



**CITY OF PORT CLINTON
OTTAWA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA
Auditor of State

**CITY OF PORT CLINTON
OTTAWA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Port Clinton, Ottawa County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Port Clinton, Ottawa County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The schedule of federal awards expenditures provides additional information required by the 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 basic financial statements. The schedule of federal awards expenditures is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

December 14, 2010

**City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2009
UNAUDITED**

The discussion and analysis of the City of Port Clinton's (the City's) financial performance provides an overview of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

In total, the City's net assets increased \$3,107,549, or 17 percent. Governmental activities increased 19 percent and business-type activities increased 15 percent. The increase for business-type activities is primarily reflected in the Sewer Fund resulting from an increase in revenues and decrease in expenses.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Port Clinton's financial position.

The statement of net assets and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's nonmajor funds in a single column. The City's major funds are the General, Clean Ohio, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, etc.). These factors must be considered when assessing the overall health of the City.

In the statement of net assets and the statement of activities, the City is divided into two types of activities:

Governmental Activities - Most of the City's programs and services are reported here, including security of persons and property (police and fire), public health, leisure time activities, community environment, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water and sewer services are reported here.

City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2009
UNAUDITED
REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Clean Ohio, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Proprietary Funds - The City had two different types of proprietary funds in 2009. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The City uses enterprise funds to account for water and sewer operations. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The City's internal service fund accounted for the City's self-insured program for employee health care benefits. The City discontinued the self-insured program in 2005 and final settlement was made with the third-party administrator in 2009. This fund has been closed.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds use the accrual basis of accounting.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

**City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2009
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2009 and 2008.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Assets</u>						
Current and Other Assets	\$5,068,103	\$5,398,948	\$1,714,372	\$2,387,411	\$6,782,475	\$7,786,359
Capital Assets, Net	8,303,466	6,040,720	20,201,100	18,007,433	28,504,566	24,048,153
Total Assets	13,371,569	11,439,668	21,915,472	20,394,844	35,287,041	31,834,512
<u>Liabilities</u>						
Current and Other Liabilities	1,495,527	1,382,438	503,123	890,459	1,998,650	2,272,897
Long-Term Liabilities	712,011	695,454	11,466,422	10,863,752	12,178,433	11,559,206
Total Liabilities	2,207,538	2,077,892	11,969,545	11,754,211	14,177,083	13,832,103
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	7,789,728	5,480,278	8,836,513	7,384,196	16,626,241	12,864,474
Restricted	1,883,008	2,091,376			1,883,008	2,091,376
Unrestricted	1,491,295	1,790,122	1,109,414	1,256,437	2,600,709	3,046,559
Total Net Assets	\$11,164,031	\$9,361,776	\$9,945,927	\$8,640,633	\$21,109,958	\$18,002,409

The increase in net assets for governmental activities was 19 percent. However, there was a 6 percent decrease in current and other assets, generally due to a decrease in cash and cash equivalents of \$549,000. This decrease is largely the result of cash carryover spending and a reflection of the present economic challenges. Note, however, the increase in net capital assets and the corresponding increase in invested in capital assets, much of this made up of street reconstruction/resurfacing activities as well as from purchasing land for the Lakeshore Preserve (financed with grant resources of \$1.4 million).

Business-type activities also experienced a decrease in current and other assets as resources were spent for continued construction activities at the wastewater treatment plant and for sewer separation projects. These activities also resulted in an increase in the City's long-term obligations as more resources were drawn from the Ohio Water Development Authority. Despite these construction projects drawing upon City resources, business-type activities had a 15 percent increase in net assets, partially due to the increase in net capital assets and invested in capital assets, but also that both enterprise funds maintained an operating income for the year.

**City of Port Clinton
Management's Discussion and Analysis
For the Year Ended December 31, 2009
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Table 2 reflects the change in net assets for 2009 and 2008.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$398,196	\$460,058	\$4,002,555	\$3,923,607	\$4,400,751	\$4,383,665
Operating Grants, Contributions, and Interest	926,123	960,523			926,123	960,523
Capital Grants and Contributions	1,479,803	229,754	300,202	1,068,041	1,780,005	1,297,795
Total Program Revenues	2,804,122	1,650,335	4,302,757	4,991,648	7,106,879	6,641,983
General Revenues						
Property Taxes Levied for General Purposes	547,572	557,731			547,572	557,731
Property Taxes Levied for Fire Operations	220,624	223,742			220,624	223,742
Municipal Income Taxes	2,207,164	2,108,555			2,207,164	2,108,555
Other Local Taxes	145,129	173,783			145,129	173,783
Payment in Lieu of Taxes	12,000				12,000	
Grants and Entitlements not Restricted to Specific Programs	586,195	537,951			586,195	537,951
Franchise Fees	48,398	46,769			48,398	46,769
Interest	57,642	134,712			57,642	134,712
Other	43,444	65,143	409,203	29,528	452,647	94,671
Total General Revenues	3,868,168	3,848,386	409,203	29,528	4,277,371	3,877,914
Total Revenues	6,672,290	5,498,721	4,711,960	5,021,176	11,384,250	10,519,897
<u>Program Expenses</u>						
Security of Persons and Property						
Police	1,817,709	1,693,038			1,817,709	1,693,038
Fire	275,282	213,966			275,282	213,966
Public Health	138,201	224,399			138,201	224,399
Leisure Time Activities	113,770	148,178			113,770	148,178
Community Environment	171,711	446,505			171,711	446,505
Transportation	662,942	1,053,731			662,942	1,053,731
General Government	1,658,994	1,571,219			1,658,994	1,571,219
Interest and Fiscal Charges	31,426	31,887			31,426	31,887
Water			1,443,125	1,370,297	1,443,125	1,370,297
Sewer			1,963,541	2,683,740	1,963,541	2,683,740
Total Expenses	4,870,035	5,382,923	3,406,666	4,054,037	8,276,701	9,436,960
Increase in Net Assets Before Transfers	1,802,255	115,798	1,305,294	967,139	3,107,549	1,082,937
Transfers		(5,583)		5,583		

**City of Port Clinton
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Increase in Net Assets	1,802,255	110,215	1,305,294	972,722	3,107,549	1,082,937
Net Assets Beginning of Year	9,361,776	9,251,561	8,640,633	7,667,911	18,002,409	16,919,472
Net Assets End of Year	<u>\$11,164,031</u>	<u>\$9,361,776</u>	<u>\$9,945,927</u>	<u>\$8,640,633</u>	<u>\$21,109,958</u>	<u>\$18,002,409</u>

For governmental activities, there was a 70 percent increase in program revenues, generally due to the \$1.4 million in grant resources received for the Lakeshore Preserve land acquisition. General revenues remained consistent with the prior year with an overall increase of less than 1 percent.

Governmental activities expenditures decreased over 9 percent overall and the distribution of expenditures among programs fluctuated quite a bit. The increase in the security of persons and property program was due, in part, to general salary and benefit increases but also due to the fire chief position becoming a full-time position (previously part-time). The decrease in the public health program was due to a re-distribution of staff and less individuals being paid from this program within the General Fund. Both the community environment and transportation programs reflect significant reductions due to the completion of grant programs and construction projects. In addition, in the prior year, many of the transportation costs were associated with routine maintenance expenses, whereas in 2009, a substantial portion of these costs were capitalized.

