

CITY OF CONNEAUT
ASHTABULA COUNTY, OHIO

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

FOR THE YEAR ENDED DECEMBER 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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Members of Council
City of Conneaut, Ohio

We have reviewed the Independent Auditor's Report of the City of Conneaut, Ashtabula County, prepared by S. R. Snodgrass, A. C., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

August 10, 2001

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City of Conneaut, Ohio

General-Purpose Financial Statements and Audit Reports

For the Year Ended December 31, 2000

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SNODGRASS

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

Members of Council
City of Conneaut, Ohio

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

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

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

The City does not have a complete schedule of infrastructure fixed assets and related depreciation in the enterprise funds. The effects on the financial position of the City of Conneaut, Ohio, as of December 31, 2000, and the results of its operations and cash flows of its enterprise funds for the year then ended cannot be determined.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraphs, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Conneaut, Ohio, as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 4 to the financial statements, it was discovered during the audit that the cash balances, at December 31, 1999, although correct in total, the allocation between funds was overstated or understated when the GAAP basis statements were prepared. Accordingly, adjustments were made to cash and fund or equity balances, as of January 1, 2000.

As discussed in Note 4 to the financial statements, the City changed its method of accounting for enterprise fund construction projects.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2001, on our consideration of the City of Conneaut, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

S. R. Snodgrass, A.C

Ashtabula, Ohio
June 28, 2001

City of Conneaut, Ohio
 Combined Balance Sheet - All Fund Types and Account Groups
 December 31, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits									
Assets									
Cash and Cash Equivalents	\$ 1,211,691	\$ 884,077	\$ 847,616	\$ 255,473	\$ 894,014	\$ 18,544	\$ -	\$ -	\$ 4,111,415
Cash and Cash Equivalents in Segregated Accounts	-	-	-	-	-	75,610	-	-	75,610
Receivables:									
Taxes	573,351	730,807	583,940	8,470	-	-	-	-	1,896,568
Accounts	87,328	43,708	-	-	364,043	-	-	-	495,079
Special Assessments	58,989	-	1,449,570	-	-	-	-	-	1,508,559
Accrued Interest	-	-	-	12,690	-	-	-	-	12,690
Due From Other Funds	21,621	5,170	-	5,274	-	-	-	-	32,065
Due From Other Governments	156,519	91,095	-	-	24,371	-	-	-	271,985
Due From Component Unit	-	-	-	405,000	-	-	-	-	405,000
Materials and Supplies									
Inventory	9,497	26,005	-	-	115,203	-	-	-	150,705
Loans Receivable	13,891	283,424	-	-	-	-	-	-	297,315
Bond Issue Costs	-	-	-	-	31,504	-	-	-	31,504
Fixed Assets (Net, where Applicable, of Accumulated Depreciation)	-	-	-	-	9,435,561	-	8,121,465	-	17,557,026
Other Debits									
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	-	-	-	-	-	-	-	663,445	663,445
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	-	-	-	-	-	-	-	184,171	184,171
Amount to be Provided from General Government Resources	-	-	-	-	-	-	-	3,682,455	3,682,455
Amount to be Provided from Special Assessments	-	-	-	-	-	-	-	1,819,185	1,819,185
Total Assets and Other Debits	<u>\$ 2,132,887</u>	<u>\$ 2,064,286</u>	<u>\$ 2,881,126</u>	<u>\$ 686,907</u>	<u>\$ 10,864,696</u>	<u>\$ 94,154</u>	<u>\$ 8,121,465</u>	<u>\$ 6,349,256</u>	<u>\$ 33,194,777</u>

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Balance Sheet - All Fund Types and Account Groups (Continued)
 December 31, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Liabilities, Fund Equity and Other Credits									
<i>Liabilities</i>									
Accounts Payable	\$ 37,733	\$ 43,451	\$ -	\$ -	\$ 42,402	\$ -	\$ -	\$ -	\$ 123,586
Contracts Payable	103,451	55,743	-	108,254	42,135	-	-	-	309,583
Accrued Wages and Benefits	79,045	29,869	-	-	37,346	-	-	-	146,260
Compensated Absences Payable	12,928	4,279	-	-	298,762	-	-	750,900	1,066,869
Due To Other Funds	-	-	5,000	-	5,000	22,065	-	-	32,065
Due To Other Governments	58,827	118,600	-	25,000	41,297	3,374	-	-	247,098
Deferred Revenue	298,537	511,132	1,933,510	-	-	-	-	-	2,743,179
Deposits Held and Due to Other Funds	-	-	-	-	-	41,373	-	-	41,373
Accrued Interest Payable	4,841	15,588	-	12,690	96,569	-	-	-	129,688
Notes Payable	363,000	476,000	-	405,000	135,000	-	-	-	1,379,000
OWDA Loans Payable	-	-	-	-	3,652,728	-	-	-	3,652,728
OPWC Loans Payable	-	-	-	-	539,623	-	-	-	539,623
General Obligation Bonds Payable	-	-	-	-	1,230,000	-	-	3,595,000	4,825,000
Premium on Bonds Payable	-	-	-	-	2,125	-	-	-	2,125
Special Assessment Debt with Governmental Commitment	-	-	-	-	-	-	-	2,003,356	2,003,356
Total Liabilities	958,362	1,254,662	1,938,510	550,944	6,122,987	66,812	-	6,349,256	17,241,533
<i>Fund Equity (Deficit) and Other Credits</i>									
Investment in General Fixed Assets	-	-	-	-	-	-	8,121,465	-	8,121,465
Contributed Capital	-	-	-	-	2,867,555	-	-	-	2,867,555
Retained Earnings: Unreserved	-	-	-	-	1,874,154	-	-	-	1,874,154
Fund Balances:									
Reserved For Endowment	-	-	-	-	-	15,900	-	-	15,900
Reserved For Encumbrances	168,679	41,793	-	18,633	-	-	-	-	229,105
Reserved For Inventory	9,497	26,005	-	-	-	-	-	-	35,502
Reserved for Restricted Purposes	-	-	-	-	-	11,442	-	-	11,442
Reserved For Loans Receivable	13,891	283,424	-	-	-	-	-	-	297,315
Unreserved, Undesignated	982,458	458,402	942,616	117,330	-	-	-	-	2,500,806
Total Fund Equity and Other Credits	1,174,525	809,624	942,616	135,963	4,741,709	27,342	8,121,465	-	15,953,244
Total Liabilities, Fund Equity and Other Credits	\$ 2,132,887	\$ 2,064,286	\$ 2,881,126	\$ 686,907	\$ 10,864,696	\$ 94,154	\$ 8,121,465	\$ 6,349,256	\$ 33,194,777

