

**CITY OF ST. MARYS
AUGLAIZE COUNTY, OHIO**

*General Purpose
Financial Statements*
(Audited)

For The Year Ended
December 31, 2001

DOUGLAS M. RIESEN, CITY AUDITOR



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Mayor and Members of Council
City of St. Marys
101 East Spring Street
St. Marys, OH 45885

We have reviewed the Independent Auditor's Report of the City of St. Marys, Auglaize County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

JIM PETRO
Auditor of State

July 9, 2002

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**CITY OF ST. MARYS
AUGLAIZE COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Mayor and Members of Council
City of St. Marys, Auglaize County
101 East Spring Street
St. Marys, OH 45885

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

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

As disclosed in Note 3 to the general purpose financial statements, the City implemented Governmental Accounting Standards Board GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of St. Marys, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2002, on our consideration of the City of St. Marys 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.

Trimble, Julian & Grube, Inc.
May 28, 2002

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CITY OF ST. MARYS, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total Memorandum (Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents . . .	\$4,125,912	\$1,365,207	\$46,957	\$4,083,821	\$5,140,218	\$74,180	\$ -	\$ -	\$15,046,210
Cash with fiscal and escrow agents	-	-	-	-	231,450	-	-	-	56,097
Investments	-	-	-	-	-	-	-	-	231,450
Receivables (net of allowances):									
Income taxes	415,180	-	-	204,491	-	1,561,479	-	-	2,181,150
Real and other taxes	306,806	70,694	-	-	54,531	-	-	-	432,031
Accounts	30,773	110	-	-	1,157,311	-	-	-	1,188,316
Loans	-	686,228	-	-	-	-	-	-	686,228
Special assessments	-	102,953	318,921	-	1,841	-	-	-	423,715
Accrued interest	22,053	2	-	1,346	-	-	-	-	23,533
Due from other funds	52,175	-	-	4,598	-	-	-	-	56,773
Due from other governments	258,846	125,143	-	-	-	-	-	-	383,989
Prepayments	45,981	8,612	-	-	109,658	-	-	-	164,251
Materials and supplies inventory	30,094	26,820	-	-	512,437	-	-	-	574,220
Unamortized bond issuance costs	-	-	-	-	226,980	-	-	-	226,980
Investment in joint venture	-	-	-	-	1,638,460	-	-	-	1,638,460
Fixed assets (net of accumulated depreciation where applicable)	-	-	-	-	18,046,563	-	6,455,483	-	24,550,859
Restricted assets:									
Equity in pooled cash and cash equivalents	-	-	-	-	-	-	-	-	5,738,884
Cash with fiscal and escrow agents	-	-	-	-	5,738,884	-	-	-	1,028,058
Accrued interest receivable	-	-	-	-	1,028,058	-	-	-	15,189
OTHER DEBITS:									
Amount to be provided from special assessments	-	-	-	-	-	-	-	46,957	46,957
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	531,545	531,545
Total assets and other debits	\$5,287,820	\$2,385,769	\$365,878	\$4,294,256	\$33,901,580	\$1,635,659	\$6,455,483	\$578,502	\$55,224,895

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF ST. MARYS, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	Governmental Fund Types				Proprietary Fund Types			Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Agency	General	Long-Term		
								Fixed Assets	Obligations		
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$90,023	\$ -	\$ -	\$11,647	\$797,838	\$5,002	\$ -	\$ -	\$ -	\$ -	\$904,510
Contracts payable	94,092	-	-	6,860	-	-	-	-	-	-	100,952
Accrued wages and benefits	43,763	7,294	-	764	52,962	869	-	-	-	-	105,652
Compensated absences payable	27,523	4,012	-	-	306,213	5,409	-	-	172,450	-	515,607
Deferred revenue	670,528	270,133	318,921	118,774	3,666	132	-	-	-	-	1,382,154
Due to other funds	-	-	-	-	56,773	-	-	-	-	-	56,773
Due to other governments	39,171	77,597	-	9,130	128,034	1,666	1,561,479	-	-	-	1,817,077
Accrued interest payable	-	-	-	-	37,111	-	-	-	-	-	37,111
Claims payable	-	-	-	-	-	193,457	-	-	-	-	193,457
Payroll withholdings	-	-	-	-	-	-	31,409	-	-	-	31,409
Undistributed assets	-	-	-	-	-	-	42,771	-	-	-	42,771
Special assessment bonds payable	-	-	-	-	-	-	-	-	231,450	-	231,450
Notes payable	-	-	-	-	4,000,000	-	-	-	-	127,000	4,127,000
Loans payable	-	-	-	-	-	-	-	-	32,100	-	32,100
Revenue bonds payable (See Note 17)	-	-	-	-	2,415,910	-	-	-	-	-	2,415,910
Mortgage revenue bonds payable (See Note 17)	-	-	-	-	3,114,815	-	-	-	-	-	3,114,815
Fire pension liability payable	-	-	-	-	-	-	-	-	15,502	-	15,502
Landfill closure/post-closure liability	-	-	-	-	3,740,508	-	-	-	-	-	3,740,508
Payable from restricted assets:											
Revenue bonds payable	-	-	-	-	275,000	-	-	-	-	-	275,000
Mortgage revenue bonds payable	-	-	-	-	330,000	-	-	-	-	-	330,000
Accrued interest payable	-	-	-	-	29,793	-	-	-	-	-	29,793
Refundable deposits	-	-	-	-	160,480	-	-	-	-	-	160,480
Total liabilities	965,100	359,036	318,921	140,315	15,455,963	206,535	1,635,659	-	578,502	-	19,660,031
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets	-	-	-	-	-	-	-	-	6,455,483	-	6,455,483
Contributed capital	-	-	-	-	1,905,588	6,142	-	-	-	-	1,911,730
Retained earnings:											
Reserved for operations	-	-	-	-	3,389,021	-	-	-	-	-	3,389,021
Reserved for replacements and improvements	-	-	-	-	1,844,906	-	-	-	-	-	1,844,906
Unreserved	-	-	-	-	11,306,102	107,271	-	-	-	-	11,413,373
Fund balances:											
Reserved for encumbrances	106,210	31,154	-	100,187	-	-	-	-	-	-	237,551
Reserved for materials and supplies inventory	30,094	26,820	-	-	-	-	-	-	-	-	56,914
Reserved for prepayments	45,981	8,612	-	-	-	-	-	-	-	-	54,593
Reserved for loans	-	686,228	-	-	-	-	-	-	-	-	686,228
Reserved for debt service	-	-	46,957	-	-	-	-	-	-	-	46,957
Unreserved-undesignated	4,140,435	1,273,919	-	4,053,754	-	-	-	-	-	-	9,468,108
Total equity and other credits	4,322,720	2,026,733	46,957	4,153,941	18,445,617	113,413	-	-	6,455,483	-	35,564,864
Total liabilities, equity and other credits	\$5,287,820	\$2,385,769	\$365,878	\$4,294,256	\$33,901,580	\$319,948	\$1,635,659	-	\$6,455,483	\$578,502	\$55,224,895