Safety related activities (police and fire), as expected, continue to account for the largest portion of the City's expenses. The majority of these costs are police department related since the City has a volunteer fire department. The City's second largest expense is related to general government costs, those costs primarily associated with running the City (costs consist of the operation of the offices of the mayor, auditor, treasurer, law director, safety service director, as well as the income tax department, and building/grounds maintenance).

For business-type activities, program revenues make up over 91 percent of total revenues, somewhat less than the 99 percent of the prior year; however, there was a significant decrease in capital grants and contributions due to fewer STAG grant resources in 2009. While the Water Fund had modest and generally inflationary increases, the Sewer Fund had a 37 percent decrease in expenses. Two of the largest contributors to this decrease were a greater amount of items capitalized in 2009 rather than expensed as in 2008 and there were significant sludge removal expenses in 2008.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Security of Persons and Property				
Police	\$1,817,709	\$1,693,038	\$1,648,586	\$1,614,091
Fire	275,282	213,966	147,656	90,395
Public Health	138,201	224,399	98,352	182,303
Leisure Time Activities	113,770	148,178	(1,409,567)	102,977
Community Environment	171,711	446,505	(20,978)	91,337
Transportation	662,942	1,053,731	(252)	324,854
General Government	1,658,994	1,571,219	1,570,690	1,294,744
Interest and Fiscal Charges	31,426	31,887	31,426	31,887
Total Expenses	<u>\$4,870,035</u>	<u>\$5,382,923</u>	<u>\$2,065,913</u>	<u>\$3,732,588</u>

**City of Port Clinton
Management's Discussion and Analysis
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With general revenues providing for 42 percent of the City's program costs in 2009, the City's dependence on the largest source of general revenues, municipal income taxes, is critical. As noted above, the City's police operations are substantially funded through general revenues. The same can be said for general government operations. The fire department and leisure time activities program benefit from charges for services which reduce the amount of general revenues required to support operations. These charges are made up of sports league fees, parking fees, and concessions for leisure time activities. Also, in 2009, the City received \$1.4 million in grant resources for the Lakeshore Preserve as reflected in the leisure time activities program. The community environment program receives substantial grant resources from the community development block grant program. Lastly, the transportation program receives charges for services in the form of permissive motor vehicle registration fees. In addition, this program receives operating grants in the form of State levied motor vehicle registration fees and gasoline taxes.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental fund is the General Fund. The General Fund experienced a 19 percent decrease in fund balance (\$220,453). Although both revenues and expenditures were very similar to the prior year, the General Fund continues to provide substantial transfers to other funds to subsidize their activities.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds. There was not a significant change in net assets for the Water Fund (2.5 percent increase); however, there was a 19 percent increase in net assets for the Sewer Fund, primarily due to a substantial decrease in expenses (sludge removal in 2008, more items capitalized in 2009 rather than expensed as in 2008).

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute. This includes the annual appropriations ordinance which is passed by City Council before April 1 each year. The City operates under a temporary budget for the first three months of each year.

The City's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget and from the final budget to actual revenues received were not significant. For expenditures, there was no change in total from the original budget to the final budget, except for transfers and advances. There was a savings of almost 18 percent from the final budget to actual expenditures as savings were realized in all programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2009, was \$7,789,728 and \$8,836,513, respectively (net of accumulated depreciation and related debt). For governmental activities, the primary additions consisted of land, a fire truck, and a vacuum truck, along with a continuation of street improvements. Deletions consisted of a bobcat loader and several vehicles. For business-type activities, the primary increase was related to continued improvements at the wastewater treatment plant, along with vacuum truck, and water, sewer, and storm sewer line improvements. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2009, the City had \$197,115 in general obligation bonds and \$62,885 in special assessment bonds outstanding related to governmental activities. For business-type activities, there was \$3,705,000 in general obligation bonds, \$221,913 in OPWC loans, and \$7,265,969 in OWDA loans outstanding at year end.

**City of Port Clinton
Management's Discussion and Analysis
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UNAUDITED**

In addition, the City's long-term obligations also include capital leases and compensated absences. For further information regarding the City's debt, refer to Notes 18, 19, and 20 to the basic financial statements.

CURRENT ISSUES

Current issues and events in the City include the following:

- The City will resurface 6th Street between Lee and Harrison and is continuing to seek funding for the resurfacing and reconstruction for the remainder of the street.
- The City has received federal stimulus funds for our 3rd Street sewer separation project. In addition, OPWC funds were received to do a simultaneous water line project with the sewer separation project.
- The City is completing upgrades that will increase the capacity of the wastewater treatment plant.
- The City is continuing its efforts to find funding for the public transient marina project.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Larry Hartlaub, City Auditor, 1868 Perry Street, Port Clinton, Ohio 43452.

City of Port Clinton
Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,804,959	\$682,752	\$2,487,711
Cash and Cash Equivalents with Escrow Agent		220,412	220,412
Accounts Receivable	67,551	626,379	693,930
Accrued Interest Receivable	34,351		34,351
Due from Other Governments	757,688	129,976	887,664
Municipal Income Taxes Receivable	692,336		692,336
Other Local Taxes Receivable	9,250		9,250
Prepaid Items	37,334	3,473	40,807
Materials and Supplies Inventory	17,491	51,380	68,871
Property Taxes Receivable	814,966		814,966
Notes Receivable	569,523		569,523
Special Assessments Receivable	250,654		250,654
Payment in Lieu of Taxes Receivable	12,000		12,000
Nondepreciable Capital Assets	2,400,464	7,487,269	9,887,733
Depreciable Capital Assets, Net	5,903,002	12,713,831	18,616,833
Total Assets	13,371,569	21,915,472	35,287,041
<u>Liabilities</u>			
Accrued Wages Payable	64,244	23,050	87,294
Accounts Payable	56,342	28,566	84,908
Contracts Payable	436,872	74,259	511,131
Retainage Payable		258,271	258,271
Due to Other Governments	169,509	49,024	218,533
Deferred Revenue	767,575		767,575
Accrued Interest Payable	985	11,420	12,405
Deposits Held and Due to Others		58,533	58,533
Long-Term Liabilities			
Due Within One Year	142,509	473,481	615,990
Due in More Than One Year	569,502	10,992,941	11,562,443
Total Liabilities	2,207,538	11,969,545	14,177,083
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	7,789,728	8,836,513	16,626,241
Restricted for			
Debt Service	124,853		124,853
Capital Projects	260,891		260,891
Transportation	262,631		262,631
Community Environment	718,350		718,350
Other Purposes	516,283		516,283
Unrestricted	1,491,295	1,109,414	2,600,709
Total Net Assets	\$11,164,031	\$9,945,927	\$21,109,958

See Accompanying Notes to the Basic Financial Statements

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City of Port Clinton
Statement of Activities
For the Year Ended December 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$1,817,709	\$56,564	\$97,774	\$14,785
Fire	275,282	127,446	180	
Public Health	138,201	39,849		
Leisure Time Activities	113,770	37,805	20,514	1,465,018
Community Environment	171,711		192,689	
Transportation	662,942	72,269	590,925	
General Government	1,658,994	64,263	24,041	
Interest and Fiscal Charges	31,426			
Total Governmental Activities	4,870,035	398,196	926,123	1,479,803
<u>Business-Type Activities</u>				
Water	1,443,125	1,493,771		
Sewer	1,963,541	2,508,784		300,202
Total Business-Type Activities	3,406,666	4,002,555		300,202
Total	\$8,276,701	\$4,400,751	\$926,123	\$1,780,005