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types
 For The Year Ended December 31, 2000

	Governmental Fund Types				Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	
Revenues					
Municipal Income Tax	\$ 1,925,093	\$ 855,306	\$ -	\$ 44,635	\$ 2,825,034
Property and Other Taxes	318,100	528,934	901,152	-	1,748,186
Charges for Services	29,362	207,132	-	-	236,494
Licenses and Permits	142,672	9,250	-	-	151,922
Fines and Forfeitures	224,206	5,120	-	63,759	293,085
Intergovernmental	1,019,525	627,882	-	442,689	2,090,096
Special Assessments	-	-	116,085	-	116,085
Interest	260,360	24,150	-	20,382	304,892
Rentals	48,350	37,225	-	-	85,575
Other	118,352	52,273	-	-	170,625
Total Revenues	4,086,020	2,347,272	1,017,237	571,465	8,021,994
Expenditures					
Current:					
General Government	885,473	-	25,349	506	911,328
Security of Persons and Property	2,117,117	737,955	-	-	2,855,072
Public Health and Welfare	142,066	45,698	-	-	187,764
Transportation	-	1,524,804	-	-	1,524,804
Community Environment	141,618	59,868	-	-	201,486
Basic Utility Services	90,437	24,713	-	-	115,150
Leisure Time Activity	10,048	65,806	-	-	75,854
Capital Outlay	540,465	171,799	-	779,496	1,491,760
Debt Service:					
Principal Retirement	-	-	610,537	-	610,537
Interest and Fiscal Charges	18,881	21,123	267,814	18,948	326,766
Total Expenditures	3,946,105	2,651,766	903,700	798,950	8,300,521
Excess (Deficiency) of Revenues Over (Under) Expenditures	139,915	(304,494)	113,537	(227,485)	(278,527)
Other Financing Sources (Uses)					
Proceeds of Loans	-	-	-	295,090	295,090
Sale of Fixed Assets	48,949	326	-	-	49,275
Operating Transfers In	-	435,500	37,826	-	473,326
Operating Transfers Out	(476,318)	-	-	-	(476,318)
Total Other Financing Sources (Uses)	(427,369)	435,826	37,826	295,090	341,373
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(287,454)	131,332	151,363	67,605	62,846
Fund Balances (Deficit) at Beginning of Year - Restated	1,464,013	676,783	791,253	68,358	3,000,407
Increase (Decrease) in Reserve for Inventory	(2,034)	1,509	-	-	(525)
Fund Balances (Deficit) at End of Year	\$ 1,174,525	\$ 809,624	\$ 942,616	\$ 135,963	\$ 3,062,728

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For The Year Ended December 31, 2000

