



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF CELINA
MERCER COUNTY**

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**STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

City of Celina
Mercer County
PO Box 297
202 North Main Street
Celina, Ohio 45822

To the Members of Council:

We have audited the accompanying general-purpose financial statements of the City of Celina, Mercer County, (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

July 12, 2002

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**CITY OF CELINA
MERCER COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2001**

	Governmental Fund Types			
ASSETS AND OTHER DEBITS	General	Special Revenue	Debt Service	Capital Projects
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$641,791	\$227,317	\$151,990	\$48,423
Cash and Cash Equivalents in Segregated Accounts				
Cash and Cash Equivalents with Fiscal Agents				
Receivables:				
Property Taxes	282,141	85,306		
Municipal Income Taxes	530,008			
Accounts (net, where applicable, of allowance for uncollectible accounts)	43,746	454		
Intergovernmental	355,298	185,664		
Special Assessments			56,401	2,292
Accrued Interest	668			
Interfund	2,606			
Notes		289,362		
Due from Other Funds	38,184			
Materials and Supplies Inventory	14,950	38,343		
Prepaid Items	11,071			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents				
Investments				
Cash and Cash Equivalents with Fiscal Agents				
Accrued Interest				
Unamortized Bond Issue Costs				
Investment in Joint Venture				
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds				
Amount to be Provided from General Governmental Resources				
Amount to be Provided from Special Assessments				
Total Assets and Other Debits	1,920,463	826,446	208,391	50,715

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$3,468,114	\$183,119	\$17,647			\$4,738,401
		29,117			29,117
	43,784				43,784
					367,447
					530,008
2,315,670	3,314				2,363,184
					540,962
					58,693
					668
					2,606
					289,362
14,178		38			52,400
1,207,487					1,260,780
18,482					29,553
2,250,003					2,250,003
3,183,000					3,183,000
923,292					923,292
2,581					2,581
297,582					297,582
9,983					9,983
20,573,059			6,423,351		26,996,410
				151,990	151,990
				2,380,379	2,380,379
				16,440	16,440
<u>34,263,431</u>	<u>230,217</u>	<u>46,802</u>	<u>6,423,351</u>	<u>2,548,809</u>	<u>46,518,625</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2001
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	90,321	10,746		
Contracts Payable				31,243
Accrued Wages Payable	96,749	13,647		
Compensated Absences Payable				
Intergovernmental Payable	16,382			
Interfund Payable			317	2,289
Due to Other Funds	38	216		
Deferred Revenue	879,474	244,751	56,401	1,703
Deposits Held and Due to Others				
Payroll Withholdings				
Claims Payable				
Notes Payable				
Accrued Interest Payable				
Payable from Restricted Assets:				
Mortgage Revenue Bonds Payable				
Refundable Deposits				
Accrued Interest Payable				
Rural Development Bonds Payable				
General Obligation Bonds Payable				
Mortgage Revenue Bonds Payable (net of accounting loss of \$409,425 and discount of \$4,972)				
Special Assessment Debt with Governmental Commitment				
Total Liabilities	<u>1,082,964</u>	<u>269,360</u>	<u>56,718</u>	<u>35,235</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Reserved for Plant Improvement and Replacement				
Reserved for Operations				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Notes Receivable		289,362		
Reserved for Encumbrances	19,886	38,259		25,500
Unreserved (Deficit)	817,613	229,465	151,673	(10,020)
Total Fund Equity	<u>837,499</u>	<u>557,086</u>	<u>151,673</u>	<u>15,480</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$1,920,463</u>	<u>\$826,446</u>	<u>\$208,391</u>	<u>\$50,715</u>

See Accompanying Notes to the General Purpose Financial Statements.

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
120,385					221,452
591,134					622,377
62,469					172,865
106,964				236,914	343,878
86,876		1,101		134,334	238,693
					2,606
52,146					52,400
					1,182,329
		29,155			29,155
		16,546			16,546
	47,691				47,691
4,000,000				1,385,000	5,385,000
9,795					9,795
380,000					380,000
116,546					116,546
52,359					52,359
				621,121	621,121
				155,000	155,000
7,220,603					7,220,603
				16,440	16,440
<u>12,799,277</u>	<u>47,691</u>	<u>46,802</u>		<u>2,548,809</u>	<u>16,886,856</u>
			6,423,351		6,423,351
925,107					925,107
438,934					438,934
17,975,653	182,526				18,158,179
2,124,460					2,124,460
					289,362
					83,645
					1,188,731
<u>21,464,154</u>	<u>182,526</u>		<u>6,423,351</u>		<u>29,631,769</u>
<u>\$34,263,431</u>	<u>\$230,217</u>	<u>\$46,802</u>	<u>\$6,423,351</u>	<u>\$2,548,809</u>	<u>\$46,518,625</u>

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**CITY OF CELINA
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Property Taxes	\$268,573	\$80,572			\$349,145
Municipal Income Taxes	2,202,648				2,202,648
Other Local Taxes	317,279	26,932			344,211
Intergovernmental	788,412	462,041		144,000	1,394,453
Charges for Services	271,679	126,393			398,072
Fees, Licenses, and Permits	6,798				6,798
Fines and Forfeitures	292,964	30,878			323,842
Special Assessments			8,151	2,202	10,353
Interest	180,844	16,349	83	6,356	203,632
Gifts and Donations		75,184	166,550	42,500	284,234
Other	104,080	1,416	1,870	2,014	109,380
Total Revenues	4,433,277	819,765	176,654	197,072	5,626,768
Expenditures:					
Current:					
Security of Persons and Property	1,993,324	318,780			2,312,104
Public Health	50,948				50,948
Leisure Time Activities	75,193	402,588			477,781
Community Environment	62,488	2,883			65,371
Basic Utility Services	200,127				200,127
Transportation	91,709	406,351			498,060
General Government	1,301,945	34,712			1,336,657
Other	31,967				31,967
Capital Outlay	10,132			627,672	637,804
Debt Service:					
Principal Retirement			866,239		866,239
Interest and Fiscal Charges			89,285	11,560	100,845
Total Expenditures	3,817,833	1,165,314	955,524	639,232	6,577,903
Excess of Revenues Over (Under) Expenditures	615,444	(345,549)	(778,870)	(442,160)	(951,135)
Other Financing Sources (Uses):					
Proceeds of Bonds				12,000	12,000
Proceeds of Notes			695,000	690,000	1,385,000
Operating Transfers - In		474,002	203,118	33,500	710,620
Operating Transfers - Out	(594,052)			(116,568)	(710,620)
Total Other Financing Sources (Uses)	(594,052)	474,002	898,118	618,932	1,397,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	21,392	128,453	119,248	176,772	445,865
Fund Balances (Deficit) at Beginning of Year	816,107	428,633	32,425	(161,292)	1,115,873
Fund Balances at End of Year	\$837,499	\$557,086	\$151,673	\$15,480	\$1,561,738