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF ST. MARYS, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Income taxes	\$2,275,526	\$ -	\$ -	\$1,105,558	\$3,381,084
Real and other taxes	775,188	68,994	-	55,112	899,294
Charges for services	286,425	-	-	-	286,425
Licenses, permits and fees	86,274	-	-	-	86,274
Fines and forfeitures	18,872	1,957	-	-	20,829
Special assessments	-	768	59,084	-	59,852
Intergovernmental	627,002	307,771	-	10,548	945,321
Investment income	418,987	67,211	52,970	116,013	655,181
Rental income	2,200	-	-	-	2,200
Other	196,851	9,240	-	4,598	210,689
Total revenues	4,687,325	455,941	112,054	1,291,829	6,547,149
Expenditures:					
Current operations:					
General government	971,044	-	-	-	971,044
Security of persons and property	1,762,571	322,705	-	-	2,085,276
Public health and welfare	5,452	-	-	-	5,452
Transportation	-	552,967	-	-	552,967
Community environment	14,668	51,744	-	-	66,412
Leisure time activity	183,416	2,447	-	-	185,863
Capital outlay	558,862	-	-	1,722,014	2,280,876
Debt service:					
Principal retirement	35,000	177	52,920	284,000	372,097
Interest and fiscal charges	-	781	9,327	8,320	18,428
Total expenditures	3,531,013	930,821	62,247	2,014,334	6,538,415
Excess of revenues over (under) expenditures	1,156,312	(474,880)	49,807	(722,505)	8,734
Other financing sources (uses):					
Proceeds of bonds	-	-	103,000	-	103,000
Proceeds of notes	-	-	-	269,000	269,000
Proceeds from sale of fixed assets	6,694	43	-	-	6,737
Operating transfers in	-	593,300	6,426	392,053	991,779
Operating transfers out	(1,305,115)	-	(150,320)	(6,426)	(1,461,861)
Total other financing sources (uses)	(1,298,421)	593,343	(40,894)	654,627	(91,345)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(142,109)	118,463	8,913	(67,878)	(82,611)
Fund balances, January 1 (restated)	4,467,119	1,900,474	38,044	4,221,819	10,627,456
Increase (decrease) in reserve for inventory	(2,290)	7,796	-	-	5,506
Fund balances, December 31	\$4,322,720	\$2,026,733	\$46,957	\$4,153,941	\$10,550,351

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF ST. MARYS, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Income taxes	\$2,567,088	\$2,278,997	(\$288,091)	\$ -	\$ -	\$ -
Property and other taxes	814,037	722,682	(91,355)	74,166	68,994	(5,172)
Charges for services	326,512	289,869	(36,643)	-	-	-
Licenses, permits and fees	95,068	84,399	(10,669)	-	-	-
Fines and forfeitures	21,258	18,872	(2,386)	700	2,232	1,532
Intergovernmental	693,079	615,299	(77,780)	282,670	315,402	32,732
Special assessments	-	-	-	258	768	510
Investment income	515,286	457,458	(57,828)	64,853	72,490	7,637
Rental income	2,478	2,200	(278)	-	-	-
Other	147,728	131,149	(16,579)	175	844	669
Total revenues	5,182,534	4,600,925	(581,609)	422,822	460,730	37,908
Expenditures:						
Current:						
General government	1,116,592	1,008,150	108,442	-	-	-
Security of persons and property	2,013,790	1,818,212	195,578	277,000	258,565	18,435
Public health and welfare	6,038	5,452	586	-	-	-
Transportation	-	-	-	640,475	553,237	87,238
Community environment	16,246	14,668	1,578	684,179	75,313	608,866
Leisure time activity	313,152	228,463	84,689	7,728	2,447	5,281
Capital outlay	558,862	558,862	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	4,024,680	3,633,807	390,873	1,609,382	889,562	719,820
Excess of revenues						
over (under) expenditures	1,157,854	967,118	(190,736)	(1,186,560)	(428,832)	757,728
Other financing sources (uses):						
Proceeds of bonds	-	-	-	-	-	-
Proceeds of notes	-	-	-	-	-	-
Proceeds from sale of fixed assets	7,540	6,694	(846)	-	43	43
Operating transfers in	1,853,172	1,645,200	(207,972)	636,319	593,300	(43,019)
Operating transfers out	(4,453,047)	(2,950,315)	1,502,732	-	-	-
Other financing sources	73,027	64,832	(8,195)	143,938	93,871	(50,067)
Total other financing sources (uses)	(2,519,308)	(1,233,589)	1,285,719	780,257	687,214	(93,043)
Excess of revenues and other financing						
sources over (under) expenditures						
and other financing (uses)	(1,361,454)	(266,471)	1,094,983	(406,303)	258,382	664,685
Fund balances, January 1	3,955,428	3,955,428	-	1,061,497	1,061,497	-
Prior year encumbrances appropriated	151,829	151,829	-	14,174	14,174	-
Fund balances, December 31	\$2,745,803	\$3,840,786	\$1,094,983	\$669,368	\$1,334,053	\$664,685