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
	Revenues														
Municipal Income Tax	\$ 1,883,350	\$ 1,924,236	\$ 40,886	\$ 835,975	\$ 854,925	\$ 18,950	\$ -	\$ -	\$ -	\$ 43,400	\$ 44,616	\$ 1,216	\$ 2,762,725	\$ 2,823,777	\$ 61,052
Property and Other Taxes	202,400	228,581	26,181	428,300	463,934	35,634	757,000	806,152	49,152	-	-	-	1,387,700	1,498,667	110,967
Charges for Services	27,275	29,362	2,087	196,600	215,836	19,236	-	-	-	-	-	-	223,875	245,198	21,323
Licenses, Permits and Fees	67,906	142,672	74,766	9,100	9,251	151	-	-	-	-	-	-	77,006	151,923	74,917
Fines and Forfeitures	232,000	234,171	2,171	3,800	5,488	1,688	-	-	-	51,000	61,207	10,207	286,800	300,866	14,066
Intergovernmental	939,020	1,018,259	79,239	750,916	627,536	(123,380)	-	-	-	731,794	511,782	(220,012)	2,421,730	2,157,577	(264,153)
Special Assessments	-	-	-	-	-	-	115,000	116,085	1,085	-	-	-	115,000	116,085	1,085
Interest	180,000	260,360	80,360	17,500	24,150	6,650	-	-	-	2,997	928	(2,069)	200,497	285,438	84,941
Rentals	17,000	48,350	31,350	32,400	37,225	4,825	-	-	-	-	-	-	49,400	85,575	36,175
Other	66,304	105,032	38,728	101,010	96,987	(4,023)	-	-	-	-	-	-	167,314	202,019	34,705
Total Revenues	3,615,255	3,991,023	375,768	2,375,601	2,335,332	(40,269)	872,000	922,237	50,237	829,191	618,533	(210,658)	7,692,047	7,867,125	175,078
Expenditures															
Current:															
General Government	1,010,409	959,689	50,720	-	-	-	33,000	25,350	7,650	1,000	506	494	1,044,409	985,545	58,864
Security of Persons and Property	2,208,165	2,168,498	39,667	818,705	747,049	71,656	-	-	-	-	-	-	3,026,870	2,915,547	111,323
Public Health and Welfare	147,026	137,650	9,376	57,145	55,532	1,613	-	-	-	-	-	-	204,171	193,182	10,989
Transportation	-	-	-	1,645,986	1,589,166	56,820	-	-	-	-	-	-	1,645,986	1,589,166	56,820
Community environment	140,862	132,189	8,673	450,280	129,109	321,171	-	-	-	-	-	-	591,142	261,298	329,844
Leisure Time Activity	12,584	11,755	829	75,743	68,744	6,999	-	-	-	-	-	-	88,327	80,499	7,828
Capital Outlay	599,360	598,915	445	172,000	172,000	-	-	-	-	1,100,005	711,737	388,268	1,871,365	1,482,652	388,713
Basic Utility Services	103,600	103,600	-	38,249	38,222	27	-	-	-	-	-	-	141,849	141,822	27
Debt Service:															
Principal Retirement	315,554	315,553	1	402,000	402,000	-	591,082	572,711	18,371	454,600	454,600	-	1,763,236	1,744,864	18,372
Interest and Fiscal Charges	15,900	15,653	247	16,884	16,791	93	273,024	267,814	5,210	19,094	18,987	107	324,902	319,245	5,657
Total Expenditures	4,553,460	4,443,502	109,958	3,676,992	3,218,613	458,379	897,106	865,875	31,231	1,574,699	1,185,830	388,869	10,702,257	9,713,820	988,437
Excess (Deficiency) of Revenues Over (Under) Expenditures	(938,205)	(452,479)	485,726	(1,301,391)	(883,281)	418,110	(25,106)	56,362	81,468	(745,508)	(567,297)	178,211	(3,010,210)	(1,846,695)	1,163,515
Other Financing Sources (Uses)															
Proceeds of Notes	240,000	363,000	123,000	479,000	476,000	(3,000)	-	-	-	385,900	405,000	19,100	1,104,900	1,244,000	139,100
Proceeds of Loans	-	-	-	-	-	-	-	-	-	885,933	461,590	(424,343)	885,933	461,590	(424,343)
Sale of Fixed Assets	500	48,949	48,449	-	326	326	-	-	-	-	-	-	500	49,275	48,775
Operating Transfers In	-	-	-	439,660	435,500	(4,160)	-	-	-	-	-	-	439,660	435,500	(4,160)
Operating Transfers Out	(480,318)	(476,318)	4,000	-	-	-	-	-	-	-	-	-	(480,318)	(476,318)	4,000
Advances In	280,677	280,676	(1)	-	-	-	-	-	-	-	-	-	280,677	280,676	(1)
Advances Out	(5,000)	(5,000)	-	-	-	-	-	-	-	(218,471)	(218,471)	-	(223,471)	(223,471)	-
Total Other Financing Sources (Uses)	35,859	211,307	175,448	918,660	911,826	(6,834)	-	-	-	1,053,362	648,119	(405,243)	2,007,881	1,771,252	(236,629)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(902,346)	(241,172)	661,174	(382,731)	28,545	411,276	(25,106)	56,362	81,468	307,854	80,822	(227,032)	(1,002,329)	(75,443)	926,886
Fund Balances at Beginning of Year - Restated	1,108,913	1,108,913	-	666,346	666,346	-	788,253	788,253	-	107,006	107,006	-	2,670,518	2,670,518	-
Prior Year Encumbrances Appropriated	124,578	124,578	-	89,737	89,737	-	3,000	3,000	-	28,363	28,363	-	245,678	245,678	-
Fund Balances (Deficit) at End of Year	\$ 331,145	\$ 992,319	\$ 661,174	\$ 373,352	\$ 784,628	\$ 411,276	\$ 766,147	\$ 847,615	\$ 81,468	\$ 443,223	\$ 216,191	\$ (227,032)	\$ 1,913,867	\$ 2,840,753	\$ 926,886

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Revenues, Expenses and Changes in Fund Equity
 All Proprietary Fund Types and Similar Trust Funds
 For The Year Ended December 31, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trusts	
Operating Revenues			
Charges for Services	\$ 2,845,595	\$ -	\$ 2,845,595
Tap-in Fees	26,879	-	26,879
Other	51,806	-	51,806
Total Operating Revenues	2,924,280	-	2,924,280
Operating Expenses			
Personal Services	1,351,932	-	1,351,932
Contractual Services	579,514	-	579,514
Materials and Supplies	440,964	270	441,234
Other Expenses	5,326	-	5,326
Depreciation	285,974	-	285,974
Total Operating Expenses	2,663,710	270	2,663,980
Operating Income (Loss)	260,570	(270)	260,300
Non-operating Revenues (Expenses)			
Investment Income	-	1,051	1,051
Loss on Disposal of Fixed Assets	(83,093)	-	(83,093)
Amortization of Bond Premium	123	-	123
Bond Issue Costs	(1,818)	-	(1,818)
Interest Expense and Fiscal Charges	(283,119)	-	(283,119)
Total Nonoperating Revenues (Expenses)	(367,907)	1,051	(366,856)
Income (Loss) Before Operating Transfers	(107,337)	781	(106,556)
Operating Transfers In	40,818	-	40,818
Operating Transfers Out	(37,826)	-	(37,826)
Net Income (Loss)	(104,345)	781	(103,564)
Retained Earnings/Fund Balances at Beginning of Year - Restated	1,978,499	26,561	2,005,060
Retained Earnings/Fund Balances at End of Year	1,874,154	27,342	1,901,496
Contributed Capital at End of Year	2,867,555	-	2,867,555
Total Fund Equity at End of Year	\$ 4,741,709	\$ 27,342	\$ 4,769,051