See Accompanying Notes to the General Purpose Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>		Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Property Taxes	\$270,762	\$268,573	(\$2,189)
Municipal Income Taxes	2,120,000	2,202,537	82,537
Other Local Taxes	250,000	279,095	29,095
Intergovernmental	795,818	828,495	32,677
Charges for Services	253,050	249,516	(3,534)
Fees, Licenses, and Permits	6,500	6,798	298
Fines and Forfeitures	310,000	294,041	(15,959)
Special Assessments			
Interest	189,000	180,207	(8,793)
Gifts and Donations			
Other	101,200	106,449	5,249
Total Revenues	<u>4,296,330</u>	<u>4,415,711</u>	<u>119,381</u>
Expenditures:			
Current:			
Security of Persons and Property	2,127,150	2,020,603	106,547
Public Health	55,500	50,948	4,552
Leisure Time Activities	79,000	73,656	5,344
Community Environment	95,150	62,637	32,513
Basic Utility Services	212,600	200,396	12,204
Transportation	97,000	90,180	6,820
General Government	1,496,372	1,346,541	149,831
Other	48,900	42,214	6,686
Capital Outlay	20,000	12,132	7,868
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>4,231,672</u>	<u>3,899,307</u>	<u>332,365</u>
Excess of Revenues Over (Under) Expenditures	<u>64,658</u>	<u>516,404</u>	<u>451,746</u>
Other Financing Sources (Uses):			
Proceeds of Bonds			
Proceeds of Notes			
Other Financing Sources	200		(200)
Operating Transfers - In			
Operating Transfers - Out	(666,934)	(594,052)	72,882
Total Other Financing Sources (Uses)	<u>(666,734)</u>	<u>(594,052)</u>	<u>72,682</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(602,076)</u>	<u>(77,648)</u>	<u>524,428</u>
Fund Balances (Deficit) at Beginning of Year	572,536	572,536	
Prior Year Encumbrances Appropriated	103,267	103,267	
Fund Balances at End of Year	<u>\$73,727</u>	<u>\$598,155</u>	<u>\$524,428</u>

See Accompanying Notes to the General Purpose Financial Statements.

Special Revenue			Debt Service			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$80,588	\$80,572	(\$16)						
26,000	27,023	1,023						
509,007	464,637	(44,370)				144,000	144,000	
124,100	126,333	2,233						
32,500	29,839	(2,661)						
			8,485	8,151	(334)	40,650	9,418	(31,232)
4,500	4,610	110		83	83	2,026	6,356	4,330
75,000	75,184	184	118,000	166,550	48,550	42,500	42,500	
38,971	48,305	9,334						
890,666	856,503	(34,163)	126,485	174,784	48,299	229,176	202,274	(26,902)
432,497	349,361	83,136						
440,011	405,767	34,244						
167,046	116,930	50,116						
454,551	416,906	37,645						
50,162	39,087	11,075						
						939,816	793,688	146,128
			866,240	866,239	1			
			89,862	89,285	577	6,800	11,560	(4,760)
1,544,267	1,328,051	216,216	956,102	955,524	578	946,616	805,248	141,368
(653,601)	(471,548)	182,053	(829,617)	(780,740)	48,877	(717,440)	(602,974)	114,466
						10,000	12,000	2,000
			721,188	695,000	(26,188)	690,000	690,000	
				1,870	1,870	896	2,014	1,118
535,184	474,002	(61,182)	109,500	203,118	93,618	52,500	33,500	(19,000)
						(9,568)	(116,568)	(107,000)
535,184	474,002	(61,182)	830,688	899,988	69,300	743,828	620,946	(122,882)
(118,417)	2,454	120,871	1,071	119,248	118,177	26,388	17,972	(8,416)
138,949	138,949		32,425	32,425		(356,533)	(356,533)	
44,918	44,918					342,195	342,195	
\$65,450	\$186,321	\$120,871	\$33,496	\$151,673	\$118,177	\$12,050	\$3,634	(\$8,416)

**CITY OF CELINA
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues:			
Charges for Services	\$13,165,387	\$813,692	\$13,979,079
Other	113,959		113,959
Total Operating Revenues	13,279,346	813,692	14,093,038
Operating Expenses:			
Personal Services	1,885,251		1,885,251
Contractual Services		164,770	164,770
Materials and Supplies	8,967,257		8,967,257
Bad Debt	44,244		44,244
Claims		654,846	654,846
Depreciation	1,139,262		1,139,262
Total Operating Expenses	12,036,014	819,616	12,855,630
Operating Income (Loss)	1,243,332	(5,924)	1,237,408
Non-Operating Revenues (Expenses):			
Change in Joint Venture	246		246
Fair Value of Contributed Fixed Assets	327,837		327,837
Loss on Disposal of Fixed Assets	(80,780)		(80,780)
Interest Income	118,314		118,314
Interest Expense	(461,884)		(461,884)
Total Non-Operating Revenues (Expenses)	(96,267)		(96,267)
Net Income (Loss)	1,147,065	(5,924)	1,141,141
Retained Earnings at Beginning of Year (Restated - Note 3)	18,271,354	188,450	18,459,804
Residual Equity Transfer Out	(78,725)		(78,725)
Retained Earnings at End of Year	19,339,694	182,526	19,522,220
Contributed Capital at Beginning and End of Year	2,124,460		2,124,460
Total Fund Equity at End of Year	\$21,464,154	\$182,526	\$21,646,680