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Fire Operations
Municipal Income Taxes
Other Local Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Fees
Interest
Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,648,586)		(\$1,648,586)
(147,656)		(147,656)
(98,352)		(98,352)
1,409,567		1,409,567
20,978		20,978
252		252
(1,570,690)		(1,570,690)
(31,426)		(31,426)
(2,065,913)		(2,065,913)
	\$50,646	50,646
	845,445	845,445
	896,091	896,091
(2,065,913)	896,091	(1,169,822)
547,572		547,572
220,624		220,624
2,207,164		2,207,164
145,129		145,129
12,000		12,000
586,195		586,195
48,398		48,398
57,642		57,642
43,444	409,203	452,647
3,868,168	409,203	4,277,371
1,802,255	1,305,294	3,107,549
9,361,776	8,640,633	18,002,409
<u>\$11,164,031</u>	<u>\$9,945,927</u>	<u>\$21,109,958</u>

City of Port Clinton
Balance Sheet
Governmental Funds
December 31, 2009

	General	Other Governmental	Total Governmental Funds
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$688,070	\$1,098,516	\$1,786,586
Accounts Receivable	66,379	1,172	67,551
Accrued Interest Receivable	32,134	2,217	34,351
Due from Other Governments	234,279	523,409	757,688
Municipal Income Taxes Receivable	692,336		692,336
Other Local Taxes Receivable	9,250		9,250
Interfund Receivable	27,761		27,761
Prepaid Items	29,582	7,752	37,334
Materials and Supplies Inventory	11,483	6,008	17,491
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	18,373		18,373
Property Taxes Receivable	574,455	240,511	814,966
Notes Receivable		569,523	569,523
Special Assessments Receivable		250,654	250,654
Payment in Lieu of Taxes Receivable		12,000	12,000
	<u>\$2,384,102</u>	<u>\$2,711,762</u>	<u>\$5,095,864</u>
Total Assets			
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accrued Wages Payable	\$54,010	\$10,234	\$64,244
Accounts Payable	26,574	29,768	56,342
Contracts Payable		436,872	436,872
Due to Other Governments	131,994	37,515	169,509
Interfund Payable		27,761	27,761
Deferred Revenue	1,237,107	968,293	2,205,400
	<u>1,449,685</u>	<u>1,510,443</u>	<u>2,960,128</u>
Total Liabilities			
<u>Fund Balance</u>			
Reserved for Encumbrances	166,418	278,955	445,373
Reserved for Interfund Receivable	23,756		23,756
Reserved for Unclaimed Monies	18,373		18,373
Reserved for Notes Receivable		554,821	554,821
Unreserved, Reported in			
General Fund	725,870		725,870
Special Revenue Funds		208,064	208,064
Debt Service Funds		43,012	43,012
Capital Projects Funds		116,467	116,467
	<u>934,417</u>	<u>1,201,319</u>	<u>2,135,736</u>
Total Fund Balance			
Total Liabilities and Fund Balance	<u>\$2,384,102</u>	<u>\$2,711,762</u>	<u>\$5,095,864</u>

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
 Reconciliation of Total Governmental Fund Balance
 to Net Assets of Governmental Activities
 December 31, 2009

Total Governmental Fund Balance		\$2,135,736
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
		8,303,466
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:</p>		
Accounts Receivable	60,893	
Accrued Interest Receivable	28,026	
Due from Other Governments	658,963	
Municipal Income Taxes Receivable	374,904	
Other Local Taxes Receivable	4,994	
Property Taxes Receivable	47,391	
Special Assessments Receivable	250,654	
Payment in Lieu of Taxes Receivable	12,000	
		1,437,825
<p>Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued Interest Payable	(985)	
General Obligations Bonds Payable	(197,115)	
Special Assessment Bonds Payable	(62,885)	
Capital Leases Payable	(316,623)	
Compensated Absences Payable	(135,388)	
		(712,996)
Net Assets of Governmental Activities		<u>\$11,164,031</u>

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2009

	General	Clean Ohio	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$544,600		\$219,188	\$763,788
Municipal Income Taxes	2,157,779			2,157,779
Other Local Taxes	141,102		72,269	213,371
Special Assessments			13,074	13,074
Charges for Services	150,599		156,249	306,848
Fees, Licenses, and Permits	50,779			50,779
Fines and Forfeitures	13,795		2,579	16,374
Intergovernmental	705,977	\$1,465,018	513,393	2,684,388
Interest	26,097		29,363	55,460
Other	51,776		8,862	60,638
Total Revenues	3,842,504	1,465,018	1,014,977	6,322,499
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,644,894		104,259	1,749,153
Fire			383,118	383,118
Public Health	133,194			133,194
Leisure Time Activities	110,406			110,406
Community Environment	4,502		166,898	171,400
Transportation			1,105,590	1,105,590
General Government	1,493,250			1,493,250
Capital Outlay		1,465,018	466,028	1,931,046
Debt Service:				
Principal Retirement	32,525		78,284	110,809
Interest and Fiscal Charges	1,768		31,180	32,948
Total Expenditures	3,420,539	\$1,465,018	2,335,357	7,220,914
Excess of Revenues Over (Under) Expenditures	421,965		(1,320,380)	(898,415)
<u>Other Financing Sources (Uses)</u>				
Inception of Capital Lease			118,000	118,000
Transfers In			642,418	642,418
Transfers Out	(642,418)			(642,418)
Total Other Financing Sources (Uses)	(642,418)		760,418	118,000
Change in Fund Balance	(220,453)		(559,962)	(780,415)
Fund Balance Beginning of Year	1,154,870		1,761,281	2,916,151
Fund Balance End of Year	<u>\$934,417</u>		<u>\$1,201,319</u>	<u>\$2,135,736</u>

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
 Reconciliation of Statement of Revenues, Expenditures,
 and Change in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2009

Change in Fund Balance - Total Governmental Funds (\$780,415)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital Outlay- Nondepreciable Capital Assets	2,028,162	
Capital Outlay- Depreciable Capital Assets	649,474	
Capital Contributions	14,785	
Depreciation	<u>(419,248)</u>	
		2,273,173

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the book value of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(4,000)	
Loss on Disposal of Capital Assets	<u>(6,427)</u>	
		(10,427)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Property Taxes	4,408	
Municipal Income Taxes	49,385	
Other Local Taxes	4,027	
Special Assessments	(13,074)	
Payment in Lieu of Taxes	12,000	
Charges for Services	(1,305)	
Fees, Licenses, and Permits	1,629	
Intergovernmental	267,001	
Interest	<u>10,935</u>	
		335,006

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds Payable	9,423	
Special Assessment Bonds Payable	17,577	
Capital Leases Payable	<u>83,809</u>	
		110,809

The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net assets. (118,000)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. 1,522

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (9,366)

The internal service fund used by management to charge the cost of health insurance services to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (47)