See accompanying notes to the general-purpose financial statements

City of Conneaut
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds
 For The Year Ended December 31, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trusts	
Increase (Decrease) in Cash and Cash Equivalents			
<i>Cash Flows From Operating Activities:</i>			
Cash Received from Customers	\$ 2,790,010	\$ -	\$ 2,790,010
Tap-In Fees	26,879	-	26,879
Cash Payments to Suppliers for Goods and Services	(430,160)	(270)	(430,430)
Cash Payments for Contractual Services	(566,123)	-	(566,123)
Cash Payments for Employee Services and Benefits	(1,313,391)	-	(1,313,391)
Other Revenues	27,435	-	27,435
Other Expenses	(3,279)	-	(3,279)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>531,371</u>	<u>(270)</u>	<u>531,101</u>
<i>Cash Flows From Noncapital Financing Activities:</i>			
Transfers In from Other Funds	40,818	-	40,818
Advances In from Other Funds	35,000	-	35,000
Advances Out to Other Funds	(92,205)	-	(92,205)
<i>Net Cash Used for Noncapital Financing Activities</i>	<u>\$ (16,387)</u>	<u>\$ -</u>	<u>\$ (16,387)</u>

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds (Continued)
 For the Year Ended December 31, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trusts	
<i>Cash Flows from Capital and Related Financing Activities:</i>			
Principal Paid on Bonds	\$ (70,000)	\$ -	\$ (70,000)
Proceeds from OWDA Loan	350,852	-	350,852
Proceeds from OPWC Loans	508,926	-	508,926
Principal Paid on OWDA Loans	(233,808)	-	(233,808)
Principal Paid on OPWC Loans	(30,547)	-	(30,547)
Proceeds from Issuance of Notes	75,000	-	75,000
Principal Paid on Notes	(114,447)	-	(114,447)
Interest	(288,349)	-	(288,349)
Proceeds from Capital Grants	104,772	-	104,772
Acquisition of Capital Assets	(1,043,832)	-	(1,043,832)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(741,433)	-	(741,433)
<i>Cash Flows from Investing Activities:</i>			
Interest	-	1,044	1,044
<i>Net Cash Provided by Investing Activities</i>	-	1,044	1,044
Net Increase (Decrease) in Cash and Cash Equivalents	(226,449)	774	(225,675)
Cash and Cash Equivalents Beginning of Year - Restated	1,120,463	26,567	1,147,030
Cash and Cash Equivalents End of Year	\$ 894,014	\$ 27,341	\$ 921,355

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Similar Trust Funds (Continued)
 For the Year Ended December 31, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<i>Operating Income (Loss)</i>	\$ 260,570	\$ (270)	\$ 260,300
<i>Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities:</i>			
Depreciation	285,974	-	285,974
Changes in Assets and Liabilities:			
Accounts Receivable	(55,589)	-	(55,589)
Materials and Supplies Inventory	21,694	-	21,694
Due from Other Governments	(24,371)	-	(24,371)
Accounts Payable	(181)	-	(181)
Contracts Payable	7,196	-	7,196
Accrued Wages and Benefits	2,532	-	2,532
Compensated Absences Payable	26,050	-	26,050
Due to Other Governments	7,496	-	7,496
Net Cash Provided by (Used for) Operating Activities	\$ 531,371	\$ (270)	\$ 531,101

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

<i>Cash and Cash Equivalents - All Fiduciary Funds:</i>		
Cash and Cash Equivalents		\$ 18,544
Cash and Cash Equivalents in Segregated Accounts		75,610
		<hr/>
		94,154
Cash and Cash Equivalents - Agency Funds		(66,813)
		<hr/>
Cash and Cash Equivalents - Nonexpendable Trust Funds		\$ 27,341
		<hr/> <hr/>

See accompanying notes to the general-purpose financial statements

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the final budget, the issuing of debt or the levying of taxes.

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

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Related Organization - The Conneaut Carnegie Library is a related organization of the City of Conneaut. The City Manager is responsible for appointing the five-member board of trustees; however, the City cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden on the City. The City serves in a ministerial capacity as the taxing authority for the Library. When the Library decides to present a levy to the voters, the City must place the levy on the ballot. The Library may not issue debt. The Library did not receive any funding from the City during 2000. Separately issued financial statements can be obtained from the Conneaut Carnegie Library, 282 State Street, Conneaut, Ohio 44030.

B. Basis of Presentation - Fund Accounting

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a set of self-balancing accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

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

Governmental Fund Types

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

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

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

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

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

Account Groups

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

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

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

C. Basis of Accounting

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

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Revenues considered susceptible to accrual at the end of the year include employer withheld income taxes, interest on investments, state-levied locally shared taxes (including motor vehicle license fees, gasoline taxes and local government assistance) and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Delinquent special assessments and property taxes, as well as special assessment installments not due in the current year, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000, but not intended to finance 2000 activities, have also been recorded as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

D. Budgets

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Appropriations

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

Lapsing of Appropriations

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

Encumbrances

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

E. Cash and Cash Equivalents

Cash received by the City is deposited into a central bank account. Monies for all funds, including the enterprise funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the City's records. Each fund's interest in the pooled bank account is presented as "cash and cash equivalents" on the combined balance sheet. During fiscal year 2000, investments were limited to repurchase agreements, sweep accounts and interest in STAR Ohio, the State Treasurer's Investment Pool. These investments are stated at cost, which approximates market.

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

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

F. Interfund Assets and Liabilities

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

G. Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed. The City had no material prepaid items at December 31, 2000.