See Accompanying Notes to the General Purpose Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise			Internal Service		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Charges for Services	\$11,587,600	\$12,916,828	\$1,329,228	\$750,000	\$813,666	\$63,666
Interest Income	123,500	120,281	(3,219)			
Other Revenues	8,300	114,780	106,480			
Utility Deposits	36,000	32,100	(3,900)			
Proceeds of Notes	4,000,000	4,000,000				
Total Revenues	15,755,400	17,183,989	1,428,589	750,000	813,666	63,666
Expenses:						
Personal Services	2,089,786	1,974,696	115,090			
Materials and Supplies	10,035,327	9,531,524	503,803			
Payments to Third Party Administrators				920,000	868,879	51,121
Capital Outlay	3,006,503	1,071,964	1,934,539			
Other Expenses	40,000	30,835	9,165		713	(713)
Debt Service:						
Principal Retirement	360,000	360,000				
Interest Expense	419,455	419,455				
Total Expenses	15,951,071	13,388,474	2,562,597	920,000	869,592	50,408
Excess of Revenues Over (Under) Expenses	(195,671)	3,795,515	3,991,186	(170,000)	(55,926)	114,074
Fund Balances at Beginning of Year	4,825,473	4,825,473		239,045	239,045	
Prior Year Encumbrances Appropriated	409,695	409,695				
Fund Balances at End of Year	\$5,039,497	\$9,030,683	\$3,991,186	\$69,045	\$183,119	\$114,074

See Accompanying Notes to the General Purpose Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise	Internal Service	Totals (Memorandum Only)
Increases and (Decreases) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$12,749,495	\$2,410	\$12,751,905
Cash Received from Quasi-External Operating Transactions with Other Funds	214,475	813,666	1,028,141
Cash Received from Stop Loss Reimbursement		77,149	77,149
Cash Received from Other Revenues	66,938		66,938
Cash Received from Utility Deposits	32,100		32,100
Cash Payments for Personal Services	(1,876,795)		(1,876,795)
Cash Payments for Materials and Supplies	(8,156,365)	(182,002)	(8,338,367)
Cash Payments for Quasi-External Operating Transactions with Other Funds	(855,796)		(855,796)
Cash Payments for Claims		(749,668)	(749,668)
Cash Payments for Deposits Refunded/Applied	(30,835)		(30,835)
Net Cash Provided by (Used for) Operating Activities	2,143,217	(38,445)	2,104,772
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(797,601)		(797,601)
Capitalization of Payments for Personal Services	(97,901)		(97,901)
Sale of Fixed Assets	700		700
Proceeds of Notes	4,000,000		4,000,000
Principal Paid on Revenue Bonds	(360,000)		(360,000)
Interest Paid on Revenue Bonds	(419,455)		(419,455)
Net Cash Provided by Capital and Related Financing Activities	2,325,743		2,325,743
Cash Flows from Investing Activities:			
Change in Fair Value of Cash Equivalent	(4,441)		(4,441)
Purchase of Investments	(3,183,000)		(3,183,000)
Interest Income	120,281		120,281
Net Cash Provided by Investing Activities	(3,067,160)		(3,067,160)
Net Increase (Decrease) in Cash and Cash Equivalents	1,401,800	(38,445)	1,363,355
Cash and Cash Equivalents at Beginning of Year	5,239,609	265,348	5,504,957
Cash and Cash Equivalents at End of Year	\$6,641,409	\$226,903	\$6,868,312

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$1,243,332	(\$5,924)	\$1,237,408
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	1,139,262		1,139,262
Provision for Uncollectable Accounts Receivable	44,244		44,244
Assets Constructed for Governmental Funds	(76,643)		(76,643)
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(249,324)	(3,314)	(252,638)
Decrease in Due from Other Funds	886		886
Increase in Materials and Supplies Inventory	(6,466)		(6,466)
Increase in Prepaid Items	(3,520)		(3,520)
Increase (Decrease) in Accounts Payable	35,324	(14,822)	20,502
Decrease in Contracts Payable	(48,999)		(48,999)
Increase in Accrued Wages Payable	5,405		5,405
Increase in Compensated Absences Payable	2,198		2,198
Increase in Intergovernmental Payable	18,953		18,953
Increase in Due to Other Funds	37,300		37,300
Increase in Deposits Held and Due to Others	1,265		1,265
Decrease in Claims Payable		(14,385)	(14,385)
Net Cash Provided by (Used for) Operating Activities	<u>\$2,143,217</u>	<u>(\$38,445)</u>	<u>\$2,104,772</u>
<u>Noncash Capital Financing Activities:</u>			
Water and sewer lines contributed from governmental funds	\$327,390		\$327,390
Transfer of fixed assets from electric enterprise fund to the general fixed assets account group	1,635		1,635
Transfer of fixed assets from electric and sewer enterprise funds to the water enterprise fund	447		447
Fixed assets constructed from electric enterprise fund and contributed to the general fixed assets account group	76,643		76,643
Total Noncash Capital Financing Activities	<u>\$406,115</u>	<u>\$0</u>	<u>\$406,115</u>

In 2001, the fair market value of cash equivalents decreased by \$4,441.

See Accompanying Notes to the General Purpose Financial Statements.

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**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

1. REPORTING ENTITY

The City of Celina (the City) is a statutory municipal corporation operating under the laws of the State of Ohio. The City operates under a mayor-council form of government.

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City in 2001.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, the Grand Lake/Mercer County Research Corporation, and the Mercer County Planning Commission, jointly governed organizations; and the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in the notes to the general purpose financial statements (see Notes 20, 21, and 22).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary fund types provided they do not conflict with or contradict GASB pronouncements.

A. Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or Federal and State statutes.

Debt Service Funds

The debt service funds are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types

Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The following are the City's proprietary fund types:

Enterprise Funds

The enterprise funds are used to account for the City's electric, water, and sewer operations. These funds are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

3. Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

4. 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

The general fixed assets account group is used to account for all fixed assets of the City, except those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure.

General Long-Term Obligations Account Group

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City, except those accounted for in the proprietary funds.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated.

1. Tax Budget

A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate of estimated resources issued during 2001.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

A temporary appropriations ordinance to control the level of expenditures for all funds may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. Appropriations may not exceed estimated resources as established in the amended certificate of estimated resources. The allocation of appropriations among departments and objects within a fund may be modified during the year with City Council action. Several supplemental appropriations ordinances were legally enacted by the City Council during the year. The budget figures which appear in the statements of budgetary comparisons represent the appropriated budgeted amounts and all supplemental appropriations.

4. Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by the City Council. Council appropriations are made to the fund level or at various levels within a fund based on Council requirements. The appropriations set by the City Council must remain fixed unless amended by City Council ordinance. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within the City Council's appropriated amount.

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the proprietary fund types.

5. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

D. Cash and Investments

To improve cash management, cash received by the City, except cash held by a trustee or fiscal agents, is pooled and invested. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately within departments of the City and not held with the City Treasurer are recorded on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has certain funds which are held by its third-party administrator or by financial institutions as trustees to service its revenue bonded debt as principal and interest payments come due. These amounts are presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents".