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$1,100,000	\$1,070,256	(\$29,744)	\$3,667,088	\$3,349,253	(\$317,835)
-	-	-	59,740	58,937	(803)	947,943	850,613	(97,330)
-	-	-	-	-	-	326,512	289,869	(36,643)
-	-	-	-	-	-	95,068	84,399	(10,669)
-	-	-	-	-	-	21,958	21,104	(854)
-	-	-	3,000	7,473	4,473	978,749	938,174	(40,575)
87,814	62,605	(25,209)	-	-	-	88,072	63,373	(24,699)
42,000	52,970	10,970	105,943	131,220	25,277	728,082	714,138	(13,944)
-	-	-	-	-	-	2,478	2,200	(278)
-	-	-	-	-	-	147,903	131,993	(15,910)
129,814	115,575	(14,239)	1,268,683	1,267,886	(797)	7,003,853	6,445,116	(558,737)
-	-	-	-	-	-	1,116,592	1,008,150	108,442
-	-	-	-	-	-	2,290,790	2,076,777	214,013
-	-	-	-	-	-	6,038	5,452	586
-	-	-	-	-	-	640,475	553,237	87,238
-	-	-	-	-	-	700,425	89,981	610,444
-	-	-	-	-	-	320,880	230,910	89,970
-	-	-	2,067,735	1,849,115	218,620	2,626,597	2,407,977	218,620
1,839,000	4,426,920	(2,587,920)	-	-	-	1,839,000	4,426,920	(2,587,920)
98,820	90,622	8,198	-	-	-	98,820	90,622	8,198
1,937,820	4,517,542	(2,579,722)	2,067,735	1,849,115	218,620	9,639,617	10,890,026	(1,250,409)
(1,808,006)	(4,401,967)	(2,593,961)	(799,052)	(581,229)	217,823	(2,635,764)	(4,444,910)	(1,809,146)
52,000	103,000	51,000	-	-	-	52,000	103,000	51,000
1,750,000	4,142,000	2,392,000	289,645	127,000	(162,645)	2,039,645	4,269,000	2,229,355
-	-	-	-	-	-	7,540	6,737	(803)
253,000	169,401	(83,599)	199,600	241,733	42,133	2,942,091	2,649,634	(292,457)
-	-	-	(10,000)	(6,426)	3,574	(4,463,047)	(2,956,741)	1,506,306
-	-	-	42,000	79,357	37,357	258,965	238,060	(20,905)
2,055,000	4,414,401	2,359,401	521,245	441,664	(79,581)	837,194	4,309,690	3,472,496
246,994	12,434	(234,560)	(277,807)	(139,565)	138,242	(1,798,570)	(135,220)	1,663,350
34,523	34,523	-	3,480,863	3,480,863	-	8,532,311	8,532,311	-
-	-	-	630,689	630,689	-	796,692	796,692	-
\$281,517	\$46,957	(\$234,560)	\$3,833,745	\$3,971,987	\$138,242	\$7,530,433	\$9,193,783	\$1,663,350