Change in Net Assets of Governmental Activities \$1,802,255

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$512,300	\$543,050	\$544,600	\$1,550
Municipal Income Taxes	2,200,000	2,200,000	2,130,157	(69,843)
Other Local Taxes	148,700	146,000	139,901	(6,099)
Charges for Services	194,441	152,500	148,444	(4,056)
Fees, Licenses, and Permits	4,125	48,100	50,779	2,679
Fines and Forfeitures	3,565	9,500	14,097	4,597
Intergovernmental	693,289	704,400	745,621	41,221
Interest	90,239	88,600	34,295	(54,305)
Other	116,959	103,300	47,302	(55,998)
Total Revenues	3,963,618	3,995,450	3,855,196	(140,254)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,842,614	1,842,614	1,706,510	136,104
Public Health	197,705	197,705	131,681	66,024
Leisure Time Activities	112,416	118,916	112,280	6,636
Community Environment	5,878	5,878	4,502	1,376
General Government	1,831,389	1,818,817	1,643,870	174,947
Debt Service:				
Principal Retirement		4,423	4,423	
Interest and Fiscal Charges		1,649	1,649	
Total Expenditures	3,990,002	3,990,002	3,604,915	385,087
Excess of Revenues Over (Under) Expenditures	(26,384)	5,448	250,281	244,833
<u>Other Financing Sources (Uses)</u>				
Advances In			3,787	3,787
Advances Out		(520,000)		520,000
Transfers In		11,250		(11,250)
Transfers Out	(761,917)	(805,000)	(742,418)	62,582
Total Other Financing Sources (Uses)	(761,917)	(1,313,750)	(738,631)	575,119
Change in Fund Balance	(788,301)	(1,308,302)	(488,350)	819,952
Fund Balance Beginning of Year	1,026,797	1,026,797	1,026,797	
Fund Balance (Deficit) End of Year	\$238,496	(\$281,505)	\$538,447	\$819,952

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Fund Net Assets
Proprietary Funds
December 31, 2009

	Business-Type Activities		Total Enterprise Funds
	Water	Sewer	
<u>Assets</u>			
<u>Current Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$331,028	\$293,191	\$624,219
Accounts Receivable	222,687	403,692	626,379
Due from Other Governments		129,976	129,976
Prepaid Items	1,861	1,612	3,473
Materials and Supplies Inventory	13,511	37,869	51,380
	569,087	866,340	1,435,427
<u>Non-Current Assets</u>			
<u>Restricted Assets</u>			
Equity in Pooled Cash and Cash Equivalents	58,533		58,533
Cash and Cash Equivalents with Escrow Agent		220,412	220,412
Nondepreciable Capital Assets	36,786	7,450,483	7,487,269
Depreciable Capital Assets, Net	2,334,491	10,379,340	12,713,831
	2,429,810	18,050,235	20,480,045
Total Non-Current Assets	2,429,810	18,050,235	20,480,045
Total Assets	2,998,897	18,916,575	21,915,472
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accrued Wages Payable	6,503	16,547	23,050
Accounts Payable	2,022	26,544	28,566
Contracts Payable		74,259	74,259
Retainage Payable		258,271	258,271
Due to Other Governments	17,278	31,746	49,024
Accrued Interest Payable		11,420	11,420
General Obligation Bonds Payable		140,000	140,000
OPWC Loans Payable	1,515	13,746	15,261
OWDA Loans Payable	53,409	212,634	266,043
Capital Leases Payable	7,288	14,576	21,864
Compensated Absences Payable	10,807	19,506	30,313
	98,822	819,249	918,071
Total Current Liabilities	98,822	819,249	918,071
<u>Non-Current Liabilities</u>			
Deposits Held and Due to Others	58,533		58,533
General Obligation Bonds Payable		3,565,000	3,565,000
OPWC Loans Payable	21,303	185,349	206,652
OWDA Loans Payable	590,982	6,408,944	6,999,926
Capital Leases Payable	49,947	99,894	149,841
Compensated Absences Payable	19,928	51,594	71,522
	740,693	10,310,781	11,051,474
Total Non-Current Liabilities	740,693	10,310,781	11,051,474
Total Liabilities	839,515	11,130,030	11,969,545
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	1,646,833	7,189,680	8,836,513
Unrestricted	512,549	596,865	1,109,414
Total Net Assets	\$2,159,382	\$7,786,545	\$9,945,927

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Revenues, Expenses,
and Change in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	<u>Business-Type Activities</u>		Total Enterprise Funds	<u>Governmental Activity Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>		
<u>Operating Revenues</u>				
Charges for Services	\$1,493,771	\$2,508,784	\$4,002,555	
Other	3,144	406,059	409,203	\$10
Total Operating Revenues	<u>1,496,915</u>	<u>2,914,843</u>	<u>4,411,758</u>	<u>10</u>
<u>Operating Expenses</u>				
Personal Services	389,994	799,073	1,189,067	
Contractual Services	15,092	268,694	283,786	
Materials and Supplies	852,967	265,180	1,118,147	
Bad Debt	4,088	8,595	12,683	
Other	60,000		60,000	74
Depreciation	81,718	271,481	353,199	
Total Operating Expenses	<u>1,403,859</u>	<u>1,613,023</u>	<u>3,016,882</u>	<u>74</u>
Operating Income (Loss)	<u>93,056</u>	<u>1,301,820</u>	<u>1,394,876</u>	<u>(64)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Revenue				1
Interest Expense	(39,259)	(350,509)	(389,768)	
Total Non-Operating Revenues (Expenses)	<u>(39,259)</u>	<u>(350,509)</u>	<u>(389,768)</u>	<u>1</u>
Income (Loss) before Capital Contributions	53,797	951,311	1,005,108	(63)
Capital Contributions		300,202	300,202	
Change in Net Assets	53,797	1,251,513	1,305,310	(63)
Net Assets Beginning of Year	<u>2,105,585</u>	<u>6,535,032</u>		<u>63</u>
Net Assets End of Year	<u>\$2,159,382</u>	<u>\$7,786,545</u>		

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.

