>Net Cash Used for Noncapital Financing Activities</i>          | (5,000)                  | -                       | (5,000)                        |
| <b>Cash Flows from Capital and Related Financing Activities</b>   |                          |                         |                                |
| Tap-In Fees   | 36,838                   | -                       | 36,838                         |
| Proceeds from Capital Grants                                      | 291,713                  | -                       | 291,713                        |
| Proceeds from Sales of Fixed Assets                               | 180                      | -                       | 180                            |
| Proceeds from Issuance of Notes                                   | 56,000                   | -                       | 56,000                         |
| Acquisition of Capital Assets                                     | (425,981)                | -                       | (425,981)                      |
| Principal Paid on Bonds   | (70,000)                 | -                       | (70,000)                       |
| Principal Paid on OWDA Loans                                      | (230,726)                | -                       | (230,726)                      |
| Principal Paid on OPWC Loans                                      | (48,391)                 | -                       | (48,391)                       |
| Principal Paid on Notes   | (75,000)                 | -                       | (75,000)                       |
| Interest Paid on Loans and Notes                                  | (261,898)                | -                       | (261,898)                      |
| <i>Net Cash Used for Capital and Related Financing Activities</i> | (727,265)                | -                       | (727,265)                      |
| <b>Cash Flows from Investing Activities</b>                       |                          |                         |                                |
| Interest on Cash and Investments                                  | -                        | 1,043                   | 1,043                          |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>       | (305,022)                | 869                     | (304,153)                      |
| <i>Cash and Cash Equivalents Beginning of Year</i>                | 775,400                  | 27,342                  | 802,742                        |
| <i>Cash and Cash Equivalents End of Year</i>                      | \$ 470,378               | \$ 28,211               | \$ 498,589                     |

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, 2001

|  | Proprietary<br>Fund Type | Fiduciary<br>Fund Type | Totals<br>(Memorandum<br>Only) |
|--|--------------------------|------------------------|--------------------------------|
|  | Enterprise               | Nonexpendable<br>Trust |                                |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Provided by (Used for) Operating Activities</b> |                          |                        |                                |
| <i>Operating Income (Loss)</i>   | \$ (36,366)              | \$ (174)               | \$ (36,540)                    |
| Adjustments:   |                          |                        |                                |
| Depreciation   | 306,767                  | -                      | 306,767                        |
| (Increase)/Decrease in Assets:   |                          |                        |                                |
| Accounts Receivable  | 8,545                    | -                      | 8,545                          |
| Materials and Supplies Inventory   | 29,118                   | -                      | 29,118                         |
| Due from Other Governments   | 24,371                   | -                      | 24,371                         |
| Increase/(Decrease) in Liabilities:  |                          |                        |                                |
| Accounts Payable   | 39,042                   | -                      | 39,042                         |
| Contracts Payable  | (3,575)                  | -                      | (3,575)                        |
| Accrued Wages and Benefits   | 8,798                    | -                      | 8,798                          |
| Compensated Absences Payable   | 65,439                   | -                      | 65,439                         |
| Due to Other Governments   | (14,896)                 | -                      | (14,896)                       |
| <i>Net Cash Provided by (Used for) Operating Activities</i>  | <u>\$ 427,243</u>        | <u>\$ (174)</u>        | <u>\$ 427,069</u>              |

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

|   |  |                  |
|---|--|------------------|
| <b>Cash and Cash Equivalents - All Fiduciary Funds:</b> |  |                  |
| Cash and Cash Equivalents                               |  | \$ 2,968         |
| Cash and Cash Equivalents in Segregated Accounts        |  | 87,059           |
|   |  | <hr/>            |
| Total Cash and Cash Equivalents - All Fiduciary Funds   |  | 90,027           |
| Cash and Cash Equivalents - Agency Funds                |  | (61,816)         |
|   |  | <hr/>            |
| Cash and Cash Equivalents - Nonexpendable Trust Funds   |  | <u>\$ 28,211</u> |

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, 2001

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**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. The 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, 2001

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Related Organization - The Conneaut Public 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 2001. Separately issued financial statements can be obtained from the Conneaut Public Library, 304 Buffalo 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, 2001

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*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. Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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.

All governmental fund types and expendable trust funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency funds also use the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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The proprietary and non-expendable trust funds are accounted for on an economic resources measurement focus, using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Revenues are recognized when they are earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time they are incurred.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days after year-end.