CITY OF ST. MARYS, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Charges for services	\$12,824,342	\$930,853	\$13,755,195
Tap-in fees	60,545	-	60,545
Rental income	278,192	-	278,192
Other operating revenues	84,134	122	84,256
	<u>13,247,213</u>	<u>930,975</u>	<u>14,178,188</u>
Total operating revenues			
Operating expenses:			
Personal services	3,031,199	54,974	3,086,173
Contract services	1,795,369	67	1,795,436
Materials and supplies	6,806,923	219,015	7,025,938
Claims expense	-	846,907	846,907
Utilities	99,142	739	99,881
Landfill closure and post-closure costs	1,545,185	-	1,545,185
Depreciation	1,011,409	13,892	1,025,301
Other operating expenses	2,024	-	2,024
	<u>14,291,251</u>	<u>1,135,594</u>	<u>15,426,845</u>
Total operating expenses			
Operating loss	(1,044,038)	(204,619)	(1,248,657)
Nonoperating revenues (expenses):			
Interest expense and fiscal charges	(500,207)	-	(500,207)
Gain on disposal of fixed asset	17,499	-	17,499
Interest revenue	238,490	5,207	243,697
Other local tax revenue	9,505	-	9,505
Excise tax expense	(9,505)	-	(9,505)
Investment in joint venture	1,638,460	-	1,638,460
Other nonoperating revenues	181,627	547	182,174
Other nonoperating expenses	(47)	-	(47)
	<u>1,575,822</u>	<u>5,754</u>	<u>1,581,576</u>
Total nonoperating revenues (expenses)			
Net income (loss) before transfers	531,784	(198,865)	332,919
Operating transfers in	532,409	-	532,409
Operating transfers out	(62,327)	-	(62,327)
Net income (loss)	1,001,866	(198,865)	803,001
Retained earnings at January 1	15,538,163	306,136	15,844,299
Retained earnings at December 31	16,540,029	107,271	16,647,300
Contributed capital at December 31	1,905,588	6,142	1,911,730
Fund equity at December 31	<u>\$18,445,617</u>	<u>\$113,413</u>	<u>\$18,559,030</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF ST. MARYS, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from charges for services	\$12,869,833	\$935,102	\$13,804,935
Cash received from tap-in fees	60,545	-	60,545
Cash received from rental charges	277,592	-	277,592
Cash received from other operations	42,824	-	42,824
Cash payments for personal services	(2,986,840)	(54,507)	(3,041,347)
Cash payments for contract services	(1,737,338)	(67)	(1,737,405)
Cash payments for materials and supplies	(7,214,336)	(215,536)	(7,429,872)
Cash payments for utilities	(99,142)	(739)	(99,881)
Cash payments for claims expense	-	(687,977)	(687,977)
Cash payments for other expenses	(57,946)	-	(57,946)
Net cash provided by (used in) operating activities	<u>1,155,192</u>	<u>(23,724)</u>	<u>1,131,468</u>
Cash flows from noncapital financing activities:			
Cash received from other local taxes	9,505	-	9,505
Cash payments for excise taxes	(9,505)	-	(9,505)
Transfers in from other funds	470,082	-	470,082
Transfers out to other funds	(72,975)	-	(72,975)
Cash received from nonoperating activities	323,723	547	324,270
Cash used for nonoperating expenses	(47)	-	(47)
Net cash provided by noncapital financing activities	<u>720,783</u>	<u>547</u>	<u>721,330</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,412,436)	-	(1,412,436)
Gain on sale of capital assets	17,499	-	17,499
Cash received from proceeds of notes	4,000,000	-	4,000,000
Cash payments for principal retirement	(4,660,000)	-	(4,660,000)
Cash payments for interest and fiscal charges	(533,415)	-	(533,415)
Net cash used in capital and related financing activities	<u>(2,588,352)</u>	<u>-</u>	<u>(2,588,352)</u>
Cash flows from investing activities:			
Interest received	274,796	5,586	280,382
Net cash provided by investing activities	<u>274,796</u>	<u>5,586</u>	<u>280,382</u>
Net decrease in cash and cash equivalents	(437,581)	(17,591)	(455,172)
Cash and cash equivalents, January 1	12,576,191	283,603	12,859,794
Cash and cash equivalents, December 31	<u>\$12,138,610</u>	<u>\$266,012</u>	<u>\$12,404,622</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	(\$1,044,038)	(\$204,619)	(\$1,248,657)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	1,011,409	13,892	1,025,301
Changes in assets and liabilities:			
Increase in accounts receivable	(47,398)	(122)	(47,520)
Decrease special assessments receivable	397	-	397
Decrease (increase) in materials and supplies inventory			
Decrease in prepayments	(81,885)	1,448	(80,437)
Decrease in due from other governments	15,703	-	15,703
Decrease in due from other funds	124	-	124
Increase (decrease) in accounts payable	7,116	4,249	11,365
Increase (decrease) in accrued wages and benefits	(308,072)	2,031	(306,041)
Increase (decrease) in compensated absences payable	10,740	(164)	10,576
Decrease in contracts payable	25,204	612	25,816
Decrease in due to other governments	(3,690)	-	(3,690)
Increase in due to other governments	41,145	19	41,164
Decrease in due to other funds	(4,122)	-	(4,122)
Increase in claims payable	-	158,930	158,930
Increase in landfill closure/post-closure liability	1,545,185	-	1,545,185
Decrease in refundable deposits liability	(12,626)	-	(12,626)
Net cash provided by (used in) operating activities	<u>\$1,155,192</u>	<u>(\$23,724)</u>	<u>\$1,131,468</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF ST. MARYS

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

NOTE 1 - DESCRIPTION OF THE CITY

The City of St. Marys (the “City”) is a home rule municipal corporation established and operated under the laws of the State of Ohio. St. Marys was established as a city in 1823 and incorporated as a municipal corporation in 1837.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. Three City Council members are elected at-large and four are elected from wards. Other elected officials consist of the auditor, treasurer, and law director; each elected for four-year terms.

The City of St. Marys is divided into various departments and financial management and control systems. Services provided include police and fire protection, street maintenance and repair, planning and zoning, parks and recreation (including a swimming pool), and water, sewer, electric, and refuse 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these general purpose financial statements (GPFS) are summarized below. These policies conform to accounting principles generally accepted in the United States of America (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 activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of St. Marys consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City’s reporting entity has been defined according to GASB Statement No. 14, “The Financial Reporting Entity”.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 following organizations are described due to their relationship to the City:

JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture

The City's Electric Enterprise Fund participates in a joint venture agreement with 36 other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2) for the purpose of providing electric power and energy to its participants on a cooperative basis. OMEGA JV2 is organized, existing and authorized by Article XVIII, Section 3 and 4 of the Ohio Constitution in the manner contemplated by Section 715.02 of the Ohio Revised Code and other applicable provisions of Ohio law. OMEGA JV2 was formed on November 21, 2000, and its existence was ratified on December 7, 2000.

OMEGA JV2 is a 138.650 MW project that includes two 32 MW used gas-fired turbines, one 11 MW used gas-fired turbine, and thirty-four 1.825 MW new and one 1.6 MW used oil-fired diesel generator units. Title to this project was transferred to the 36 municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's 85 municipal electric systems. Each member has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the joint venture contract. In accordance with the joint venture agreement, the City remitted \$91,698 to the joint venture for 2001.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a summary of audited financial information of OMEGA JV2 for the year ended December 31, 2001:

	<u>OMEGA JV2</u>
Total Assets	\$55,534,206
Total Liabilities	552,314
Members Equity	54,981,892
Total Revenues	2,095,967
Total Expenses	5,884,673
Excess Income over/(under) Expenses	(3,788,706)

The City is a financing participant in the joint venture, meaning it will finance its project shares (ownership interest) with a portion of the proceeds from a debt issuance. The City is also a purchasing participant in the joint venture, meaning it will purchase power and energy from OMEGA JV2 and its undivided ownership interest will be held in trust by the owner participants acting as trustee. The City's undivided ownership of OMEGA JV2 is 2.98 percent.