	(16)
Change in net assets of business-type activities	\$1,305,294

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business-Type Activities			Governmental
	Water	Sewer	Total Enterprise Funds	Activity Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$1,491,369	\$2,505,101	\$3,996,470	
Cash Received from Other Revenues	3,144	406,059	409,203	\$10
Cash Payments for Personal Services	(391,019)	(820,682)	(1,211,701)	
Cash Payments for Contractual Services	(15,115)	(224,480)	(239,595)	
Cash Payments to Vendors	(846,964)	(1,001,932)	(1,848,896)	
Cash Payments for Other Expenses	(60,000)		(60,000)	(74)
Net Cash Provided by (Used for) Operating Activities	181,415	864,066	1,045,481	(64)
<u>Cash Flows from Capital and Related Financing Activities</u>				
Principal Paid on General Obligation Bonds		(105,000)	(105,000)	
Principal Paid on OPWC Loans	(1,514)	(13,745)	(15,259)	
Principal Paid on OWDA Loans	(50,605)	(330,527)	(381,132)	
Lease Principal	(1,765)	(3,530)	(5,295)	
Interest Paid on General Obligation Bonds		(187,688)	(187,688)	
Interest Paid on OWDA Loans	(38,503)	(190,989)	(229,492)	
Lease Interest	(756)	(1,513)	(2,269)	
OWDA Loans Issued		938,163	938,163	
Grants	155	192,249	192,404	
Acquisition of Capital Assets	(75,742)	(1,961,594)	(2,037,336)	
Net Cash Used for Capital and Related Financing Activities	(168,730)	(1,664,174)	(1,832,904)	
<u>Cash Flows from Investing Activities</u>				
Interest				1
Net Increase (Decrease) in Cash and Cash Equivalents	12,685	(800,108)	(787,423)	(63)
Cash and Cash Equivalents Beginning of Year	376,876	1,313,711	1,690,587	\$63
Cash and Cash Equivalents End of Year	\$389,561	\$513,603	\$903,164	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Operating Income (Loss)	\$93,056	\$1,301,820	\$1,394,876	(\$64)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>				
Depreciation	81,718	271,481	353,199	
Provision for Uncollectible Accounts	4,088	8,595	12,683	
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(2,402)	(3,683)	(6,085)	
Decrease in Prepaid Items	370	3,960	4,330	
(Increase) Decrease in Materials and Supplies Inventory	4,233	(21,763)	(17,530)	
Increase in Accrued Wages Payable	1,003	2,965	3,968	
Decrease in Accounts Payable	(2,407)	(46,554)	(48,961)	
Decrease in Contracts Payable	(155)	(364,011)	(364,166)	
Decrease in Retainage Payable		(267,705)	(267,705)	
Decrease in Due to Other Governments	(4,591)	(10,457)	(15,048)	
Increase (Decrease) in Compensated Absences Payable	4,775	(10,582)	(5,807)	
Increase in Deposits Held and Due to Others	1,727		1,727	
Net Cash Provided by (Used for) Operating Activities	\$181,415	\$864,066	\$1,045,481	(\$64)

Non-Cash Capital Transaction

At December 31, 2009, the Sewer enterprise fund had a receivable for grants related to capital assets, in the amount of \$129,976.

During 2009, the Water and Sewer enterprise funds entered into two new leases for machinery and equipment, in the amount of \$59,000 and \$118,000, respectively.

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2009

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$25,888</u></u>
<u>Liabilities</u>	
Undistributed Assets	<u><u>\$25,888</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

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

A. The City

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

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to 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 budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Port Clinton in 2009.

The City participates in an insurance pool, the Ohio Government Risk Management Plan, which is presented in Note 22 to the basic financial statements.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Port Clinton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental 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 (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are reported in three categories; governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major funds:

General Fund - The General Fund accounts 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.

Clean Ohio - This fund accounts for monies received from the Ohio Department of Natural Resources for the purchase of land to be used for the Lakeshore Preserve.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows. The City reports two types of proprietary funds, enterprise and internal service:

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - The Water Fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

Sewer Fund - The Sewer Fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund accounts for monies received for the activities of the self insurance program for employee health benefits. The City discontinued the self insurance program in 2005.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2009. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for employee payroll withholdings and deductions and for insurance proceeds held by the City to secure proper handling of fire damaged structures until adequately repaired or demolished.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and change in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and change in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Nonexchange Transactions

Revenues 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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are 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 thirty-one days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle registration fees), grants, and interest.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2009, but were levied to finance 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund and department level for the General Fund and fund level for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the City prior to year end.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately for the City by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During 2009, the City's investments included nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Investments are reported at fair value, which is based on current share price or quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

Interest earnings are allocated to City funds according to State statutes or grant requirements. Interest revenue credited to the General Fund during 2009 was \$26,097, which includes \$17,361 assigned from other City funds.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Unclaimed monies that have a legal restriction on their use are reported as restricted. Utility deposits from customers are restricted because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are reported as restricted.

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	15-45 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	6-15 years
Streets	20-40 years
Water, Sewer, and Storm Sewer Lines	50 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

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

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

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as liabilities on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes generally consist of various police department grants and programs. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, interfund receivable, unclaimed monies, and notes receivable.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer services, and charges for services in the internal service fund. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. Capital Contributions

Capital contributions arise from contributions from other governments.

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

A. Change in Accounting Principles

For 2009, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS
(continued)

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

B. Restatement of Net Assets

During 2009, the City changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year, along with the corresponding deferred revenue. The restatement had the following effect on net assets.

	Total Governmental Activities
Net Assets at December 31, 2008	\$9,412,401
Payment in Lieu of Taxes Receivable	(50,625)
Adjusted Net Assets at December 31, 2008	\$9,361,776

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2009, the Main Thoroughfare special revenue fund had a deficit fund balance, in the amount of \$288,242, which resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Compliance

At December 31, 2009, the General Fund and the Main Thoroughfare special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$281,505 and \$996,314, respectively. The Auditor will review appropriations to ensure they are within available resources.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Change in Fund Balance

GAAP Basis	(\$220,453)
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2008, Received in Cash 2009	366,084
Accrued 2009, Not Yet Received in Cash	(375,046)
	(continued)

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Change in Fund Balance
(continued)

Expenditure Accruals:	
Accrued 2008, Paid in Cash 2009	(\$226,465)
Accrued 2009, Not Yet Paid in Cash	215,898
Cash Adjustments:	
Unrecorded Activity 2008	19,376
Unrecorded Activity 2009	2,278
Prepaid Items	(1,072)
Materials and Supplies Inventory	(2,463)
Transfers Out	(100,000)
Advances In	3,787
Encumbrances Outstanding at Year End (Budget Basis)	(170,274)
Budget Basis	<u><u>(\$488,350)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the City Council has identified as not required for use within the current five 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.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 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.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,230,000 of the City's bank balance of \$2,258,266 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of December 31, 2009, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$200,301	2/9/11
Federal Home Loan Bank Bonds	125,896	4/30/10
Federal National Mortgage Association Notes	125,527	4/29/11
Federal National Mortgage Association Notes	176,642	9/28/11
Mutual Funds	121,263	51 days
STAR Ohio	115,010	61.2 days
Total Investments	<u>\$864,639</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code. Securities with a fixed interest rate must mature within five years from the date of investment and securities with a variable interest rate must mature within two years from the date of investment.

The securities underlying the mutual funds and the federal agency securities carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAAM by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation	\$200,301	23.2%
Federal Home Loan Bank	125,896	14.6
Federal National Mortgage Association	302,169	34.9

NOTE 7 - RECEIVABLES

Receivables at December 31, 2009, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; notes; special assessments; and payment in lieu of taxes. All receivables are expected to be collected within one year, except as noted. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$554,821, will not be received within one year. Special assessments receivable, in the amount of \$221,387, will not be received within one year. At December 31, 2009, the amount of delinquent special assessments was \$101,254.