I. Fixed Assets

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

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

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

K. Compensated Absences

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

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

L. Fund Equity

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

M. Interfund Transactions

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

N. Memorandum Only - Total Columns

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

Note 2 - Budgetary Basis of Accounting

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

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

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses) All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	\$(287,454)	\$131,332	\$151,363	\$67,605
Net Adjustment for Revenue Accruals	(94,997)	(11,940)	(95,000)	47,068
Net Adjustment for Expenditure Accruals	(278,026)	(467,396)	37,825	(347,599)
Net adjustments for other financing sources/(uses) accruals	638,676	476,000	(37,826)	353,029
Encumbrances	(219,371)	(99,451)	-	(39,281)
Budget Basis	<u><u>\$241,172</u></u>	<u><u>\$28,545</u></u>	<u><u>\$56,362</u></u>	<u><u>\$80,822</u></u>

Note 3 - Accountability and Compliance

A. Deficit Balances

The following funds had a deficit fund balance as of December 31, 2000:

<i>Special Revenue Funds</i>	
Police Pension	\$1,261
Fire Pension	3,663
Street Maintenance	219,789
 <i>Capital Projects Fund</i>	
Thompson Road	25,000

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

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

Note 4 – Change in Accounting Principles and Restatement of Prior Year Fund Equities

Change in Accounting Principles: The City changed the method used to account for enterprise fund construction projects funded partially through special assessments. The City was accounting for all project costs in an enterprise fund. The collection of special assessments and payment of debt, related to the project, was accounted for in a debt service fund. The change made in 2000 is to a preferred method in generally accepted accounting principles. The construction costs are now being accounted for in a capital project fund.

The change in accounting principle had the following effect on the General Fixed Assets Account Group:

	Fixed Assets
Balance, December 31, 1999	\$6,685,552
Construction in Progress	193,850
Balance, December 31, 1999	\$6,879,402

Restatement of Fund/Equity Balances: During the audit of the 2000 financial statements it was discovered that cash balances for a few funds were understated or overstated in the 1999 GAAP basis and budgetary basis financial statements, prepared by an accounting firm. The change in accounting principles and restatement of cash balances effected the following fund equity balances for the December 31, 1999 GAAP basis financial statements as follows:

	General	Debt Service	Capital Projects	Enterprise
Fund Equity, December 31, 1999	\$1,564,017	\$567,217	\$124,839	\$2,240,052
Cash	(100,004)	224,036	(3,874)	(120,310)
Capital Project/Enterprise Change			(52,607)	(141,243)
Fund Equity, December 31, 1999	\$1,464,013	\$791,253	\$68,358	\$1,978,499

The restatement of cash balances had the following effects on the fund balances for the 1999 budgetary basis financial statement:

	General	Special Revenue	Debt Service	Capital Projects
Fund Balance, December 31, 1999	\$1,345,036	\$661,115	\$564,217	\$7,854
Cash	(236,123)	5,231	224,036	99,152
Fund Balance, December 31, 1999	\$1,108,913	\$666,346	\$788,253	\$107,006

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 5 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

A. Deposits

At fiscal year-end, the carrying amount of the City's deposits was \$1,065,360 and the bank balance was \$1,231,461, of which \$149,503 was covered by federal depository insurance. The remaining amounts were protected by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the City to a successful claim by the FDIC.

B. Investments

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

	<u>1</u>	Category <u>2</u>	<u>3</u>	Carrying Value	Fair Value
STAR Ohio	-	-	-	<u>\$ 3,121,665</u>	<u>\$ 3,121,665</u>
Total Investments				<u><u>\$ 3,121,665</u></u>	<u><u>\$ 3,121,665</u></u>

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
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A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 4,187,025	\$ -
Investments:		
STAR Ohio	(3,121,665)	3,121,665
GASB Statement No. 3	\$ 1,065,360	\$ 3,121,665

Note 6 - Taxes

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied by October 1 in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every three years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due by December 31, if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20, unless extended.

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

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

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

The full tax rate for all City operations for the year ended December 31, 2000 was \$12.13 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

B. Income Taxes

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

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

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

Note 7 - Receivables

Receivables at December 31, 2000, primarily consisted of taxes, accounts (billings for user charged services), intergovernmental receivables, entitlement or shared revenues, special assessments, loans receivable and interest on investments. All receivables are considered fully collectible.

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

	Amount
<i>General Fund</i>	
Undivided Local Government	\$53,220
Workers' Compensation Refund	62,676
Estate Tax	37,686
Liquor License Tax	2,937
<i>Total General Fund</i>	156,519
<i>Special Revenue Funds</i>	
Gasoline Tax	21,035
Workers' Compensation Refund	15,260
Motor Vehicle License Tax	5,000
Motor Vehicle Permissive Tax	9,152
Ambulance Services	40,648
<i>Total Special Revenue Funds</i>	91,095
<i>Enterprise</i>	
Workers' Compensation Refund	24,371
TOTAL	\$271,985

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 8 - Interfund Transactions

A. Interfund Balances

Interfund balances at December 31, 2000, consist of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 21,621	\$ -
Special Revenue Funds	5,170	-
Debt Service Funds	-	5,000
Capital Projects Funds	5,274	-
Enterprise Funds	-	5,000
Trust and Agency Funds	-	22,065
	\$ 32,065	\$ 32,065
Total Due From/Due To Other Funds	\$ 32,065	\$ 32,065

B. Operating Transfers

The following is a summarized breakdown of the City's operating transfers for 2000:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 476,318
Special Revenue Funds	435,500	-
Debt Service Funds	37,826	-
Enterprise Funds	40,818	37,826
	\$ 514,144	\$ 514,144
Totals	\$ 514,144	\$ 514,144

Note 9 - Contingencies

A. Litigation

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

B. Grants

The City receives financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies or their representative. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall position of the City at December 31, 2000.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 10 - Fixed Assets

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

Land	\$12,860
Buildings	673,412
Equipment	3,769,086
Vehicles	443,262
Infrastructure	6,814,946
Construction in Progress	411,305
Total	<u>12,124,871</u>
Less Accumulated Depreciation	<u>2,689,310</u>
 Net Fixed Assets	 <u><u>\$9,435,561</u></u>