The City reports an equity interest equal to their undivided ownership percentage of the joint venture members equity. Since the City has an explicit and measurable interest in OMEGA JV2, the City has reported \$1,638,460 in equity interest for this joint venture on the combined balance sheet at December 31, 2001. Separate financial statement for the joint venture is available through either the City or AMP-Ohio.

The following tables show the major participants and percentage of ownership for the Omega JV2 project:

<u>OMEGA JV2</u>	
<u>Participants</u>	<u>Percentage of Ownership</u>
Hamilton	23.87
Bowling Green	14.32
Niles	11.49
Cuyahoga Falls	7.46
Wadsworth	5.81
Painesville	5.22
Galion	4.29
St. Marys	2.98
Other	<u>24.56</u>
 Total	 <u>100.00</u>

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

INSURANCE PURCHASING POOL

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Rural Water Association Workers' Compensation Group Rating Plan is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

B. 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.

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.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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 use and limitation of each special revenue fund is 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 ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUNDS

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 swimming pool, water, sewer, electric, and refuse 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 Funds

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

FIDUCIARY FUNDS

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 measurement of results of operations.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to a specific fund 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.

C. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. 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 funds are accounted for on 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. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and agency funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal 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 income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (see Note 6). Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal 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 a 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 to be both measurable and available at year-end: income taxes, state-levied locally shared taxes (including gasoline taxes and motor vehicle license fees), federal and state grants and subsidies, charges for services, licenses and permits and fees, fines and forfeitures, and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures

On the accrual basis of accounting, 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. On the modified accrual basis of accounting, 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.

D. 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.

Budgetary information for the activity of the third party administrator is not reported because it is not included in the entity for which the "appropriated budget" is adopted.

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.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ESTIMATED RESOURCES

The County Budget Commission reviews the 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 official certificate of estimated resources issued during 2001.

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 official certificate of estimated resources. The allocation of appropriations among departments and objects within a fund may be modified during the year with City Council approval. Several appropriations resolutions were legally enacted by the City Council during the year. The budget figures which appear in the statements of budgetary comparisons represent the appropriated budget amounts and all supplemental appropriations.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. For all funds, council appropriations are made to personal services, contractual services, materials and supplies, capital outlay, other expenditures, debt retirement, and transfer accounts for each department. The appropriations set by the City Council must remain fixed unless amended by City Council resolution. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within the City Council's appropriated amount.

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 and to determine and maintain legal compliance. 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 proprietary fund types.

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. Encumbered appropriations are carried forward to the succeeding year and are not reappropriated.

E. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. 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 for the City by fiscal agents and not held with the City Treasurer are recorded on the combined balance sheet as "Cash with Fiscal and Escrow Agents".

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Investments are reported at fair value, except for repurchase agreements and non-negotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. 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.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2001 was \$418,987, which includes \$242,791 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 an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

F. Loans Receivable

Loans 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.

G. Materials and Supplies Inventory

Inventory in the governmental fund types is stated at cost while inventory in the proprietary fund types is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory 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.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Prepayments

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.

I. Restricted Assets

Certain proceeds of enterprise fund revenue and mortgage revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Restricted assets also represent utility deposits from customers that are restricted because their use is limited to the payment of unpaid utility bills or refunding the deposit to the customer.

J. Unamortized Bond Issuance Costs

In governmental fund types, bond issuance costs are expended in the current period. Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method. Issuance costs are recorded as deferred charges.

K. Fixed Assets

The fixed asset values were initially determined at December 31, 1988, 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 determined 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.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

<u>Asset Category</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings	50 years
Improvements Other than Buildings	20 years
Machinery and Equipment	10 years
Vehicles	6 - 10 years
Water and Sewer Lines	30 years

Capitalization of Interest - Interest is capitalized on proprietary 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 was no capitalized interest cost incurred on proprietary fund construction projects.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Interfund Assets/Liabilities

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.

M. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on department and length of service.

For governmental fund types, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. For the proprietary fund types, the entire amount of compensated absences is reported as a fund liability.

N. 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 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. Long-term 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.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Unamortized Gain/Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt reported in the enterprise 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 gain or 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.

P. Contributed Capital

Contributed capital represents contributions made by the City and other governments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment. Depreciation on assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at year-end. There were no capital contributions received in 2001. Contributed capital in the enterprise funds and internal service funds was \$1,905,588 and \$6,142, respectively, at December 31, 2001.

Q. Reserves of Fund Balance/Retained Earnings

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 encumbrances, materials and supplies inventory, prepayments, loans and debt service.

Proprietary fund retained earnings are reserved for resources necessary to comply with bond financing agreements.

CITY OF ST. MARYS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. 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.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

All other interfund transfers are reported as operating transfers.

All transfers during 2001 were in compliance with the Ohio Revised Code.

S. Estimates

The preparation of GPFS in conformity with GAAP 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.