A summary of the changes in notes receivable during 2009 follows:

	<u>Balance December 31, 2008</u>	<u>New Loans</u>	<u>Repayments</u>	<u>Balance December 31, 2009</u>
Special Revenue Fund				
CDBG	\$148,943			\$148,943
HPG	124,291		\$3,960	120,331
HOME	260,754	\$39,495		300,249
	<u>\$533,988</u>	<u>\$39,495</u>	<u>\$3,960</u>	<u>\$569,523</u>

A summary of accounts receivable related to utility services is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Accounts Receivable	\$233,270	\$423,346	\$656,616
Less Allowance for Uncollectible	10,583	19,654	30,237
Net Accounts Receivable	<u>\$222,687</u>	<u>\$403,692</u>	<u>\$626,379</u>

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 7 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$34,605
Personal Property Phase-Out	3,463
Estate Tax	9,897
Local Government	176,059
Beer and Liquor Permits	9,835
Continuing Professional Training Attestation Grant	420
Total General Fund	234,279
Nonmajor Funds	
Fire Levy	
Homestead and Rollback	14,038
Main Thoroughfare	
Motor Vehicle License Tax	5,476
OTT-163 Street Resurfacing Project Grant	334,021
Total Main Thoroughfare	339,497
State Highway	
Gasoline Tax	8,935
Motor Vehicle License Tax	2,308
Total State Highway	11,243
	(continued)

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Street Maintenance	
Gasoline Tax	\$113,935
Motor Vehicle License Tax	24,730
Total Street Maintenance	138,665
CDBG	
CDBG Grant	19,966
Total Nonmajor Funds	523,409
Total Governmental Activities	\$757,688
Business-Type Activities	
Major Fund	
Sewer	
Stag Grant	\$129,976

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax revenue is credited to the General Fund.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 9 - PROPERTY TAXES (continued)

Public utility property tax revenues received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2007, were levied after October 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2009, and for which there was an enforceable legal claim. In governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable has been deferred.

The full tax rate for all City operations for the year ended December 31, 2009, was \$6.10 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2009 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	\$105,645,160
Commercial/Industrial	33,083,750
Public Utility Real	26,540
Public Utility Personal	4,769,120
Total	\$143,524,570

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 10 - PAYMENT IN LIEU OF TAXES

According to State law, the City has entered into an agreement with a property owner under which the City has granted property tax exemptions to that property owner. The property owner has agreed to make payments to the City which reflect all or a portion of the property taxes which they would have paid if the taxes had not been exempted. The property owner contractually promises to make these payments in lieu of taxes until agreement expires.

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$516,482	\$1,465,018		\$1,981,500
Construction in Progress	10,455	563,144	\$(154,635)	418,964
Total Nondepreciable Capital Assets	526,937	2,028,162	(154,635)	2,400,464
Depreciable Capital Assets				
Land Improvements	232,038			232,038
Buildings and Improvements	1,729,498			1,729,498
Furniture, Fixtures, and Equipment	1,062,114	54,576	(32,983)	1,083,707
Vehicles	1,770,128	280,000	(155,353)	1,894,775
Streets	8,575,706	484,318		9,060,024
Total Depreciable Capital Assets	13,369,484	818,894	(188,336)	14,000,042
Less Accumulated Depreciation for				
Land Improvements	(36,181)	(11,602)		(47,783)
Buildings and Improvements	(438,452)	(38,603)		(477,055)
Furniture, Fixtures, and Equipment	(649,620)	(64,491)	22,556	(691,555)
Vehicles	(1,349,687)	(86,070)	155,353	(1,280,404)
Streets	(5,381,761)	(218,482)		(5,600,243)
Total Accumulated Depreciation	(7,855,701)	(419,248)	177,909	(8,097,040)
Total Depreciable Capital Assets, Net	5,513,783	399,646	(10,427)	5,903,002
Governmental Activities Capital Assets, Net	\$6,040,720	\$2,427,808	(\$165,062)	\$8,303,466

Governmental activities accepted contributions of depreciable capital assets with a fair value of \$14,785 during 2009.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$12,552			\$12,552
Construction in Progress	5,250,822	\$2,241,928	\$(18,033)	7,474,717
Total Nondepreciable Capital Assets	5,263,374	2,241,928	(18,033)	7,487,269
Depreciable Capital Assets				
Land Improvements	13,965			13,965
Buildings and Improvements	11,753,097			11,753,097
Furniture, Fixtures, and Equipment	728,218	12,290		740,508
Vehicles	107,953	177,000		284,953
Water, Sewer, and Storm Sewer Lines	3,719,107	133,681		3,852,788
Total Depreciable Capital Assets	16,322,340	322,971		16,645,311
Less Accumulated Depreciation for				
Land Improvements	(5,935)	(698)		(6,633)
Buildings and Improvements	(2,641,263)	(206,184)		(2,847,447)
Furniture, Fixtures, and Equipment	(268,327)	(46,265)		(314,592)
Vehicles	(51,610)	(25,468)		(77,078)
Water, Sewer, and Storm Sewer Lines	(611,146)	(74,584)		(685,730)
Total Accumulated Depreciation	(3,578,281)	(353,199)		(3,931,480)
Total Depreciable Capital Assets, Net	12,744,059	(30,228)		12,713,831
Business-Type Activities Capital Assets, Net	\$18,007,433	\$2,211,700	(\$18,033)	\$20,201,100

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$63,272
Security of Persons and Property - Fire	53,160
Public Health	10,742
Leisure Time Activities	10,208
Transportation	266,118
General Government	15,748
Total Depreciation Expense - Governmental Activities	<u>\$419,248</u>

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 12 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2008, the General Fund had an interfund receivable, in the amount of \$27,761, for a loan made to other governmental funds. Of this amount, \$23,756 is not scheduled to be collected within one year.

NOTE 13 - 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 2009, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Blanket Building and Personal Property	\$20,503,959	\$1,000
Special Property	1,518,767	1,000
General Liability		
Occurrence	2,000,000	
Aggregate	4,000,000	
Employer's Liability		
Occurrence	2,000,000	
Aggregate	2,000,000	
Employee Benefits		
Occurrence	2,000,000	
Aggregate	4,000,000	
Public Officials Liability		
Occurrence	2,000,000	10,000
Aggregate	4,000,000	10,000
Law Enforcement Liability		
Occurrence	2,000,000	10,000
Aggregate	4,000,000	10,000
Auto Liability	2,000,000	250/500
Builders Risk	500,000	

There has been no significant reduction in insurance coverage from 2008, and no insurance settlement has exceeded insurance coverage during the last three years.

Worker's compensation is provided by the State of Ohio. The City pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 13 - RISK MANAGEMENT (continued)

Through May 31, 2005, the City provided employee health insurance benefits through a partially self-insured program. The City established a Self-Insurance internal service fund to account for and finance the cost of the program. All funds of the City participated in the self-insurance program and made payments to the Self-Insurance internal service fund based upon actuarial estimates of the amounts needed to pay prior- and current-year claims. The City utilized a claims servicing pool, the Ohio Mid Eastern Regional Education Service Agency (OME-RESA) to process all claims. All premiums paid to the Self-Insurance internal service fund were deposited with the claims servicing pool. As of December 31, 2009, all activity with OME-RESA had been terminated.

On June 1, 2005, the City began purchasing insurance through Medical Mutual of Ohio.