Investments are reported at fair value, except for non-negotiable certificates of deposit and repurchase agreements, which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2001.

The City allocates interest earnings according to the Ohio Constitution, Federal and State requirements, and debt indentures. Interest revenue credited to the general fund during 2001 was \$180,844, which includes \$146,733 assigned from other City funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

E. Notes Receivable

Notes receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. Reported notes receivable is equally offset by a fund balance reserve in the governmental fund types which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

F. Materials and Supplies Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Restricted Assets

Restricted assets represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific uses.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City has utility deposits from customers that are classified as restricted assets because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

I. Unamortized Issue Costs/Bond Discount

For governmental fund types, issuance costs and bond discounts are recognized in the current period. For proprietary fund types, issuance costs and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

J. Fixed Assets

The fixed asset values were initially determined at December 31, 1986, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were used. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental fund types, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported as these assets are immovable and of value only to the City.

Proprietary Fund Fixed Assets

Fixed assets reflected in the proprietary funds are stated at historical cost or estimated historical cost and are updated for the cost of additions and reductions during the year. The gain or loss on normal retirements or replacements of grouped assets in the electric enterprise fund is not recognized; the difference between the cost of the assets retired or replaced and the salvage value is charged or credited to accumulated depreciation.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	30 years
Buildings	30 years
Electric, Water, and Sewer Lines	20-50 years
Furniture and Fixtures	10-20 years
Vehicles/Inland Marine	3-10 years

Capitalization of Interest

Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from the temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. For 2001, there were no capitalized interest costs incurred on enterprise fund construction projects.

K. Interfund Receivables/Payables

Short-term interfund loans are classified as "Interfund Receivables/Payables". Receivables and payables arising between funds for goods provided or services rendered are classified as "Due from/to Other Funds" on the combined balance sheet.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as termination benefits.

Compensated absences for governmental fund types are reported in the general long-term obligations account group. For the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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 contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than thirty-one days after year end are considered not to have used current available expendable resources. Notes and bonds are reported as liabilities in the general long-term obligations account group until due. Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the appropriate fund.

Bond anticipation notes that are refinanced after year end but prior to the release of the financial statements are reported as long-term obligations.

N. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt reported in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

O. Contributed Capital

Contributed capital represents contributions made prior to 2001 by the City, other governments, and donations by developers. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

Capital contributions received in 2001 have been recorded as revenues and are reported as increases in retained earnings based on guidelines established by GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions".

P. Reserves of Fund Equity

The City records reservations for portions of fund balance that are segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for notes receivable and encumbrances related to governmental fund types.

Reservations have been established in the enterprise funds to segregate the resources necessary to comply with various covenants of bond financing agreements.

Q. 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 reductions of expenditures/expenses in the fund that is reimbursed.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. Residual equity transfers also include the transfer of fixed assets between the proprietary funds and the general fixed asset account group. Fixed assets transferred into the proprietary funds are recorded as capital contributions rather than residual equity transfers in and as additions to fixed assets in the general fixed asset account group.

All other interfund transfers are reported as operating transfers.

R. Estimates

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

S. Memorandum Only - Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGE IN ACCOUNTING PRINCIPLES

For 2001, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The provisions of GASB Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. For the City, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the year ended December 31, 2000.

For 2001, the City has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$250 to \$1,000.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

4. RESTATEMENT OF FUND EQUITY

Fixed assets and accumulated depreciation in the enterprise funds decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$143,976, from \$44,827,786 to \$44,683,810, and accumulated depreciation decreased \$132,199, from \$24,243,465 to \$24,111,266. As a result of the restatement, retained earnings as previously reported as of December 31, 2000, decreased \$11,777, from \$18,283,131 to \$18,271,354.

The fixed assets reported in the general fixed assets account group decreased \$149,768 from \$6,077,235 to \$5,927,467.

5. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2001, the special assessment debt service fund, and the sidewalk/curb and Issue II capital projects funds had deficit fund balances, in the amount of \$317, \$1,700, and \$14,243, respectively. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

At December 31, 2001, the special assessment debt service fund and the sidewalk/curb capital projects fund had deficit cash balances, in the amount of \$317 and \$2,289, respectively.

6. BUDGETARY BASIS OF ACCOUNTING

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for the proprietary fund types (GAAP basis).

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

- d. For the proprietary funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- e. The City does not budget for the activities of the third-party administrator who received funds from the City for the payment of claims; however, the activity of the third-party administrator is included in the internal service fund for GAAP reporting.

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

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
GAAP Basis	\$21,392	\$128,453	\$176,772
Adjustments for :			
Revenue Accruals	(88,638)	2,566	7,216
Unrecorded Cash:			
Prior Year	22,145	1,698	-
Current Year	(21,142)	(2,737)	-
Fair Value:			
Prior Year	(239)	-	-
Current Year	(692)	-	-
Expenditure Accruals	14,364	(19,136)	(123,516)
Materials and Supplies Inventory	1,546	2,196	-
Prepaid Items	(1,976)	-	-
Revolving Loan Activity			
Issued	-	(107,538)	-
Repaid	-	35,211	-
Encumbrances Outstanding at Year End (Budget Basis)	<u>(24,408)</u>	<u>(38,259)</u>	<u>(42,500)</u>
Budget Basis	<u><u>(\$77,648)</u></u>	<u><u>\$2,454</u></u>	<u><u>\$17,972</u></u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
All Proprietary Fund Types**

	Enterprise	Internal Service
GAAP Basis	\$1,147,065	(\$5,924)
Adjustments for:		
Revenue Accruals	(206,668)	(3,314)
Change in Fair Value	4,441	-
Expense Accruals	59,980	(29,207)
Materials and Supplies Inventory	(6,466)	-
Prepaid Items	(3,520)	-
Fixed Asset Acquisitions	(797,601)	-
Capitalization of Personal Services	(97,901)	-
Capital Contributions	(327,837)	-
Construction of Assets for Governmental Funds	(76,643)	-
Depreciation Expense	1,139,262	-
Sale of Fixed Assets	700	-
Loss on Disposal of Fixed Assets	80,780	-
Utility Deposits, Net	1,265	-
Proceeds from Sale of Notes	4,000,000	-
Principal Retirement	(360,000)	-
Amortization of Discount	231	-
Amortization of Accounting Loss	19,054	-
Amortization of Issuance Costs	13,345	-
Income of Joint Venture	(246)	-
Encumbrances Outstanding at Year End (Budget Basis)	(793,726)	-
Other Adjustments:		
Nonbudgeted Activity	-	(17,481)
Budget Basis	\$3,795,515	(\$55,926)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

- a. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasurer's investment pool (STAR Ohio).