Non-exchange transactions, in which the city receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the tax is levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used, or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. The following revenue sources are considered to be both measurable and available, under the modified accrual basis, at year-end: income taxes, state-levied locally share taxes, interest, grants, fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes, for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

***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 appropriation 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.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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*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 2001.

*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 2001, investments were limited to repurchase agreements, sweep accounts and interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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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.

***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, 2001 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, 2001.

***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.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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      |

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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***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.

***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, an endowment, 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.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

**Note 2 – Changes in Accounting Principles and Restatement of Fund Balances and Retained Earnings**

***A. Changes in Accounting Principles***

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues.”

The implementation of these new accounting principles caused fund balance restatements as follows:

| Fund Name             | Fund Balance<br>As Reported<br>12/31/00 | GASB<br>33 & 36<br>Implementation | Fund Balance<br>As Restated<br>12/31/00 |
|-----------------------|---|-----------------------------------|---|
| General Fund          | \$ 1,174,525                            | \$ 154,272                        | \$ 1,328,797                            |
| Special Revenue Funds | 809,624                                 | 35,460                            | 845,084                                 |

In addition to the above noted changes to fund balances, the implementation of GASB Statements No. 33 and 36 had the following effect on prior year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses:

| Fund Name             | Excess (Deficiency) of<br>Revenues and Other Financing<br>Sources Over (Under)<br>Expenditures and Other<br>Financing Uses as Reported<br>12/31/00 | GASB<br>33 & 36<br>Implementation | Excess (Deficiency) of<br>Revenues and Other Financing<br>Sources Over (Under)<br>Expenditures and Other<br>Financing Uses as Restated<br>12/31/00 |
|-----------------------|--|-----------------------------------|--|
| General Fund          | \$ (287,454)   | \$ 154,272                        | \$ (133,182)   |
| Special Revenue Funds | 131,332  | 35,460                            | 166,792  |

***B. Prior Period Adjustments***

For the year ended December 31, 2001, cash funds that were misclassified as Enterprise Funds were reclassified from the Enterprise Funds to a debt service fund type. The balance is being used to payoff debt included in the GLTDG. A portion of the GLTDG debt was determined to be a liability of the Enterprise Funds and was reclassified to the Enterprise Funds. Therefore, that portion of the debt was reclassified to the sewer fund. These changes had the following effects on fund balance and retained earnings:

| Fund Name          | Fund Balance<br>or Retained Earnings<br>as Reported<br>12/31/00 | Reclassification of<br>Cash Balance | Reclassification of<br>Debt | Fund Balance<br>or Retained Earnings<br>as Restated 12/31/00 |
|--------------------|---|-------------------------------------|-----------------------------|--|
| Enterprise Funds   | \$ 1,874,154  | \$ (118,614)                        | \$ (269,811)                | \$ 1,485,729   |
| Debt Service Funds | 942,615   | 118,614                             | -                           | 1,061,229  |

In addition to the above noted changes to fund balances and retained earnings, the change of fund type from an enterprise to debt service, had the following effect on cash balances:

| Fund Name          | Cash as Reported<br>12/31/00 | Reclassification<br>of Cash Balance | Cash as Reported<br>12/31/00 |
|--------------------|------------------------------|-------------------------------------|------------------------------|
| Enterprise Funds   | \$ 894,014                   | \$ (118,614)                        | \$ 775,400                   |
| Debt Service Funds | 847,616                      | 118,614                             | 966,230                      |

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
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**Note 3 - 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:

- 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 table summarizes 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<br>Over (Under) Expenditures and Other Financing (Uses)<br>All Governmental Fund Types |                    |                   |                     |
|--|--|--------------------|-------------------|---------------------|
|  | General  | Special<br>Revenue | Debt<br>Service   | Capital<br>Projects |
|  | <u>          </u>  | <u>          </u>  | <u>          </u> | <u>          </u>   |
| GAAP Basis   | (128,949)  | (125,810)          | 55,011            | (108,663)           |
| Net Adjustment for<br>Revenue Accruals                         | 103,351  | 153,936            | 95,000            | 50,807              |
| Net Adjustment for<br>Expenditure Accruals                     | (344,082)  | (415,191))         | (1)               | (452,432)           |
| Net adjustments for other financing<br>sources/(uses) accruals | 344,000  | 364,000            | -                 | 355,000             |
| Encumbrances   | (150,210)  | (140,374)          | -                 | (4,496)             |
| Budget Basis   | <u>(175,890)</u>   | <u>(163,439)</u>   | <u>150,010</u>    | <u>(159,784)</u>    |