NOTE 14 - CONTRACTUAL COMMITMENTS

At December 31, 2009, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Arcadis	Third Street Sewer Separation	\$33,091
A.T. Emmett	Lakeview Park Restrooms	7,200
Chemtron	WWTP Building	46,000
Erie Blacktop	OTT-163 Street Resurfacing Project	476,059
Floyd Browne	Engineer - Buckeye Blvd Engineering	17,650
Floyd Browne	Engineer - Perry Street Repaving and Construction	7,700
Floyd Browne	Engineer - Phase II WWTP	10,856
HR & A Advisors	Study Market Conditions	5,468
Industrial Power Systems	Phase I WWTP Improvement	6,024
Masonry Construction	Lakeview Park Restrooms	9,840
Masonry Construction	Lakeview Park Restrooms	17,991
Mosser Construction	Phase I WWTP Improvement	63,633
Mosser Construction	Phase II WWTP Improvement	14,204
Ohio Edison	Lakeview Park Restrooms	4,362
Ohio Edison	Lakeview Park Restrooms	4,900
Ohler & Holzhauser	Lakeview Park Restrooms	6,000
Poggemeyer Design Group	Sixth Street Reconstruction	18,876

(continued)

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 14 - CONTRACTUAL COMMITMENTS (continued)

Company	Project	Amount Remaining on Contract
R.E. Warner & Associates	Lakeshore Drive	\$6,375
R.E. Warner & Associates	Lakeshore Drive	36,588
R.E. Warner & Associates	OTT-163 Street Resurfacing Project	24,780
Warner Mechanical Corp.	Phase I WWTP Improvement	27,265
Total		<u>\$844,862</u>

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll, public safety and law enforcement members contributed 10.1 percent.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

The City's contribution rate for 2009 was 14 percent of covered payroll. For 2009, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment health care plan from January 1 through March 31 and 8.5 percent was allocated from April 1 through December 31. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 was \$74,364, \$98,476, and \$151,990, respectively; 82 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$20,391 made by the City and \$14,565 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. OPF provides retirement and disability pension 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. OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers. Contribution rates are established by State statute. For 2009, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The City's required contribution for pension obligations for police for the year ended December 31, 2009, was \$82,975, for the year ended December 31, 2008, was \$79,860, and for the year ended December 31, 2007, was \$93,071. For 2009, 65 percent has been contributed for police. The full amount has been contributed for 2008 and 2007.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 7 percent of covered payroll from January 1 through March 31, 2009, and 8.5 percent of covered payroll for the remainder of the year.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2009, 2008, and 2007 was \$131,045, \$118,892, and \$109,030, respectively; 82 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

B. Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium reimbursement, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit, or is a spouse or eligible dependent child of such person.

The Ohio Revised Code permits, but does not require, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy - OPF's postemployment healthcare plan was established and is administered as an IRS Code Section 115 trust for health care benefits and an Internal Revenue Code 401(h) account for Medicare Part B reimbursements, both within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 115 trust and 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of sections 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police for the year ended December 31, 2009, was \$43,928, for the year ended December 31, 2008, was \$42,279, and for the year ended December 31, 2007, was \$49,273. For 2009, 65 percent has been contributed for police. The full amount has been contributed for 2008 and 2007.

NOTE 17 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

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

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 17 - COMPENSATED ABSENCES (continued)

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

NOTE 18 - SHORT-TERM OBLIGATIONS

The changes in the City's notes payable during 2009 were as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
<u>Governmental Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
2008 Fire Station	2.49%	\$100,000		\$100,000	

According to Ohio law, notes may be issued in anticipation of bond proceeds or for up to 50 percent of anticipated revenue collections.

On April 24, 2008, the City issued bond anticipation notes, in the amount of \$100,000, to partially retire notes previously issued to acquire, remodel, equip, and otherwise improve a building to house the operations of the City's volunteer fire department. The notes had an interest rate of 2.49 percent and matured on April 24, 2009. The notes were paid from the General Bond Retirement debt service fund.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Governmental Activities</u>						
<u>General Obligation Bonds</u>						
1994 West Second and Laurel Street (Original Amount \$84,260)	6.22%	\$26,538		\$4,423	\$22,115	\$4,423
2008 Various Purpose (Original Amount \$3,990,000)	3.750	180,000		5,000	175,000	5,000
Total General Obligation Bonds		206,538		9,423	197,115	9,423
<u>Special Assessment Bonds</u>						
1990 South Madison Street (Original Amount \$132,500)	7.4	14,000		7,000	7,000	7,000
1994 West Second and Laurel Street (Original Amount \$143,470)	6.22	45,462		7,577	37,885	7,577
1995 Fulton Street (Original Amount \$48,530)	6.5	21,000		3,000	18,000	3,000
Total Special Assessment Bonds		80,462		17,577	62,885	17,577
<u>Other Long-Term Obligations</u>						
Capital Leases Payable		282,432	\$118,000	83,809	316,623	69,141
Compensated Absences Payable		126,022	9,366		135,388	46,368
Total Other Long-Term Obligations		408,454	127,366	83,809	452,011	115,509
Total Governmental Activities		\$695,454	\$127,366	\$110,809	\$712,011	\$142,509
	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Business-Type Activities</u>						
<u>General Obligation Bonds</u>						
2008 General Obligation Bonds (Original Amount \$3,990,000)	3.75%	\$3,810,000		\$105,000	\$3,705,000	\$140,000

(continued)

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

<u>Business-Type</u> (continued)	<u>Activities</u>	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>OPWC Loans</u>							
2002 OPWC Loans Payable (Original Amount \$28,000)		0%	\$18,900		\$1,400	\$17,500	\$1,400
2004 OPWC Loans Payable (Original Amount \$208,350)		0	161,471		10,417	151,054	10,418
2004 OPWC Loans Payable (Original Amount \$40,934)		0	56,801		3,442	53,359	3,443
Total OPWC Loans			<u>237,172</u>		<u>15,259</u>	<u>221,913</u>	<u>15,261</u>
<u>OWDA Loans</u>							
2000 OWDA Loans Payable (Original Amount \$1,027,009)		5.54	694,996		50,605	644,391	53,409
2003 OWDA Loans Payable (Original Amount \$5,216,972)		3.89	4,234,635		204,598	4,030,037	212,634
2008 OWDA Loans Payable (Original Amount \$1,779,307)		1.00	1,779,307	\$938,163	125,929	2,591,541	
Total OWDA Loans			<u>6,708,938</u>	<u>938,163</u>	<u>381,132</u>	<u>7,265,969</u>	<u>266,043</u>
<u>Other Long-Term Obligations</u>							
Capital Leases Payable				177,000	5,295	171,705	21,864
Compensated Absences Payable			107,642	15,146	20,953	101,835	30,313
Total Other Long-Term Obligations			<u>107,642</u>	<u>192,146</u>	<u>26,248</u>	<u>273,540</u>	<u>52,177</u>
Total Business-Type Activities			<u>\$10,863,752</u>	<u>\$1,130,309</u>	<u>\$527,639</u>	<u>\$11,466,422</u>	<u>\$473,481</u>

General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of the City of Port Clinton and are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest payments. The bonds will be paid from the General Fund, the Second and Laurel capital projects fund, and the Water and Sewer enterprise funds.

The bonds maturing on or after December 1, 2016, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, and in integral multiples of \$5,000, on any date on or after June 1, 2015, at par plus accrued interest to the redemption date.

Special Assessment Bonds

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

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

Compensated Absences

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance and Fire Levy special revenue funds, and the Water and Sewer enterprise funds.