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

	Balance (Restated) 12/31/99	Additions	Deletions	Balance 12/31/00
Land	\$576,158	\$-	\$(4,970)	\$571,188
Buildings	1,568,259	52,005	(17,131)	1,603,133
Equipment	1,314,545	194,586	(19,561)	1,489,570
Furniture and Fixtures	16,742	-	-	16,742
Vehicles	3,209,848	550,907	(123,673)	3,637,082
Construction in Progress	193,850	609,900	-	803,750
Total	<u>\$6,879,402</u>	<u>\$1,407,398</u>	<u>\$(165,335)</u>	<u>\$8,121,465</u>

Note 11 - Operating Lease

During 2000, the City had seven different copier lease agreements in five departments. The required minimum lease payments ranged from \$402 per month to \$819 per month. In 2004, one of the copier leases has the option to buy for fair market value at the end of the lease.

Future minimum lease payments are as follows:

2001	\$9,708
2002	8,682
2003	6,644
2004	<u>358</u>
Total	<u><u>\$25,392</u></u>

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 12 - Note Debt

The City's note activity for the year ended December 31, 2000 is as follows:

	<u>Balance 12/31/99</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/00</u>
<i>General Fund:</i>				
5.12% Prison Land	\$285,000	\$240,000	\$(285,000)	\$240,000
4.25% Computers	30,555	-	(30,555)	-
4.70% Fire Truck	-	123,000	-	123,000
<i>Special Revenue Funds:</i>				
4.70% Street Equipment	362,000	476,000	(362,000)	476,000
4.20% Ambulance	40,000	-	(40,000)	-
<i>Capital Projects Funds:</i>				
4.70% Conneaut Port Authority	362,000	325,800	(362,000)	325,800
4.70% Conneaut Port Authority	92,600	79,200	(92,600)	79,200
<i>Enterprise Funds:</i>				
5.50% Computers, Sewer Jet	<u>104,445</u>	<u>75,000</u>	<u>(104,445)</u>	<u>75,000</u>
Total Notes	<u>\$1,276,600</u>	<u>\$1,319,000</u>	<u>\$(1,276,600)</u>	<u>\$1,319,000</u>

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

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 13 - Long-Term Obligations

Changes in long-term obligations of the City during 2000 were as follows:

	<u>Outstanding 12/31/99</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/00</u>
<i>General Long-Term Obligations</i>				
<i>General Obligation Bonds (Unvoted)</i>				
1979 - 6.00%				
Broad Street Underpass	\$750,000	\$-	\$(150,000)	\$600,000
1986 - 6.875%				
City Hall Annex	1,200,000	-	(100,000)	1,100,000
1995 - 5.70%				
Fire Truck	160,000	-	(160,000)	-
1998 - 5.05%				
Library	<u>2,005,000</u>	<u>-</u>	<u>(110,000)</u>	<u>1,895,000</u>
<i>Total General Obligation Bonds</i>	4,115,000	-	(520,000)	3,595,000
<i>Special Assessment Obligations</i>				
1997 - 5.65%				
Janet/Geraldine Paving	<u>63,000</u>	<u>-</u>	<u>(20,000)</u>	<u>43,000</u>
<i>OWDA Loans</i>				
1996 - 4.16%				
East Conneaut Sewer II	805,062	-	(34,155)	770,907
1993 - 4.80%				
East - West Gateway	438,752	-	(22,609)	416,143
1993 - 4.80%				
Gateway Phase II	70,818	-	(3,477)	67,341
1998 - 3.98%				
I-90	251,178	-	(10,296)	240,882
1999 - 3.50%				
East Conneaut Sewer Phase III	<u>166,500</u>	<u>298,583</u>	<u>-</u>	<u>465,083</u>
<i>Total OWDA Loans</i>	<u>1,732,310</u>	<u>298,583</u>	<u>(70,537)</u>	<u>1,960,356</u>
<i>Total Special Assessment Obligations</i>	<u>1,795,310</u>	<u>298,583</u>	<u>(90,537)</u>	<u>2,003,356</u>
<i>Compensated Absences</i>	424,074	326,826	-	750,900
<i>Total General Long-Term Obligations</i>	<u>\$6,334,384</u>	<u>\$625,409</u>	<u>\$(610,537)</u>	<u>\$6,349,256</u>

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

	<u>Outstanding 12/31/99</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Outstanding 12/31/00</u>
<i>Enterprise Fund Obligations</i>				
<i>OWDA Loans</i>				
1971 - 5.25%				
Wastewater Plant Improvement	519,222	-	(26,000)	493,222
1987 - 9.06%				
Wastewater Plant Improvement	442,259	-	(16,924)	425,335
1988 - 4.80%				
Wastewater	1,950,129	-	(123,531)	1,826,598
1995 - 4.35%				
Water III	493,815	-	(19,327)	474,488
1997 - 3.20%				
West Jackson Sanitary Sewer	14,419	-	(7,095)	7,324
1997 - 4.12%				
Dechlorination Project	78,013		(3,104)	74,909
2000 - 3.50%				
East Conneaut Sewer Phase III	-	350,852	-	350,852
<i>Total OWDA Loans</i>	<u>3,497,857</u>	<u>350,852</u>	<u>(195,981)</u>	<u>3,652,728</u>
<i>OPWC Loans</i>				
1991 - 0%				
East Conneaut Sewer I	21,513	-	(12,907)	8,606
1997- 0%				
East Conneaut Sewer II	10,030	-	(1,543)	8,487
1992 - 0%				
Grove Street Project	29,700	-	(9,900)	19,800
2000 - 0%				
Wastewater Treatment Plant Phase I	-	123,926	(6,196)	117,730
2000 - 0%				
South Conneaut Water Tank	-	385,000	-	385,000
<i>Total OPWC Loans</i>	<u>61,243</u>	<u>508,926</u>	<u>(30,546)</u>	<u>539,623</u>
1997 - Note Payable - 0%				
Prison Water Line	70,000	-	(10,000)	60,000
1998 - 5.05%				
Water III Bonds	1,300,000	-	(70,000)	1,230,000
<i>Total Enterprise Fund Obligations</i>	<u>\$4,929,100</u>	<u>\$859,778</u>	<u>\$(306,527)</u>	<u>\$5,482,351</u>
GRAND TOTAL	<u><u>\$11,263,484</u></u>	<u><u>\$1,485,187</u></u>	<u><u>\$(917,064)</u></u>	<u><u>\$11,831,607</u></u>