**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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**Note 4 - Accountability and Compliance**

**A. Deficit Balances**

The following funds had a deficit fund balance as of December 31, 2001:

|                              |         |
|------------------------------|---------|
| <i>Special Revenue Funds</i> |         |
| Police Pension               | 9,252   |
| Fire Pension                 | 35,858  |
| Street Maintenance           | 149,589 |
| CDBG                         | 3,275   |
| <br>                         |         |
| <i>Capital Projects Fund</i> |         |
| Thompson Road                | 25,000  |
| Madison Street Sewer         | 63,033  |

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. The deficits in the Street Maintenance, CDBG, Thompson Road and the Madison Street Sewer 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.

**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits 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;

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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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 issuance's 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;
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).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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 \$1,587,140 and the bank balance was \$1,875,458, of which \$133,498 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 105 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.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

**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.

|                   | 1 | Category<br>2 | 3 | Carrying<br>Value | Fair<br>Value |
|-------------------|---|---------------|---|-------------------|---------------|
| STAR Ohio         | - | -             | - | \$ 2,236,716      | \$ 2,236,716  |
| Total Investments |   |               |   | \$ 2,236,716      | \$ 2,236,716  |

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<br>Equivalents | Investments  |
|----------------------|------------------------------|--------------|
| GASB Statement No. 9 | \$ 3,823,856                 | \$ -         |
| Investments:         |                              |              |
| STAR Ohio            | (2,236,716)                  | 2,236,716    |
| GASB Statement No. 3 | \$ 1,587,140                 | \$ 2,236,716 |

**Note 6 - Taxes**

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied 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 three years. The last revaluation was completed in 1999. 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.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
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Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the 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, 2001 was \$10.97 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

|                            |    |             |
|----------------------------|----|-------------|
| Real Property              | \$ | 111,298,940 |
| Public Utility             |    | 12,505,010  |
| Tangible Personal Property |    | 18,973,930  |
| Total Valuation            | \$ | 142,777,880 |

***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 7 - Receivables**

Receivables at December 31, 2001, 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.

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

|                            | Amount     |
|----------------------------|------------|
| <i>General Fund</i>        |            |
| Undivided Local Government | \$ 415,991 |
| Estate Tax                 | 41,603     |
| CHIP Grant                 | 4,230      |
| Homestead & Rollback Taxes | 11,625     |
| Liquor License Tax         | 2,596      |
| <i>Total General Fund</i>  | 476,045    |

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

|                                    |         |                |
|------------------------------------|---------|----------------|
| <i>Special Revenue Funds</i>       |         |                |
| Gasoline Tax                       | 118,188 |                |
| Motor Vehicle License Tax          | 56,720  |                |
| Motor Vehicle Permissive Tax       | 77,318  |                |
| Homestead & Rollback Taxes         | 27,431  |                |
| Ambulance Services                 | 46,731  |                |
| <i>Total Special Revenue Funds</i> |         | 326,388        |
| <br><i>Debt Service Funds</i>      |         |                |
| Homestead & Rollback Taxes         |         | 25,884         |
| <br>TOTAL                          |         | <br>\$ 828,317 |

**Note 8 - Interfund Transactions**

**A. Interfund Balances**

Interfund balances at December 31, 2001, consist of the following individual fund receivables and payables:

|                                   | Due from<br>Other Funds | Due to<br>Other Funds |
|-----------------------------------|-------------------------|-----------------------|
| General Fund                      | \$ 21,253               | \$ -                  |
| Special Revenue Funds             | 220                     | -                     |
| Capital Projects Funds            | 6,170                   | -                     |
| Trust and Agency Funds            | -                       | 27,643                |
| Total Due From/Due To Other Funds | \$ 27,643               | \$ 27,643             |

**B. Operating Transfers**

The following is a summarized breakdown of the City's operating transfers for 2001:

|                        | Transfers In | Transfers Out |
|------------------------|--------------|---------------|
| General Fund           | \$ -         | \$ 436,675    |
| Special Revenue Funds  | 441,675      | -             |
| Debt Service Funds     | 14,207       | 5,000         |
| Capital Projects Funds | 24           | 14,231        |
| Totals                 | \$ 455,906   | \$ 455,906    |

**Note 9 - 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.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
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**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 or their representative. 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, 2001.