T. Total Columns on General Purpose Financial Statements

Total columns on the GPFS are captioned "Total (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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF ST. MARYS

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”, were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the City for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had the following effect on fund balances as previously reported by the City at December 31, 2000:

	<u>General</u>	<u>Special Revenue</u>
Fund balances as previously reported at December 31, 2000	\$4,395,045	\$1,882,691
GASB Statements No. 33 and No. 36 implementation	72,074	17,783
Restated fund balances at January 1, 2001	\$4,467,119	\$1,900,474

B. Deficit Fund Balances

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

	<u>Deficit Fund Balance</u>
<u>Special Revenue Funds</u>	
Police Pension	\$ (29,375)
Fire Pension	(31,164)
<u>Enterprise Fund</u>	
Refuse	(3,366,535)

The Police Pension and Fire Pension special revenue funds and Refuse enterprise fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The deficit fund balances in these funds are caused by accruing liabilities in accordance with GAAP.

CITY OF ST. MARYS

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

NOTE 4 - EQUITY IN POOLED CASH 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 Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF ST. MARYS

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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 two 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.

CITY OF ST. MARYS

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Cash on Hand: At year-end, the City had no undeposited cash on hand.

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”.

Deposits: At December 31, 2001, the carrying amount of the City's deposits, including cash with fiscal and escrow agents, was \$12,825,437 and the bank balance, including cash with fiscal and escrow agents, was \$12,867,271. Of the bank balance:

1. \$356,097 was covered by federal deposit insurance; and
2. \$12,511,174 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments: 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. Money-Market Mutual Funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

CITY OF ST. MARYS

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	Category 1	Category 3	Fair Value
Manuscript Bonds	\$231,450	\$ -	\$ 231,450
Repurchase Agreement	-	265,384	265,384
	\$231,450	\$265,384	496,834
Money-Market Mutual Funds			1,528,773
STAR Ohio			7,249,655
Total Investments			\$9,275,262

The classification of cash and cash equivalents and investments on the combined balance sheet is based on 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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$21,869,249	\$ 231,450
Investments of the Cash		
Management Pool:		
Repurchase Agreement	(265,384)	265,384
Money-Market Mutual Funds	(1,528,773)	1,528,773
STAR Ohio	(7,249,655)	7,249,655
GASB Statement No. 3	\$12,825,437	\$9,275,262

CITY OF ST. MARYS

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

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2001 represent the collection of 2000 taxes. For 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. The last revaluation was completed in 1999. 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 later payment dates to be established.

Public utility real and tangible personal property taxes were levied after October 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value. Public utility tangible personal property currently is assessed at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2000 (other than public utility property) represent the collection of 2000 taxes. For 2000, tangible personal property taxes were levied after October 1, 1999, on the true value as of December 31, 1999. These taxes will be collected in and are intended to finance 2001 operations. 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 St. Marys. 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. 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.

CITY OF ST. MARYS

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

NOTE 5 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2001, was \$5.32 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2001 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	
Agricultural/Residential	\$ 69,458,400
Commercial/Industrial	24,809,840
Public Utility Property	
Real	5,330
Personal	1,395,740
Tangible Personal Property	<u>33,490,664</u>
Total Assessed Value	<u>\$129,159,974</u>

NOTE 6 - MUNICIPAL INCOME TAXES

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

The City, by ordinance, allocates income tax revenues to the General Fund and Capital Improvement capital projects fund.

NOTE 7 - RECEIVABLES

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

CITY OF ST. MARYS

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

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Income Taxes	\$ 415,180
Real and Other Taxes	306,806
Due from Other Governments	<u>258,846</u>
Total General Fund	<u>980,832</u>
<u>Special Revenue Funds</u>	
Due from Other Governments	125,143
Special Assessments	102,953
Real and Other Taxes	70,694
Loans	<u>686,228</u>
Total Special Revenue Funds	<u>985,018</u>
<u>Debt Service Funds</u>	
Special Assessments	<u>318,921</u>
Total Debt Service Funds	<u>318,921</u>
<u>Capital Projects Funds</u>	
Income Taxes	<u>204,491</u>
Total Capital Projects Funds	<u>204,491</u>
<u>Enterprise Funds</u>	
Accounts	1,157,311
Excise Taxes	<u>54,531</u>
Total Enterprise Funds	<u>1,211,842</u>
<u>Agency Funds</u>	
Income Taxes	<u>1,561,479</u>
Total Agency Funds	<u>1,561,479</u>
Total All Funds	<u>\$5,262,583</u>

CITY OF ST. MARYS

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

NOTE 8 - LOANS RECEIVABLE

Loans receivable represent low interest loans for development projects and home improvements granted to eligible City residents and businesses under the Federal Community Development Block Grant program. The loans have an annual interest rate of 3-9.25 percent and are repaid over periods ranging from five to thirty years. A summary of the changes in loans receivable during 2001 follows:

	<u>Balance</u> <u>12/31/00</u>	<u>New</u> <u>Loans</u>	<u>Repayments</u>	<u>Balance</u> <u>12/31/01</u>
<u>Special Revenue Fund</u>				
CDBG				
Individual Loans	\$ 89,878	\$ -	\$(22,093)	\$ 67,785
Business Loans	<u>683,660</u>	<u>-</u>	<u>(65,217)</u>	<u>618,443</u>
Total	<u>\$773,538</u>	<u>\$ -</u>	<u>\$(87,310)</u>	<u>\$686,228</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

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

	<u>Balance</u> <u>12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/01</u>
Land and Improvements	\$1,226,985	\$523,862	\$ -	\$1,750,847
Building and Improvements	1,764,156	1,331	-	1,765,487
Machinery and Equipment	1,312,504	174,912	(18,167)	1,469,249
Vehicles	<u>1,412,785</u>	<u>94,424</u>	<u>(37,309)</u>	<u>1,469,900</u>
Total General Fixed Assets	<u>\$5,716,430</u>	<u>\$794,529</u>	<u>\$(55,476)</u>	<u>\$6,455,483</u>