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

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

During 1999, the City entered into a contractual agreement for a new construction loan from the Ohio Water Development Authority (OWDA). Under the terms of this agreement, OWDA will reimburse, advance or directly apply the construction costs of the approved project. OWDA will capitalize administrative costs and construction interest and add them to the total amount of the final loan. The loan is included in OWDA loans payable. The loan will not have a repayment schedule until the loan is finalized and is not included in the schedule of debt service requirements. As of December 31, 2000, the City has received \$815,935 as construction reimbursement toward the total project cost.

The City's overall legal debt margin was \$10,348,935 at December 31, 2000. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2000 are as follows:

	General Obligations	Special Assessment	Ohio Water Development Authority	Ohio Public Works Commission	Note Payable- Ashtabula County
2001	\$692,200	\$161,750	\$380,611	\$38,767	\$10,000
2002	663,225	161,563	373,111	39,786	10,000
2003	639,475	138,320	373,111	39,786	10,000
2004	615,725	138,320	373,111	33,186	10,000
2005	441,808	138,320	373,111	33,186	10,000
2006 - 2010	1,985,895	691,602	1,865,557	152,787	10,000
2011 - 2015	1,224,383	594,552	782,361	96,250	-
2016 - 2020	561,510	206,814	111,379	105,875	-
Total	6,824,221	2,231,241	4,632,352	539,623	60,000
Less interest	(1,999,221)	(692,968)	(1,330,476)	-	-
Total	<u>\$4,825,000</u>	<u>\$1,538,273</u>	<u>\$3,301,876</u>	<u>\$539,623</u>	<u>\$60,000</u>

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 14 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All Conneaut full-time employees, other than uniformed employees, participate in the Public Employee Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7337).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary (for full-time employees, 4 percent is "picked up" by the City and 4.5 percent is contributed by the member) to fund pension obligations. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. For law enforcement employees covered by PERS, the employee contribution rate is 9 percent and the employer contribution rate is 11.75 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's required contribution to PERS for the years ended December 31, 2000, 1999, and 1998, were \$207,162, \$285,288, and \$264,666, respectively. The full amount has been contributed for 1999 and 1998. 90.28 percent has been contributed for 2000 with the remainder being reported as a fund liability.

B. Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer public employee retirement system administered by OP&F's Board of Trustees. OP&F provides retirement and disability benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary (4 percent is "picked up" by the City and 6 percent is contributed by the member) to fund pension obligations and the City was required to contribute 12.25 percent for police and 16.75 percent for firefighters. The City's contributions to the OP&F for police and firefighters were \$123,877 and \$92,585 for the year ended December 31, 2000, \$120,591 and \$96,557 for the year ended December 31, 1999, and \$118,513 and \$86,128 for the year ended December 31, 1998. 71.89 percent and 71.20 percent, respectively, have been contributed for 2000 with the remainder being reported as a fund liability.

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 15 - Postretirement Benefit Plans

A. Public Employees Retirement System

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2000 employer contribution rate for local employers was 10.84 percent of covered payroll, for employees not engaged in law enforcement; 4.30 percent was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70 percent of covered payroll; 4.30 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

The number of active contributing participants was 401,339. The City's actual contributions for 2000, which were used to fund postemployment benefits were \$136,220. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

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

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

B. Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.00 percent and 7.25 percent of covered payroll in 1999 and 2000, respectively. The allocation is 7.50 percent in 2001. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1999 (the date of the last actuarial valuation available) are 12,467 for police and 9,807 for firefighters. The City's contributions used to pay postemployment benefits for police and firefighters were \$73,380 and \$40,058, respectively. The OP&F's total health care expense for the year ending December 31, 1999 (the date of the last actuarial valuation available) was \$95,004,633, which was net of member contributions of \$5,518,098.

Note 16 - Other Employee Benefits

Compensated Absences

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

As of December 31, 2000, the liability for unpaid compensated absences was \$1,066,869 for the entire City.

Note 17 - Contractual Commitments

The City had the following outstanding contractual commitments as of December 31, 2000:

	Amount
Housel Construction	\$44,330
Peterson Oil	17,260
Sanderson CMI	11,526
S. S. Construction	80,090
Morton Thiokol	25,250
Country Disposal	854
C. T. Consultants	4,876
Total	\$184,186

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

Note 18 - Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2000, the City entered into contracts for various types of insurance as follows:

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

Note 19 - Segment Information for Enterprise Funds

The City maintains two enterprise funds to account for sewer services and water distribution. Segment information for these operations as of and for the year ended December 31, 2000 is as follows:

	Sewer Fund	Water Fund	Total
Operating Revenues	\$1,500,985	\$1,423,295	\$2,924,280
Operating Expenses	(1,192,241)	(1,471,469)	(2,663,710)
Depreciation Expense	(154,514)	(131,460)	(285,974)
Operating Income (Loss)	308,744	(48,174)	260,570
Loss on Disposal of Fixed Assets	(60,036)	(23,057)	(83,093)
Interest & Fiscal Charges	(257,520)	(25,599)	(283,119)
Operating Transfers In	32,791	8,027	40,818
Operating Transfers Out	(37,826)	-	(37,826)
Net Income (Loss)	(13,847)	(90,498)	(104,345)
Property, Plant & Equipment Acquisitions	457,298	483,189	940,487