**Note 10 - Fixed Assets**

A summary of the enterprise funds' fixed assets at December 31, 2001 is as follows:

|                               |                            |
|-------------------------------|----------------------------|
| Land                          | \$ 12,860                  |
| Buildings                     | 640,906                    |
| Equipment                     | 3,865,259                  |
| Vehicles                      | 443,262                    |
| Infrastructure                | 7,786,742                  |
| Construction in Progress      | <u>98,826</u>              |
| Total                         | 12,847,855                 |
| Less Accumulated Depreciation | <u>2,954,182</u>           |
| Net Fixed Assets              | <u><u>\$ 9,893,673</u></u> |

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

|                          | Balance<br>12/31/00        | Additions                | Deletions                 | Balance<br>12/31/01        |
|--------------------------|----------------------------|--------------------------|---------------------------|----------------------------|
| Land                     | \$ 571,188                 | \$ 7,560                 | \$ -                      | \$ 578,748                 |
| Buildings                | 1,603,133                  | 79,727                   | -                         | 1,682,860                  |
| Equipment                | 1,489,570                  | 193,189                  | (650)                     | 1,682,109                  |
| Furniture and Fixtures   | 16,742                     | 3,610                    | -                         | 20,352                     |
| Vehicles                 | 3,637,082                  | -                        | (9,000)                   | 3,628,082                  |
| Construction in Progress | <u>803,750</u>             | <u>-</u>                 | <u>(803,750)</u>          | <u>-</u>                   |
| Total                    | <u><u>\$ 8,121,465</u></u> | <u><u>\$ 284,086</u></u> | <u><u>\$(813,400)</u></u> | <u><u>\$ 7,592,151</u></u> |

**Note 11 - Operating Lease**

During 2001, the City had six different copier lease agreements in four departments. The required minimum lease payments were \$809 per month. In 2004, one of the copier leases has the option to buy for fair market value at the end of the lease.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

Future minimum lease payments are as follows:

|       |                 |
|-------|-----------------|
| 2002  | \$ 8,682        |
| 2003  | 6,644           |
| 2004  | <u>358</u>      |
| Total | <u>\$ 5,684</u> |

**Note 12 - Note Debt**

The City's note activity for the year ended December 31, 2001 is as follows:

|                                | Balance<br>12/31/00 | Additions           | (Reductions)          | Outstanding<br>12/31/01 |
|--------------------------------|---------------------|---------------------|-----------------------|-------------------------|
| <i>General Fund:</i>           |                     |                     |                       |                         |
| Prison Land, 2.59%             | \$ 240,000          | \$ 220,000          | \$ (240,000)          | \$ 220,000              |
| Fire Truck, 3.80%              | 123,000             | 119,000             | (123,000)             | 119,000                 |
| <i>Special Revenue Funds:</i>  |                     |                     |                       |                         |
| Street Equipment, 3.80%        | 476,000             | 380,000             | (476,000)             | 380,000                 |
| <i>Capital Projects Funds:</i> |                     |                     |                       |                         |
| Conneaut Port Authority, 3.80% | 325,800             | 285,470             | (325,800)             | 285,470                 |
| Conneaut Port Authority, 3.80% | 79,200              | 69,530              | (79,200)              | 69,530                  |
| <i>Enterprise Funds:</i>       |                     |                     |                       |                         |
| Computers, Sewer Jet, 4.36%    | <u>75,000</u>       | <u>56,000</u>       | <u>(75,000)</u>       | <u>56,000</u>           |
| Total Notes                    | <u>\$ 1,319,000</u> | <u>\$ 1,130,000</u> | <u>\$ (1,319,000)</u> | <u>\$ 1,130,000</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, 2001

**Note 13 - Long-Term Obligations**

Changes in long-term obligations of the City during 2001 were as follows:

|   | <u>Outstanding<br/>12/31/00</u> | <u>Additions</u>         | <u>(Reductions)</u>        | <u>Outstanding<br/>12/31/01</u> |
|---|---------------------------------|--------------------------|----------------------------|---------------------------------|
| <b>GENERAL LONG-TERM OBLIGATIONS</b>              |                                 |                          |                            |                                 |
| <i>General Obligation Bonds</i>                   |                                 |                          |                            |                                 |
| Broad Street Underpass, 1979 – 6.00%              | \$ 600,000                      | \$ -                     | \$ (150,000)               | \$ 450,000                      |
| City Hall Annex, 1986 – 6.875%                    | 1,100,000                       | -                        | (100,000)                  | 1,000,000                       |
| Library, 1998 – 5.05%                             | <u>1,895,000</u>                | <u>-</u>                 | <u>(110,000)</u>           | <u>1,785,000</u>                |
| <i>Total General Obligation Bonds</i>             | <u>3,595,000</u>                | <u>-</u>                 | <u>(360,000)</u>           | <u>3,235,000</u>                |
| <i>Special Assessment Obligations</i>             |                                 |                          |                            |                                 |
| <i>OWDA Loans</i>                                 |                                 |                          |                            |                                 |
| East Conneaut Sewer Ph. II, 1996 – 4.16%          | 770,907                         | -                        | (217,880)                  | 553,027                         |
| East - West Gateway, 1993 – 4.80%                 | 416,143                         | -                        | (23,707)                   | 392,436                         |
| Gateway Phase II, 1993 – 4.80%                    | 67,341                          | -                        | (3,646)                    | 63,695                          |
| I-90 Sewer, 1998 – 3.98%                          | 240,882                         | -                        | (93,573)                   | 147,309                         |
| East Conneaut Sewer Ph. III, 1999 – 3.50%         | <u>465,083</u>                  | <u>203,983</u>           | <u>(27,548)</u>            | <u>641,518</u>                  |
| <i>Total OWDA Loans</i>                           | 1,960,356                       | 203,983                  | (366,354)                  | 1,797,985                       |
| Janet/Geraldine Paving, 1997 – 5.65%              | <u>43,000</u>                   | <u>-</u>                 | <u>(21,000)</u>            | <u>22,000</u>                   |
| <i>Total Special Assessment Obligations</i>       | 2,003,356                       | 203,983                  | (387,354)                  | 1,819,985                       |
| Compensated Absences                              | <u>750,900</u>                  | <u>-</u>                 | <u>(62,473)</u>            | <u>688,427</u>                  |
| <b><i>Total General Long-Term Obligations</i></b> | <b><u>\$ 6,349,256</u></b>      | <b><u>\$ 203,983</u></b> | <b><u>\$ (809,827)</u></b> | <b><u>\$ 5,743,412</u></b>      |



**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

|   | Outstanding<br>12/31/00            | Additions                       | (Reductions)                      | Outstanding<br>12/31/01            |
|---|------------------------------------|---------------------------------|-----------------------------------|------------------------------------|
| <b>ENTERPRISE FUND</b>                      |                                    |                                 |                                   |                                    |
| <b>OBLIGATIONS</b>                          |                                    |                                 |                                   |                                    |
| <i>OWDA Loans</i>                           |                                    |                                 |                                   |                                    |
| Wastewater Plant Improvement, 1971 – 5.25%  | \$ 493,222                         | \$ -                            | \$ (27,365)                       | \$ 465,857                         |
| Wastewater Plant Improvement, 1987 – 9.06%  | 425,335                            | -                               | (18,458)                          | 406,877                            |
| Wastewater, 1988 – 4.80%                    | 1,826,598                          | -                               | (129,532)                         | 1,697,066                          |
| Water III, 1995 – 4.35%                     | 474,488                            | -                               | (20,177)                          | 454,311                            |
| East Conneaut Sewer Ph. II, 1996 – 4.16%    | -                                  | 183,093                         | -                                 | 183,093                            |
| West Jackson Sanitary Sewer, 1997 – 3.20%   | 7,324                              | -                               | (7,324)                           | -                                  |
| Dechlorination Project, 1997 – 4.12%        | 74,909                             | -                               | (3,234)                           | 71,675                             |
| I-90 Sewer, 1998 – 3.98%                    | -                                  | 86,718                          | (3,855)                           | 82,863                             |
| East Conneaut Sewer Phase III, 1999 – 3.50% | 350,852                            | -                               | (224,764)                         | 126,088                            |
| <i>Total OWDA Loans</i>                     | <u>3,652,728</u>                   | <u>269,811</u>                  | <u>(434,709)</u>                  | <u>3,487,830</u>                   |
| <i>OPWC Loans</i>                           |                                    |                                 |                                   |                                    |
| East Conneaut Sewer I, 1991 – 0%            | 8,606                              | -                               | (8,606)                           | -                                  |
| East Conneaut Sewer II, 1997 – 0%           | 8,487                              | -                               | (1,542)                           | 6,945                              |
| Grove Street Project, 1992 – 0%             | 19,800                             | -                               | (6,600)                           | 13,200                             |
| Wastewater Treatment Plant Ph I, 2000 – 0%  | 117,730                            | -                               | (12,393)                          | 105,337                            |
| South Conneaut Water Tank, 2000 – 0%        | 385,000                            | -                               | (19,250)                          | 365,750                            |
| <i>Total OPWC Loans</i>                     | <u>539,623</u>                     | <u>-</u>                        | <u>(48,391)</u>                   | <u>491,232</u>                     |
| Prison Water Line, 1997 Note payable, 0%    | 60,000                             | -                               | -                                 | 60,000                             |
| Water III Bonds, 1998 – 5.05%               | 1,230,000                          | -                               | (70,000)                          | 1,160,000                          |
| Compensated Absences                        | 286,429                            | 73,729                          | -                                 | 360,158                            |
| <b>Total Enterprise Fund Obligations</b>    | <u><b>\$ 5,768,780</b></u>         | <u><b>\$ 343,540</b></u>        | <u><b>\$ (553,100)</b></u>        | <u><b>\$ 5,559,220</b></u>         |
| <b>GRAND TOTAL</b>                          | <u><u><b>\$ 12,118,036</b></u></u> | <u><u><b>\$ 547,523</b></u></u> | <u><u><b>\$(1,362,92)</b></u></u> | <u><u><b>\$ 11,302,632</b></u></u> |