OPWC Loans Payable

The City has entered into loan agreements with the Ohio Public Works Commission for improvements at the wastewater treatment plant, a standby generator, and Jackson Street water and sewer lines. The loans are interest free. The loans will be paid from resources of the Water and Sewer enterprise funds.

OWDA Loans Payable

The City has entered into loan agreements with the Ohio Water Development Authority for construction of a water tower and wastewater treatment plant improvements. The loans will be paid from resources of the Water and Sewer enterprise funds.

The OPWC and OWDA loans will be paid from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the OPWC and OWDA loans are \$221,913 and \$7,265,969, respectively. Principal and interest paid for the current year and net revenues were \$90,622 and \$135,515 from the Water enterprise fund and \$535,261 and \$1,222,792 for the Sewer enterprise fund.

The City's legal debt margin was \$14,878,010 at December 31, 2009.

The wastewater treatment plant improvements funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2009, were as follows:

Year	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2010	\$9,423	\$8,559	\$17,577	\$4,037
2011	9,423	8,371	10,577	2,854
2012	9,423	7,910	10,577	2,189
2013	9,423	7,448	10,577	1,524
2014	9,423	6,986	10,577	859
2015-2019	50,000	27,698	3,000	194
2020-2024	50,000	17,440		
2025-2028	50,000	6,054		
Total	<u>\$197,115</u>	<u>\$90,466</u>	<u>\$62,885</u>	<u>\$11,657</u>

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009, from the business-type activities were as follows:

Year	General Obligation Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2010	\$140,000	\$151,748	\$15,261	\$266,043	\$191,229
2011	145,000	146,498	15,260	277,355	179,920
2012	150,000	141,060	15,260	289,157	168,116
2013	155,000	135,435	15,260	301,473	155,800
2014	160,000	129,622	15,260	314,327	142,947
2015-2019	860,000	554,749	76,300	1,740,423	501,391
2020-2024	1,060,000	367,496	67,591	1,485,650	150,625
2025-2028	1,035,000	118,085	1,721		
Total	<u>\$3,705,000</u>	<u>\$1,744,693</u>	<u>\$221,913</u>	<u>\$4,674,428</u>	<u>\$1,490,028</u>

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 20 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into capitalized leases for vehicles. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Transportation", "Capital Outlay", and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and change in fund balance for governmental funds and as a reduction of the liability in the enterprise funds. Principal payments in 2009 were \$83,809 for governmental funds and \$5,295 for enterprise funds.

	Governmental Activities	Business-Type Activities
Vehicles	\$493,000	\$177,000
Less Accumulated Depreciation	(82,867)	(11,800)
Total	\$410,133	\$165,200

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009.

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$69,141	\$14,132	\$21,864	\$8,393
2011	72,401	10,872	23,008	7,249
2012	75,813	7,459	24,210	6,046
2013	47,838	3,885	25,478	4,781
2014	17,873	2,298	26,810	3,447
2015-2016	33,557	1,744	50,335	2,615
Total	\$316,623	\$40,390	\$171,705	\$32,531

NOTE 21 - INTERFUND TRANSFERS

During 2009, the General Fund made transfers to other governmental funds, in the amount of \$642,418; \$2,418 as debt payments came due and \$640,000 to subsidize activities of the various funds.

City of Port Clinton
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009
(continued)

NOTE 22 - INSURANCE POOL

The City participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

NOTE 23 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2009, to December 31, 2009, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**CITY OF PORT CLINTON
OTTAWA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant - States Program	AC-02 166-1	14.228	\$ 68,188
Home Investment Partnerships Program	AC-02 166-2	14.239	59,998
Total - Department of Housing and Urban Development			<u>128,186</u>
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY			
Direct Assistance			
Surveys, Studies, Investigations and Special Purpose Grants	n/a	66.606	<u>192,249</u>
UNITED STATES DEPARTMENT OF COMMERCE			
<i>Passed Through Ohio Department of Natural Resources</i>			
Coastal Zone Management	n/a	11.419	<u>665,000</u>
Total Federal Financial Assistance			<u><u>\$ 985,435</u></u>

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

**CITY OF PORT CLINTON
OTTAWA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Notes to the Schedule of Federal Awards Expenditures (the Schedule) reports the City of Port Clinton (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes, for rental housing rehabilitation and down payment assistance. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money would be recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule (the Schedule). Loans repaid, including interest are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are also included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2009, the gross amount of loans outstanding under this program was \$569,523.

Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Port Clinton, Ottawa County, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 14, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, City Council, federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 14, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of City Council:

Compliance

We have audited the compliance of the City of Port Clinton, Ottawa County (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Port Clinton, Ottawa County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2009-002.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 14, 2010

CITY OF PORT CLINTON
OTTAWA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Coastal Zone Management Administration Awards – CFDA 11.419
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2009-001

Material Weakness – Recording Grant Activity

In 2009 the City was the beneficiary of \$800,018 of Ohio Public Work Commission (OPWC) and \$665,000 of Coastal Zone Management grant monies sent directly to the vendors by OPWC and the Ohio Department of Natural Resources. The Fiscal Officer did not record the receipts and expenditure of this activity. Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements in a capital project fund when the Village applies for a project and has administrative responsibilities. The accompanying financial statements and client records were adjusted to reflect these amounts in the Capital Projects Fund Type.

Sound financial reporting is the responsibility of the City Auditor and Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the City's financial statements and notes to the statements are complete and accurate, the City should adopt policies and procedures, including a final review of the statements and notes by the City Auditor and Council, to identify and correct errors and omissions, as well as establishing the correct funds to present City grant activity. The City Auditor can review Auditor of State Bulletins 2000-008 and 2002-004 for accounting guidance for certain on-behalf-of grants or improvement projects.

Officials' Response:

The City Auditor and department heads will work together to communicate when these types of grants are received to ensure the transactions are recorded.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2009-002

Noncompliance Citation

OMB Circular A-133, Subpart B, § 200(b) requires Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted except when they elect to have a program-specific audit conducted in accordance with paragraph (c) of this section. **Subpart C, §.320** requires the audit, data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The City expended greater than \$500,000 in Federal Awards during fiscal year 2009 and did not meet the nine month deadline. The City did not receive an extension to this filing requirement.

This situation could compromise the City's eligibility to participate in future federal grant and/or loan programs. We recommend the City's management monitor grant activity more diligently and institute procedures to help ensure a single audit or program-specific audit is conducted when required by OMB Circular A-133.

Officials' Response:

The City Auditor acknowledges it is the City's responsibility to meet the filing date requirement; however, the City Auditor was not aware the City was required to account for this federal grant expenditure on the City's books.

**CITY OF PORT CLINTON
OTTAWA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2009**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-002	The City has appointed someone to monitor grant compliance which should assist in getting the audit released within 9 months from year end.	8/31/2011	Larry Hartlaub, City Auditor

**CITY OF PORT CLINTON
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Not recording on-behalf-of grant revenues and expenditures	No	Repeated as Finding 2009-001 in this report.
2008-002	OMB Circular A-133 §.200 for not filing a single audit report within nine months of fiscal year end	No	Repeated as Finding 2009-002 in this report.

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Mary Taylor, CPA
Auditor of State

CITY OF PORT CLINTON

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2010**