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State as to which there is no default of principal, interest, or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

At year end, the City had \$26,792 in undeposited cash on hand which is included on the combined balance sheet of the City as part of "Equity in Pooled Cash and Cash Equivalents".

At year end, the City's internal service fund had a balance of \$43,784 with Employee Benefit Claims, Inc. This money is held by the claims servicer in a pooled account with that of other entities and, therefore, cannot be classified by risk under GASB Statement 3.

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

At year end, the carrying amount of the City's deposits was \$3,264,504 and the bank balance was \$3,936,530. Of the bank balance, \$364,435 was covered by the federal depository insurance. The remaining amount was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

	<u>Risk Category</u>		Carrying Value	Fair Value
	1	3		
Manuscript Bonds	\$17,132	\$0	\$17,132	\$17,132
Repurchase Agreements	-	3,380,000	3,380,000	3,380,606
	<u>\$17,132</u>	<u>\$3,380,000</u>	3,397,132	3,397,738
STAR Ohio			3,512,094	3,512,094
Mutual Funds			923,291	923,291
Total			<u>\$7,832,517</u>	<u>\$7,833,123</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$7,984,597	\$3,183,000
Cash on Hand	(26,792)	-
Cash Held by Third Party Administrator	(43,784)	-
Investments:		
Certificates of Deposit	3,183,000	(3,183,000)
Manuscript Bonds	(17,132)	17,132
Repurchase Agreements	(3,380,000)	3,380,000
STAR Ohio	(3,512,094)	3,512,094
Mutual Funds	(923,291)	923,291
GASB Statement No. 3	<u>\$3,264,504</u>	<u>\$7,832,517</u>

8. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2001 represent the collection of 2000 taxes. In 2001, real property taxes were levied after October 1, 2001, on the assessed values as of January 1, 2001, the lien date. These taxes will be collected in and are intended to finance 2002 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

8. PROPERTY TAXES (Continued)

In 2001, public utility real and tangible personal property taxes were levied after October 1, 2001, on the assessed values as of December 31, 2000, the lien date. These taxes will be collected in and are intended to finance 2002 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2001 (other than public utility property) represent the collection of 2001 taxes. Tangible personal property taxes received in 2001 were levied after October 1, 2000, on the true value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2001, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2001 operations.

The full tax rate for all City operations for the year ended December 31, 2001, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which the 2001 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$95,643,950
Commercial/Industrial	36,297,180
Public Utility Real	6,840
Public Utility Personal	2,709,580
Tangible Personal	19,138,776
Total	<u><u>\$153,796,326</u></u>

9. MUNICIPAL INCOME TAXES

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

10. RECEIVABLES

Receivables at December 31, 2001, consisted of taxes; accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; special assessments; accrued interest; interfund; notes receivable; and services charged to other funds. All receivables are considered fully collectible, except for accounts receivable related to utility services.

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

	Electric	Water	Sewer	Total Enterprise Funds
Accounts Receivable	\$2,135,237	\$308,216	\$303,215	\$2,746,668
Less Allowance for Uncollectibles	(338,349)	(55,043)	(37,606)	(430,998)
Net Accounts Receivable	<u>\$1,796,888</u>	<u>\$253,173</u>	<u>\$265,609</u>	<u>\$2,315,670</u>

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant program. The loans have an annual interest rate of 4.75 to 7 percent and are to be repaid over periods ranging from five to twenty years.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Estate Tax	\$40,085
Personal Property Exemption	3,915
Homestead and Rollback	16,298
ADAMH Transport of Patients	239
Local Government Revenue Assistance	271,576
Municipal Court Reimbursements	23,185
Total General Fund	<u>355,298</u>
Special Revenue Funds	
Street Maintenance and Repair	
Gasoline Tax and Motor Vehicle License Tax	<u>166,130</u>
State Highway	
Gasoline Tax and Motor Vehicle License Tax	<u>13,470</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Amount
Police Pension	
Personal Property Exemption	\$587
Homestead and Rollback	2,445
Total Police Pension	3,032
Fire Pension	
Personal Property Exemption	587
Homestead and Rollback	2,445
Total Fire Pension	3,032
Total Special Revenue Funds	185,664
Total Intergovernmental Receivables	\$540,962

11. FIXED ASSETS

A. General Fixed Assets

A summary of the changes in general fixed assets during 2001 is as follows:

	Balance 12/31/2000	Additions	Reductions	Balance 12/31/2001
Land	\$1,839,014	\$0	\$0	\$1,839,014
Land Improvements	262,961	76,643	-	339,604
Buildings	224,100	-	-	224,100
Improvements Other Than Buildings	1,684,030	-	-	1,684,030
Furniture and Fixtures	425,674	65,806	-	491,480
Vehicles/Inland Marine	1,491,688	371,225	17,790	1,845,123
Total	\$5,927,467	\$513,674	\$17,790	\$6,423,351

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

11. FIXED ASSETS (Continued)

B. Enterprise Fund Fixed Assets

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

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Land	\$49,610	\$41,025	\$67,180	\$157,815
Land Improvements	3,000	1,500	4,262	8,762
Buildings	7,235,240	4,204,269	6,827,785	18,267,294
Infrastructure	14,025,654	4,710,622	6,915,907	25,652,183
Furniture and Fixtures	179,738	139,868	127,405	447,011
Vehicles	801,265	105,507	32,293	939,065
Inland Marine	82,504	89,148	37,785	209,437
Construction in Progress	-	2,375	-	2,375
Total	<u>22,377,011</u>	<u>9,294,314</u>	<u>14,012,617</u>	<u>45,683,942</u>
Less Accumulated Depreciation	<u>(13,314,451)</u>	<u>(6,359,875)</u>	<u>(5,436,557)</u>	<u>(25,110,883)</u>
Total Fixed Assets, Net of Accumulated Depreciation	<u>\$9,062,560</u>	<u>\$2,934,439</u>	<u>\$8,576,060</u>	<u>\$20,573,059</u>