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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, and from the water fund using operating 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.

The City's overall legal debt margin was \$11,630,836 December 31, 2001. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001 are as follows:

|               | General<br>Obligations | Special<br>Assessment | Ohio Water<br>Development<br>Authority | Ohio<br>Public Works<br>Commission | Note Payable-<br>Ashtabula<br>County |
|---------------|------------------------|-----------------------|--|------------------------------------|--------------------------------------|
| 2002          | \$ 663,225             | \$ 217,304            | \$ 413,259                             | \$ 39,786                          | \$ 20,000                            |
| 2003          | 639,475                | 194,061               | 413,259                                | 39,786                             | 10,000                               |
| 2004          | 615,725                | 194,061               | 413,259                                | 33,186                             | 10,000                               |
| 2005          | 441,808                | 194,061               | 413,259                                | 33,186                             | 10,000                               |
| 2006          | 427,050                | 194,061               | 413,259                                | 32,415                             | 10,000                               |
| 2007 – 2011   | 1,909,905              | 970,315               | 2,066,291                              | 139,622                            | -                                    |
| 2012 – 2016   | 1,069,077              | 622,691               | 617,784                                | 96,250                             | -                                    |
| 2017 – 2021   | 365,756                | 80,130                | 103,549                                | 86,625                             | -                                    |
| Total         | 6,132,021              | 2,666,684             | 4,853,919                              | 500,856                            | 60,000                               |
| Less interest | (1,737,021)            | (846,699)             | (1,366,089)                            | (9,624)                            | -                                    |
| Total         | <u>\$ 4,395,000</u>    | <u>\$ 1,819,985</u>   | <u>\$ 3,487,830</u>                    | <u>\$ 491,232</u>                  | <u>\$ 60,000</u>                     |

**Note 14- Defined Benefit Pension Plans**

***A. Public Employees Retirement System***

All Conneaut full-time employees, other than uniformed employees, participate in 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 and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

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. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll. Contributions are authorized by state statute. The contribution

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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are determined actuarially. The City's required contribution to PERS for the years ended December 31, 2001, 2000, and 1999, were \$306,069, \$207,162, and \$285,288, respectively. The full amount has been contributed for 2000 and 1999. 88.59 percent has been contributed for 2001 with the remainder being reported as a fund liability.

***B. Police and Fire 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) and the City was required to contribute 12.0 percent for police and 16.5 percent for firefighters. The City's contributions to the OP&F were \$130,670 and \$98,243 for the year ended December 31, 2001, \$123,877 and \$92,585 for the year ended December 31, 2000, and \$120,591 and \$96,557 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 74.17 percent and 71.07 percent, respectively, have been contributed for 2001 with the remainder being reported as a fund liability.