City of Conneaut, Ohio
Notes to The General-Purpose Financial Statements
For the Year Ended December 31, 2000

	Sewer Fund	Water Fund	Total
Net Working Capital	\$474,499	\$658,384	\$1,132,883
Total Assets	5,292,584	5,572,112	10,864,696
Long-Term Liabilities	3,549,319	2,308,919	5,858,238
Total Equity	1,579,960	3,161,749	4,741,709
Encumbrances Outstanding at December 31, 2000	23,059	71,187	94,426

Note 20 - Changes in Contributed Capital

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

	Sewer Fund	Water Fund	Total
Contributed Capital at Beginning of Year	\$1,434,291	\$1,344,998	\$2,779,289
Capital Grants	65,739	20,784	86,523
Contribution of General Fixed Assets from Governmental Funds	1,743	-	1,743
Contributed Capital at End of Year	<u>\$1,501,773</u>	<u>\$1,365,782</u>	<u>\$2,867,555</u>

Note 21 - Related Party Transactions

The Conneaut Port Authority, a component unit of the City of Conneaut, owes the City \$405,000 as of December 31, 2000. The City has a note in the same amount. During 2000, the Port Authority paid the City \$69,093, the amount of principal and interest on the note. The Port Authority also paid the City \$27,860 for legal services and police protection during 2000.

City of Conneaut, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2000

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Disbursements
<u>U S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through Ohio Department of Development:</i>			
Community Development Block Grants - State's Program:			
Water and Sanitary Sewer	14.228	A-W-97-107-1	\$ 400,458
Water and Sanitary Sewer	14.228	A-W-99-107-1	33,320
CHIP - Rental Rehab.	14.228	A-C-00-107-1	8,945
Subtotal passed through programs			<u>442,723</u>
Community Development Block Grants - Small Cities Program:			
Revolving Loan Funds (Note B)	14.219	N/A	<u>15,619</u>
Total passed through Ohio Department of Development			<u>458,342</u>
Total U.S. Department of Housing and Urban Development			<u>458,342</u>
<u>U S. DEPARTMENT OF JUSTICE</u>			
Public Safety Partnerships and Community Policing Grants - COPS Fast	16.710		<u>21,608</u>
<u>U S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed through Ohio Water Development Authority:</i>			
Capitalization Grants for State Revolving Funds - Water Pollution Control Loan	66.458	CS391197-06	<u>486,943</u>
Total Expenditures of Federal Awards			<u>\$ 966,893</u>

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

City of Conneaut, Ohio
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2000

NOTE A - BASIS OF ACCOUNTING

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

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

The City of Conneaut has outstanding federal loan balances that are revolving loans provided through the HUD Community Development Block Grants. The total of outstanding loan balances as of December 31, 2000, was \$261,949. This amount was included as part of the federal disbursements by the City in determining the audit requirements for major and nonmajor programs in accordance with the OMB Circular A-133.



SNODGRASS

Certified Public Accountants and Consultants

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

Members of Council
City of Conneaut, Ohio

We have audited the financial statements of the City of Conneaut, Ohio, as of and for the year ended December 31, 2000, and have issued our report thereon dated June 28, 2001. In our report our opinion was qualified because we were unable to obtain audited financial statements supporting the financial activities of the Conneaut Port Authority, and the City does not have a complete schedule of infrastructure fixed assets and related depreciation in the enterprise funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Conneaut's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Conneaut in a separate letter dated June 28, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Conneaut's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the

Members of Council

City of Conneaut, Ohio

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated June 28, 2001.

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

S. R. Snodgrass, A.C.

Ashtabula, Ohio

June 28, 2001



SNODGRASS

Certified Public Accountants and Consultants

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

Members of Council
City of Conneaut, Ohio

Compliance

We have audited the compliance of the City of Conneaut, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The City of Conneaut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Conneaut's management. Our responsibility is to express an opinion on the City of Conneaut's compliance based on our audit.

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

In our opinion, the City of Conneaut complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000.

Members of Council

City of Conneaut, Ohio

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

Page 2

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

S. R. Snodgrass, A.C

Ashtabula, Ohio

June 28, 2001

City of Conneaut, Ohio
Schedule of Findings
For The Year Ended December 31, 2000

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
14.228	CDBG – Water and Sanitary Sewer
14.219	CDBG – Revolving Loan Funds
66.458	SRF – Water Pollution Control Loan

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

Auditee qualified as low-risk auditee? yes X no

City of Conneaut, Ohio
Schedule of Findings (Continued)
For The Year Ended December 31, 2000

Section II – Financial Statement Findings

No findings to be reported.

Section III – Federal Award Findings

No findings to be reported.

City of Conneaut, Ohio
 Summary Schedule of Prior Audit Findings
 For the Year Ended December 31, 2000

Finding Number	Finding Summary	Fully Corrected
99-1	An ineligible rehabilitation project received funds. There was questioned costs of \$16,670	Yes
99-2	Time records were not in compliance with OMB Circular A-87, Attachment B	Yes
99-3	Two files from the rehabilitation activity and one from the acquisition activity had missing documents	Yes
99-4	Administrative expenses exceeded the 20 percent limitation.	No, but did attempt to correct. Had wrong formula to calculate allowable cost limit. Will be corrected for 2001. Immaterial excess.
99-5	Two CDBG Revolving Loan Fund loans were written off without obtaining the State's permission.	Yes

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OFFICE OF THE AUDITOR

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CITY OF CONNEAUT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2001**