12. INTERFUND RECEIVABLES/PAYABLES

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

<u>Fund Type/Fund</u>	<u>Receivable</u>		<u>Payable</u>	
	<u>Interfund</u>	<u>Due from</u>	<u>Interfund</u>	<u>Due to</u>
General Fund	\$2,606	\$38,184		\$38
Special Revenue Funds				
Recreation				216
Debt Service Fund				
Sidewalk/Curb Debt Service			\$317	
Capital Projects Fund				
Sidewalk/Curb			2,289	
Enterprise Funds				
Electric		14,178		\$38,184
Water				5,679
Sewer				8,283
Total Enterprise Funds		<u>14,178</u>		<u>52,146</u>
Agency Fund				
Municipal Court		38		
Total	<u>\$2,606</u>	<u>\$52,400</u>	<u>\$2,606</u>	<u>\$52,400</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The City contributes to the Public Employees Retirement System of Ohio (the "System"), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. The System provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 9.25 percent was the portion used to fund pension obligations for 2001, an increase from 6.54 percent in 2000. For 2000, the System instituted a temporary employer rate rollback. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contribution to the System for the years ended December 31, 2001, 2000, and 1999, were \$251,493, \$167,712, and \$223,181, respectively; 73 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. The unpaid contribution for 2001, in the amount of \$68,433, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

The City contributed to the Ohio Police and Fire Pension Fund (the "Fund"), a cost-sharing multiple employer defined benefit pension plan administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police (12 percent was the portion used to fund pension obligations for 2001, a decrease from 12.25 percent for 2000); and 24 percent for firefighters (16.5 percent was the portion used to fund pension obligations for 2001, a decrease from 16.75 percent for 2000). Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2001, 2000, and 1999, were \$191,107, \$190,819, and \$184,721, respectively; 72 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999. The unpaid contribution for 2001, in the amount of \$53,661, is recorded as a liability within the general long-term obligations account group.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

14. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (the "System") provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 13.55 percent of covered payroll; 4.3 percent was the portion used to fund health care for 2001. For 2000, the employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion used to fund health care.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually, and an additional increase in total payroll of .54 percent to 5.1 percent based on additional pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

At December 31, 2001, the total number of benefit recipients eligible for OPB through the System was 411,076. As of December 31, 2001, the actuarial value of net assets available for future OPB payments were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial liability were \$14,364.6 million and \$2,628.7 million, respectively. The City's actual contributions for 2001 which were used to fund OPB were \$116,910.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (the "Fund") provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7.5 percent was the portion used to fund health care for 2001. The portion used to fund health care was 7.25 percent in 2000. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

The number of participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters. The City's actual contributions for 2001 that were used to fund postemployment benefits were \$46,832 for police and \$52,807 for firefighters. The Fund's total health care expenses for the year ended December 31, 2000, (the latest information available), were \$106,160,054, which was net of member contributions of \$5,657,431.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy permits vacation leave to be carried forward with the written approval of the safety service director. City employees are paid for all earned, unused vacation leave at the time of termination of employment. Vacation leave is recognized as a liability in the period in which it is earned.

Employees earn sick leave at the rate of four and six-tenths hours for every eighty hours worked. Current policy permits sick leave to be accumulated without limit. For employees under the CMERC union agreement, sick leave will be paid upon death or retirement at the lesser of 25 percent or eighty days of sick leave accumulated. For sergeants, law enforcement officers, and dispatchers, sick leave will be paid based on years of service. For these employees with ten years of service and upon death or retirement, the lesser of 25 percent or eighty days of accumulated sick leave will be paid. Effective January 1, 2001, these employees with twenty or more years of service and upon death or retirement, accumulated sick leave will be paid at the lesser of 30 percent or ninety days. Firefighters and nonunion employees with ten years of service will be paid sick leave upon death or retirement at the lesser of 25 percent or eighty days of accumulated sick leave.

B. Health Care Benefits

Medical/surgical benefits, vision, and dental insurance are provided to most employees through the City's self-insurance program. The employees share the cost of the monthly premium with the City. The premium varies with employee depending on the terms of the union agreements or City Council policy.

The City provides life and accidental death and dismemberment insurance through Commercial Union Life Insurance Company.

16. NOTES PAYABLE

On November 20, 2001, the City issued bond anticipation notes, in the amount of \$4,000,000, for constructing and equipping a new substation, refurbishing an existing transformer, installing new transmission lines, and acquiring and installing a generator for the electric utility system. The notes have an interest rate of 2.18 percent and mature on November 19, 2002.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2001, was as follows:

	<u>Balance 12/31/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2001</u>
<u>General Long-Term Obligations:</u>				
<u>General Obligation Notes</u>				
Swimming Pool 3.86%	\$440,000	\$345,000	\$440,000	\$345,000
Fire Truck/Equipment 4.21%	0	360,000	-	360,000
Industrial Park 3.25%	0	330,000	-	330,000
Real Estate Acquisition 3.25%	400,000	350,000	400,000	350,000
Total General Obligation Notes	<u>840,000</u>	<u>1,385,000</u>	<u>840,000</u>	<u>1,385,000</u>
<u>Rural Development General Obligation Bonds</u>				
Rural Development Bonds 4.75% Issued 2000	580,000	-	9,111	570,889
Rural Development Bonds 4.75% Issued 2000	51,000	-	768	50,232
Total Rural Development General Obligation Bonds	<u>631,000</u>	<u>-</u>	<u>9,879</u>	<u>621,121</u>
<u>General Obligation Bonds</u>				
Storm Sewer Bond 6% - 7.75% Issued 1988	170,000	-	15,000	155,000
<u>Special Assessment Bonds</u>				
1998 Sidewalk Curb 4.25% Issued 1999	\$4,000	-	\$1,000	\$3,000
1999 Sidewalk Curb 5.25% Issued 2000	1,800	-	360	1,440
2000 Sidewalk Curb 4.50% Issued 2001	0	12,000	-	12,000
Total Special Assessment Bonds	<u>5,800</u>	<u>12,000</u>	<u>1,360</u>	<u>16,440</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	Balance 12/31/2000	Additions	Reductions	Balance 12/31/2001
<u>Other Long-Term Obligations</u>				
Compensated Absences Payable	233,131	3,783	-	236,914
Intergovernmental Payable	105,961	134,334	105,961	134,334
Total Other Long-Term Obligations	339,092	138,117	105,961	371,248
Total General Long-Term Obligations	1,985,892	1,535,117	972,200	2,548,809
<u>Mortgage Revenue Bonds</u>				
Wastewater System Mortgage Revenue Refunding				
3.25 - 4.95% 1999	4,610,000	-	205,000	4,405,000
Accounting Loss	(428,479)	19,054	-	(409,425)
Discount	(5,203)	231	-	(4,972)
Total Wastewater System Mortgage Revenue Refunding	4,176,318	19,285	205,000	3,990,603
Waterworks Mortgage Revenue				
3.55% - 5.90% 1994	1,710,000	-	85,000	1,625,000
Wastewater System Mortgage Revenue				
3.00% - 5.70% 1993	2,055,000	-	70,000	1,985,000
Total Mortgage Revenue Bonds	7,941,318	19,285	360,000	7,600,603
Total All Types	<u>\$9,927,210</u>	<u>\$1,554,402</u>	<u>\$1,332,200</u>	<u>\$10,149,412</u>