**Note 15 - Postretirement Benefit Plans**

***A. Public Employees Retirement System***

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate for local employers was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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The number of active contributing participants was 411,076. The City's actual contributions for 2000, which were used to fund postemployment benefits were \$142,252. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

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

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of 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. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25 percent and 7.50 percent of covered payroll in 2000 and 2001, respectively. The allocation is 7.75 percent in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2000 (the date of the last actuarial valuation available) are 12,853 for police and 10,037 for firefighters. The City's contributions used to pay postemployment benefits for police and firefighters were \$81,801 and \$44,760, respectively. The OP&F's total health care expense for the year ending December 31, 2000 (the date of the last actuarial valuation available) was \$106,160,054, which was net of member contributions of \$5,657,431.

**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 1,200 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, 2001, the liability for unpaid compensated absences was \$1,081,716 for the entire City.

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

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**Note 17 - Contractual Commitments**

The City had the following outstanding contractual commitments as of December 31, 2001:

|                    | Amount     |
|--------------------|------------|
| Koski Construction | \$ 46,885  |
| Kyocera            | 272        |
| CIR                | 63,057     |
| S. S. Construction | 35,407     |
| Country Disposal   | 692        |
| C. T. Consultants  | 6,277      |
| Total              | \$ 152,590 |

**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 2001, 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   | -          |
|                | Police                        | 2,500      |
|                | Public Officials              | 2,500      |
|                | Business Electronic Equipment | 250        |
|                | Fire Vehicles and Ambulances  | 250        |

**City of Conneaut, Ohio**  
Notes to The General-Purpose Financial Statements  
For the Year Ended December 31, 2001

**Note 19 - Segment Information for Enterprise Funds**

The City maintains two enterprise funds. The Sewer Fund provides wastewater treatment services and the Water Fund provides water distribution to the City. Segment information is summarized for these operations as of and for the year ended December 31, 2001 is as follows:

|                              | <u>Sewer Fund</u> | <u>Water Fund</u> | <u>Total</u> |
|------------------------------|-------------------|-------------------|--------------|
| Operating Revenues           | \$ 1,523,960      | \$ 1,380,334      | \$ 2,904,294 |
| Operating Expenses           | 1,170,839         | 1,463,053         | 2,633,892    |
| Depreciation Expense         | 168,964           | 137,803           | 306,767      |
| Operating Income (Loss)      | 184,157           | (220,522)         | (36,365)     |
| Capital Contributions        | 238,471           | 90,080            | 328,551      |
| Net Income (Loss)            | 242,516           | (217,839)         | 24,677       |
| Property, Plant & Equipment: |                   |                   |              |
| Additions                    | 1,020,372         | 162,763           | 1,183,135    |
| Dispositions                 | (1,199,941)       | (63,959)          | (1,263,900)  |
| Net Working Capital          | 251,712           | 377,153           | 628,865      |
| Total Assets                 | 5,582,943         | 5,305,075         | 10,888,018   |
| Long-Term Liabilities        | 3,376,631         | 2,244,634         | 5,621,265    |
| Total Equity                 | 1,985,081         | 2,945,877         | 4,930,958    |

**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:

|  | <u>Sewer Fund</u>          | <u>Water Fund</u>          | <u>Total</u>               |
|--|----------------------------|----------------------------|----------------------------|
| Contributed Capital at Beginning of Year                     | \$ 1,500,030               | \$ 1,367,525               | \$ 2,867,555               |
| Contribution of General Fixed Assets from Governmental Funds | <u>550,042</u>             | <u>2,956</u>               | <u>552,998</u>             |
| Contributed Capital at End of Year                           | <u><u>\$ 2,050,072</u></u> | <u><u>\$ 1,370,481</u></u> | <u><u>\$ 3,420,553</u></u> |

**Note 21 - Related Party Transactions**

The Conneaut Port Authority, a component unit of the City of Conneaut, owes the City \$355,000 as of December 31, 2001. The City has a note in the same amount. During 2001, the Port Authority paid the City \$69,035, the amount of principal and interest on the note. The Port Authority also paid the City \$16,827 for legal services and police protection during 2001.