CITY OF ST. MARYS

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

NOTE 9 - FIXED ASSETS - (Continued)

B. Proprietary Fixed Assets

A summary of the proprietary fixed assets at December 31, 2001, follows:

	<u>Enterprise</u>	<u>Internal Service</u>
Land and Improvements	\$ 1,302,012	\$ -
Buildings and Improvements	6,444,040	9,162
Machinery and Equipment	12,835,054	111,823
Vehicles	1,514,922	24,178
Water and Sewer Lines	12,559,277	-
Construction in Progress	<u>2,877,523</u>	<u>-</u>
Total	37,532,828	145,163
Less: Accumulated Depreciation	<u>(19,486,265)</u>	<u>(96,350)</u>
Total Fixed Assets Net of Accumulated Depreciation	<u>\$ 18,046,563</u>	<u>\$ 48,813</u>

NOTE 10 - INTERFUND ASSETS/LIABILITIES

As of December 31, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$52,175	\$ -
<u>Capital Projects Fund</u>		
1995 Voted Income Tax	4,598	-
<u>Enterprise Funds</u>		
Water	-	2,419
Sewer	-	2,179
Electric	<u>-</u>	<u>52,175</u>
Total Enterprise Funds	<u>-</u>	<u>56,773</u>
Total All Funds	<u>\$56,773</u>	<u>\$56,773</u>

CITY OF ST. MARYS

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

NOTE 11 - 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 with various insurance agencies for the following coverages and deductibles:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	\$ 5,000,000	\$5,000
Police Professional Liability	5,000,000	5000
Public Official Liability	5,000,000	5000
Automobile Fleet Liability	5,000,000	5000
Buildings and Contents	60,844,945	1000
Boiler and Machinery	10,000,000	various
Inland Marine (EDP Floater)	175,000	250
Equipment	921,704	250

There have been no significant reductions in insurance coverage from 2000, and no insurance settlement has exceeded insurance coverage during the last three years.

All employees of the City are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverages.

B. Employee Medical Benefits

The City has elected to provide employee health insurance benefits through a partially self-insured program. The City established a Self-Insurance internal service fund to account for and finance the cost of the program. All funds of the City participate in the self-insurance program and make payments to the Self-Insurance internal service fund based upon actuarial estimates of the amounts needed to pay prior- and current-year claims. For 2000, the City utilized a third party administrator, Anthem Benefit Administrators, to process all claims. The monthly premiums are \$204.30 for single coverage and \$567.10 for family coverage; the employee's share is \$7.71 and \$23.13, respectively. All premiums paid to the Self-Insurance internal service fund were deposited with the claims servicing pool. The cost to the City for the third party administrator is \$15.00 per employee per month.

CITY OF ST. MARYS

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Under the City's self-insured program, the Self-Insurance internal service fund pays claims up to a maximum of \$25,000 per individual per year and claims in excess of \$1,000,000 per individual for their lifetime. The City purchases stop-loss coverage for claims in excess of coverage provided by the fund. Settled claims have not exceeded the stop-loss coverage for the last three years.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at December 31, 2001, is estimated by the third party administrator at \$193,457. The changes in the claims liability for 2001 and 2000 were as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2001	\$34,527	\$846,907	\$687,977	\$193,457
2000	26,944	471,855	464,272	34,527

C. Workers' Compensation

For 2001, the City participated in the Ohio Rural Water Association Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

CITY OF ST. MARYS

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

NOTE 11 - RISK MANAGEMENT - (Continued)

Participation in the Plan is limited to members that can meet the Plan’s selection criteria. The members apply for participation each year. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 12 - CONTRACTUAL COMMITMENTS

At December 31, 2001, the City had contractual commitments as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Contract Balance</u>
Dueco	\$ 112,113	\$ -	\$112,113
Wagner Paving, Inc.	101,086	(6,994)	94,092
Rohn Construction, Inc.	69,005	-	69,005
Central Fuel	700,431	(659,697)	40,734
Hull & Associates	52,000	(25,691)	26,309
Finkbeiner, Pettis, & Strout	22,000	-	22,000
Jess Howard Electric Company	134,963	(117,618)	17,345
Dresser Rand Company	196,683	(181,428)	15,255
SFT, Inc.	14,500	-	14,500
H.D. Water Services, Inc.	12,754	-	12,754
Leon Riley Excavating	<u>10,620</u>	<u>-</u>	<u>10,620</u>
Total Contractual Commitments	<u>\$1,426,155</u>	<u>\$(991,428)</u>	<u>\$434,727</u>

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

CITY OF ST. MARYS

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2001 was 8.5% for employees other than law enforcement. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for employees other than law enforcement was 13.55% of covered payroll; 9.25% was the portion used to fund pension obligations for 2001. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll; 12.40% was the portion used to fund pension obligations for 2001. The City's contributions for pension obligations to the PERS for the years ended December 31, 2001, 2000, and 1999 were \$449,141, \$208,671, and \$291,568, respectively; 75.77% has been contributed for 2001 and 100% for 2000 and 1999. \$108,848, representing the unpaid contribution for 2001, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 % of their annual covered salary, while the City is required to contribute 19.50 % and 24.0 % for police officers and firefighters, respectively. The City's contributions for pension obligations to the OP&F for the years ended December 31, 2001, 2000, and 1999 were \$254,329, \$163,038 and \$163,811, respectively; 74.40% has been contributed for 2001 and 100% for the years 2000 and 1999. \$65,098, representing the unpaid contributions for 2001, is recorded as a liability within the respective funds.