A. General Obligation Notes

The City issued general obligation notes to provide funds for the construction of a swimming pool facility, industrial park infrastructure, and the purchase of real estate and fire equipment. General obligation notes are direct obligations of the City for which its full faith and credit are pledged for repayment. The swimming pool and real estate notes are currently paid from donations provided by the citizens of the City and Bryson Trust. The fire equipment and industrial park infrastructure will be paid from transfers from the general fund.

B. Rural Development Bonds

The City issued rural development general obligation bonds to provide funds for the acquisition of property for the development of an industrial park. These general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The bonds will be paid from transfers from the general fund.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

C. General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The storm sewer general obligation bonds are paid from revenue generated by an agreement between the City and Shir-Wil Acres, Inc. All general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. In the event Shir-Wil Acres, Inc. fails to make the payments to the City, the City will be required to pay the related debt.

D. Special Assessment Bonds

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefitted from the project. The special assessment bonds are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the City will be required to pay the related debt.

E. Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

F. Intergovernmental Payable

The intergovernmental payable, representing the City's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

G. Mortgage Revenue Bonds

The City issued bonds which pledge water and sewer fund income derived from the acquired and constructed assets to pay the debt. The bond indentures have certain restrictive covenants and principally require that bond reserves be maintained and charges for services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties.

Fund assets whose use is restricted under the bond indentures to improvement and replacement and debt service requirements are presented as restricted assets on the combined balance sheet. These assets are further segregated between those held by the City and those held by trustees. Restricted assets relating to each of the mortgage revenue bond issues were as follows at December 31, 2001:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

	<u>Restricted Assets</u>			<u>Totals</u>
	<u>Wastewater System Mortgage Revenue Refunding</u>	<u>Waterworks Mortgage Revenue</u>	<u>Wastewater System Mortgage Revenue</u>	
<u>Restricted Assets held by the City for:</u>				
Mortgage Revenue Bond Replacement	\$742,000	\$183,107	\$0	\$925,107
Mortgage Revenue Bond Operations	166,721	272,213	-	438,934
<u>Restricted Assets held by the Trustee for:</u>				
Mortgage Revenue Bond Current Debt Service	63,658	23,305	23,349	110,312
Mortgage Revenue Bond Future Debt Service	445,124	180,130	187,726	812,980

Each mortgage revenue bond issue contains optional redemption provisions that may be exercised by the City. The bonds may be called either in whole or in part in integral multiples of \$5,000. The date each bond issue may be called and the redemption prices, expressed as percentages of the principal amount redeemable, are set forth below:

<u>Redemption Dates</u>	<u>Redemption Prices (Percent of Par)</u>		
	<u>Wastewater System Mortgage Revenue Refunding</u>	<u>Waterworks Mortgage Revenue</u>	<u>Wastewater System Mortgage Revenue</u>
December 1, 2003 to November 30, 2004			101%
December 1, 2004 and thereafter			100
December 1, 2004 to November 30, 2005		101%	
December 1, 2005 and thereafter		100	
November 1, 2008 through October 31, 2009	101%		
November 1, 2009 and thereafter	100		

The City's overall legal debt margin was \$14,139,483 at December 31, 2001.

Principal and interest requirements to retire the general long-term obligations outstanding at December 31, 2001, were as follows:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

<u>Year</u>	<u>General Obligation Notes</u>	<u>Rural Development Bonds</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Total General Long-Term Obligations</u>
2002	\$1,435,366	\$39,979	\$27,013	\$4,863	\$1,507,221
2003	-	39,979	30,850	4,334	75,163
2004	-	39,979	29,300	4,164	73,443
2005	-	39,979	27,750	2,995	70,724
2006	-	39,979	31,200	2,508	73,687
2006-2011	-	199,896	61,587	-	261,483
2012-2016	-	199,895	-	-	199,895
2017-2021	-	199,896	-	-	199,896
2022-2026	-	199,895	-	-	199,895
2027-2030	-	159,916	-	-	159,916
Total	<u>\$1,435,366</u>	<u>\$1,159,393</u>	<u>\$207,700</u>	<u>\$18,864</u>	<u>\$2,821,323</u>

<u>Year</u>	<u>Mortgage Revenue Bonds</u>
2002	\$784,108
2003	782,547
2004	779,953
2005	780,842
2006	780,438
2007-2011	3,910,055
2012-2016	3,547,967
2017-2018	369,355
Total	<u>\$11,735,265</u>

18. RISK MANAGEMENT

A. Property and Liability

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. The City has entered into contracts for the following insurance coverage:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

18. RISK MANAGEMENT (Continued)

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$3,000,000	\$0
General Liability - Aggregate	5,000,000	0
Police Professional and Employee	3,000,000	5,000
Police Professional and Employee - Aggregate	5,000,000	5,000
Public Official Liability	3,000,000	5,000
Automobile Liability	3,000,000	0
Building and Contents	26,775,568	1,000
Bond	10,000	0
Crime	20,000	0
Equipment	2,384,173	500
Electronic Data Processing	200,000	250

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

B. Employee Medical Benefits

In 1985, the City established a medical self-insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the medical self-insurance fund provides coverage for up to a maximum of \$35,000 per year for each individual, with a \$1,000,000 aggregate over the employee's life. The City purchased commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have exceeded the fund's coverage; however, these claims have not exceeded the stop loss coverage. Excess costs have been reimbursed by stop loss insurance coverage.