**City of Conneaut, Ohio**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2001

| Federal Grantor/<br>Pass Through Grantor<br>Program Title                         | CFDA<br>Number | Pass<br>Through<br>Entity<br>Number | Disbursements     |
|---|----------------|-------------------------------------|-------------------|
| <u>U S. DEPARTMENT OF HOUSING AND URBAN<br/>DEVELOPMENT</u>                       |                |                                     |                   |
| <i>Passed through Ohio Department of Development:</i>                             |                |                                     |                   |
| Community Development Block Grants –<br>State's Program:                          |                |                                     |                   |
| CHIP - Rental Rehab.  | 14.228         | A-C-95-107-1                        | \$ 42             |
| CHIP - Rental Rehab.  | 14.228         | A-C-00-107-1                        | 108,441           |
| Water and Sanitary Sewer  | 14.228         | A-W-99-107-1                        | 62,395            |
| Formula Allocation Program  | 14.228         | A-F-98-107-1                        | 82,972            |
| Formula Allocation Program  | 14.228         | A-F-99-107-1                        | 85,000            |
| Formula Allocation Program  | 14.228         | A-F-00-107-1                        | 2,500             |
| Subtotal passed through programs  |                |                                     | <u>341,350</u>    |
| Community Development Block Grants - Small Cities<br>Program:                     |                |                                     |                   |
| Revolving Loan Funds (Note B)   | 14.219         | N/A                                 | 12,636            |
| Home Investment Partnership Program   | 14.239         | A-C-00-107-2                        | <u>179,202</u>    |
| Total passed through Ohio Department of Development                               |                |                                     | <u>533,188</u>    |
| Total U.S. Department of Housing and Urban Development                            |                |                                     | <u>533,188</u>    |
| <u>U S. DEPARTMENT OF JUSTICE</u>   |                |                                     |                   |
| Public Safety Partnerships and Community Policing<br>Grants (COPS)                | 16.710         |                                     | <u>28,989</u>     |
| <u>U S. DEPARTMENT OF ENVIRONMENTAL PROTECTION<br/>AGENCY</u>                     |                |                                     |                   |
| <i>Passed through Ohio Water Development Authority:</i>                           |                |                                     |                   |
| Capitalization Grants for State Revolving Funds -<br>Water Pollution Control Loan | 66.458         | CS391197-06                         | <u>168,708</u>    |
| Total Expenditures of Federal Awards  |                |                                     | <u>\$ 730,885</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, 2001

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, 2001, was \$239,399. 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.





# 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, 2001, and have issued our report thereon dated August 21, 2002. 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. The City implemented Governmental Accounting Standards Board Statements No. 33 and 36 for the year ended December 31, 2001, as described in Note 2 of the general-purpose financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the City 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 August 21, 2002.

### 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 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 August 21, 2002.

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*

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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

August 21, 2002



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, 2001. The City of Conneaut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City 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 auditing standards generally accepted in the United States of America; 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 item 2001-1 in the accompanying schedule of findings, the City of Conneaut did not comply with the requirements regarding cash management that are applicable to its housing grants. Compliance with such requirements is necessary, in our opinion, for the City of Conneaut to comply with the requirements applicable to those programs.

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, 2001.

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

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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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 a matter involving the internal control over compliance and its operations that we consider to be reportable condition. 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. The reportable condition is described in the accompanying schedule of findings as 2001-1.

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 the reportable condition described above is not a material weaknesses.

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

August 21, 2002

**City of Conneaut, Ohio**  
Schedule of Findings  
For The Year Ended December 31, 2001

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Section I – Summary of Auditor’s Results

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*Financial Statements*

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

Internal control over financial reporting:

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

Noncompliance material to financial  
statements noted?                     yes     no

*Federal Awards*

Internal control over major programs:

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

Identification of major programs:

| <i>CFDA Numbers</i> | <i>Name of Federal Program or Cluster</i> |
|---------------------|---|
| 14.228              | CDBG – States Program                     |
| 14.219              | CDBG – Small Cities Program               |

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

Auditee qualified as low-risk auditee?                     yes     no

**City of Conneaut, Ohio**  
Schedule of Findings (Continued)  
For The Year Ended December 31, 2001

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Section II – Financial Statement Findings

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No findings to be reported.

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Section III – Federal Award Findings

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U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CFDA 14.228 CDBG States program – CHIP Rental Rehab  
CFDA 14.239 Home Investment Partnership Program

Compliance and Control -

**2001-01 Excess Cash**

Statement of Condition: The City had excess cash on hand for these programs. Three separate instances were found where cash on hand averaged over \$5,000 for weeks at a time.

Criteria: The OHCP Housing Rehabilitation Handbook requires the grantee to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to disbursement of funds. This rule state that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt.

Cause of Condition: The funds were drawn in anticipation of paying contracts being completed but they were not completed in the estimated time.

Recommendation: The City should use other funds and request the drawdowns on a reimbursement basis.

Response: The City agrees with the finding and will consider other alternatives.



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  
NOVEMBER 7, 2002**