All funds of the City participate in the program and make payments to the medical self-insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The liability for unpaid claims costs reported in the fund at December 31, 2001, is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability was based on a review of all claims paid after the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The City had several occurrences in 2001 in which settled claims exceeded coverage provided by the fund on an individual basis, in the amount of \$77,149, which was received during the year. A receivable was recorded for \$3,288 for additional stop-loss reimbursements not received by year end.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

18. RISK MANAGEMENT (Continued)

Changes in the fund's claims liability in 2000 and 2001 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Stop-Loss Reimbursemen</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2000	\$86,998	\$419,832	\$5,771	(\$450,525)	\$62,076
2001	62,076	654,846	80,437	(749,668)	47,691

C. Workers' Compensation

For 2001, the City participated in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity redistribution" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to participants that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Program.

19. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains three enterprise funds which are intended to be self-supported through user fees charged for services provided to consumers for electric, water, and sewer services. Financial segment information as of and for the year ended December 31, 2001, was as follows:

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$10,418,483	\$1,391,565	\$1,469,298	\$13,279,346
Depreciation Expense	604,312	205,002	329,948	1,139,262
Operating Income	782,014	45,674	415,644	1,243,332
Net Income	703,308	145,235	298,522	1,147,065
Fixed Asset Additions	687,603	263,770	273,504	1,224,877
Fixed Asset Reductions	208,322	4,660	11,763	224,745
Net Working Capital	1,318,969	456,986	325,171	2,101,126

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Bonds and Other Long-Term Obligations (long-term portion only):				
Compensated Absences Payable	\$49,531	\$37,044	\$20,389	\$106,964
Mortgage Revenue Bonds Payable (net of accounting loss and discount)	0	1,535,000	5,685,603	7,220,603
Total Assets	19,282,518	4,189,087	10,791,826	34,263,431
Total Equity	14,294,397	2,455,623	4,714,134	21,464,154
Encumbrances Outstanding at Year End (Budget Basis)	766,113	23,146	4,467	793,726

20. JOINT VENTURE

Grand Lake/Mercer County Development Corporation

The City of Celina purchased capital stock of the Grand Lake/Mercer County Development Corporation (the Corporation) in 1995. The Corporation was incorporated for purchasing land, developing land to entice new industries, and potentially constructing buildings to rent to interested industries. The Corporation is governed by a Board of Directors elected on an annual basis from the pool of current shareholders. The City does not currently sit on the Board of Directors.

The Corporation issued additional shares of capital stock in 1998 reducing the City's interest from 20 to 19 percent. The City's net investment and its share of the operating results of the Corporation are reported in the City's electric enterprise fund. The Corporation has not accumulated significant financial resources nor is the Corporation experiencing fiscal stress that may cause an additional financial benefit to or burden on the City in the future. Complete financial statements for the Corporation can be obtained from Grand Lake/Mercer County Development Corporation, Jack A. Hartings, Secretary/Treasurer, 112 West Main Street, Coldwater, Ohio 45828, or from the City Auditor's Office.

21. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Community Improvement Corporation

The Mercer County Community Improvement Corporation (the Corporation) was designated as an agency of Mercer County for industrial, commercial, distribution, and research development in Mercer County. The seventeen members of the Corporation consist of representatives from the county, the City, and villages within the county, along with additional appointments as established by the bylaws. The Corporation has not been in operation for the last few years; however, the Corporation is to receive land from the City of Celina for the benefit of a company. The Corporation adopts their own budget, authorizes expenditures, hires and fires staff, and currently relies on Mercer County to finance deficits. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Grand Lake/Mercer County Research Corporation

The Grand Lake/Mercer County Research Corporation (the Corporation) was created to enhance the economic environment of Mercer County by attracting new business and industry, retaining existing business and industry, and thereby creating and retaining job opportunities. The twenty-one members of the Corporation consist of representatives based on the eight largest cumulative private contributors, two representatives from the City of Celina, two representatives from the County, one representative from the villages, any contributor of \$5,000 or more in one year, and four representatives from the community. The Corporation adopts their own budget, authorizes expenditures, hires and fires staff, and does not rely on the City to finance deficits. Financial information can be obtained from the Grand Lake/Mercer County Research Corporation, Wright State University, 7600 State Route 703, Celina, Ohio 45822.

C. Mercer County Planning Commission

The City participates in the Mercer County Planning Commission (the Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Mercer County, municipalities, and townships. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services within the County. In 2001, the City did not pay any membership dues toward the operation of the Commission. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

22. INSURANCE PURCHASING POOL

The City is a participant in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

23. CONTINGENT LIABILITIES

Federal and State Grants

For the period January 1, 2001, to December 31, 2001, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

24. SUBSEQUENT EVENTS

On January 16, 2002, the City retired \$360,000 in bond anticipation notes that had been issued for acquiring fire equipment. The notes had an interest rate of 4.21 percent.

On March 28, 2002, the City retired \$345,000 in bond anticipation notes that had been issued for constructing a swimming pool. The notes had an interest rate of 3.86 percent.

On January 16, 2002, the City issued bond anticipation notes, in the amount of \$285,000, for acquiring fire equipment. The notes have an interest rate of 2.41 percent and mature on January 16, 2003.

On March 28, 2002, the City issued various purpose bond anticipation notes, in the amount of \$720,000. The notes were issued for constructing a swimming pool, land improvements for an industrial park, and purchasing park land, in the amounts of \$280,000, \$140,000, and \$300,000, respectively. The notes have an interest rate of 2.39 percent and mature on November 19, 2002.

On June 20, 2002, the City retired \$680,000 various purpose bond anticipation note issued for acquiring land for a municipal park and making infrastructure improvements in the Industrial Park., in the amounts of \$350,000 and \$330,000, respectively. The notes had an interest rate of 3.25 percent.

Tractors, Inc. filed bankruptcy as of April 26, 2002. The City has a Note Receivable of \$115,974 due from Tractors, Inc., which represents 40% of the Note Receivable balance as of December 31, 2001. The ability to collect and effect on the Note Receivable balance is unknown at this time.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

City of Celina
Mercer County
PO Box 297
202 North Main Street
Celina, Ohio 45822

To the Members of Council:

We have audited the financial statements of the City of Celina, Mercer County, (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated July 12, 2002, wherein we noted the City implemented Governmental Accounting Standards Board Statement numbers 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 12, 2002.

This report is intended for the information and use of the audit committee, management, and City Council, and is not intended to be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 12, 2002

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-202554-001	A finding for recovery was issued for an invoice paid in duplicate.	Yes	Corrected - The finding for recovery was repaid by the vendor receiving the duplicate payment and receipted by the City on August 27, 2001 per pay-in number 15261.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF CELINA
MERCER 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 15, 2002**