CITY OF ST. MARYS

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State retirement system have an option to choose Social Security or the appropriate State system. As of December 31, 2001, twelve part-time firemen have elected Social Security. The City's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The PERS provides post-retirement health care coverage to age and service retirements with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. Health care funding is on a pay-as-you-go basis. The Ohio Revised Code provides statutory authority for employer contributions. The PERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2001 employer contribution rate for local government employers was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The law enforcement employer rate for 2001 was 16.70% of covered payroll; 4.30% was the portion used to fund health care for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to the PERS. The City's contribution actually made to fund postemployment benefits was \$142,532.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

CITY OF ST. MARYS

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

As of December 31, 2000 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively, at December 31, 2000 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2000 (the latest information available), was 411,076.

In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continue to contribute at 9.0%. The employer contribution rate for both the law enforcement and public safety divisions is 16.70%.

Law enforcement officer benefits permit age and service retirement at an earlier age with a different formula than that for PERS members not covered under this division.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2001, Comprehensive Annual Financial Report.

CITY OF ST. MARYS

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. Ohio Police and Fire Pension Fund

OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.0 % and 7.25 % of covered payroll in 2000 and 2001, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2000 (the latest information available), is 12,853 for police officers and 10,037 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$46,767 and \$41,584, respectively. OP&F's total health care expenses for the year ending December 31, 2000 (the latest information available), was \$106.160 million which was net of member contributions of \$5.657 million.

CITY OF ST. MARYS

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

NOTE 15 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws.

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

Sick leave is earned at various rates as defined by City policy and union contracts. Payment of accrued unused sick leave is made to each employee having ten or more years of continuous service with the City upon retirement under the applicable pension system. The maximum amount of sick leave that is paid upon retirement differs between the policies.

Compensatory leave for supervisors and police department employees is earned at a rate of one and one-half times the actual hours worked in excess of eight hours per day or in excess of the employee's regularly scheduled work week. Compensatory leave may accumulate throughout the year but any unused balance may not exceed forty hours as of December 31 of each year. Upon termination of employment, employees are entitled to receive, in cash, any remaining balance of unused compensatory time.

NOTE 16 - SHORT-TERM OBLIGATIONS

Short-term obligations activity for the year ended December 31, 2001, was as follows:

	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/01</u>
<u>Enterprise Funds</u>					
Land Improvement Bond					
Anticipation Note	3.55%	\$2,700,000	\$2,700,000	\$(2,700,000)	\$2,700,000
Sanitary Improvement Bond					
Anticipation Note	3.20%	<u>1,390,000</u>	<u>1,300,000</u>	<u>(1,390,000)</u>	<u>1,300,000</u>
Total Notes Payable		<u>\$4,090,000</u>	<u>\$4,000,000</u>	<u>\$(4,090,000)</u>	<u>\$4,000,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City's notes are bond anticipation notes and are supported by the full faith and credit of the City. The liability for all notes is presented in the fund which received the proceeds and have a maturity of one year.

CITY OF ST. MARYS

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

NOTE 17 - LONG-TERM OBLIGATIONS

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

<u>Series</u>	<u>Interest Rate</u>	<u>Balance 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>	
<u>General Long-Term Obligations</u>						
<u>Bond Anticipation Notes</u>						
Street Program	2000	4.00%	\$ 142,000	\$ 142,000	\$(284,000)	\$ -
Street Program	2001	4.25%	-	127,000	-	127,000
Total Bond Anticipation Notes			<u>142,000</u>	<u>269,000</u>	<u>(284,000)</u>	<u>127,000</u>
<u>Special Assessment Bonds</u>						
<u>Manuscript Bonds (All)</u>						
Sanitary Sewer Improvement	1993	5.00%	3,370	-	(1,120)	2,250
Street Improvement	1996	4.50%	6,800	-	(6,800)	0
Street Improvement	1997	4.50%	29,200	-	(14,600)	14,600
Street Improvement	1999	4.50%	36,800	-	(9,200)	27,600
Street Improvement	2000	5.00%	105,200	-	(21,200)	84,000
Street Improvement	2001	4.50%	0	103,000	-	103,000
Total Special Assessment Bonds			<u>181,370</u>	<u>103,000</u>	<u>(52,920)</u>	<u>231,450</u>
<u>Other Long-Term Obligations</u>						
Compensated Absences Payable			187,743	-	(15,293)	172,450
Loans Payable			67,100	-	(35,000)	32,100
Intergovernmental payable			85,646	-	(85,646)	0
Fire Pension Liability			15,679	-	(177)	15,502
Total Other Long-Term Obligations			<u>356,168</u>	<u>-</u>	<u>(136,116)</u>	<u>220,052</u>
Total General Long-Term Obligations			<u>\$ 679,538</u>	<u>\$ 372,000</u>	<u>\$(473,036)</u>	<u>\$ 578,502</u>
<u>Enterprise Fund Obligations</u>						
<u>Revenue Bonds</u>						
1991 Water Revenue Bonds	4.40-6.65%		\$ 1,070,000	\$ -	\$ (70,000)	\$ 1,000,000
1991 Sewer Revenue Refunding Bonds	4.75-5.15%		2,075,000	-	(190,000)	1,885,000
Total Revenue Bonds			<u>3,145,000</u>	<u>-</u>	<u>(260,000)</u>	<u>2,885,000</u>

CITY OF ST. MARYS

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Interest Rate</u>	<u>Balance 12/31/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
<u>Mortgage Revenue Bonds</u>					
1990 Electric Mortgage Revenue Refunding Bonds	4.75-5.30%	\$ 3,040,000	\$ -	\$ (245,000)	\$ 2,795,000
1991 Electric Mortgage Revenue Bonds	4.40-6.65%	<u>1,010,000</u>	-	<u>(65,000)</u>	<u>945,000</u>
Total Mortgage Revenue Bonds		<u>4,050,000</u>	<u>-</u>	<u>(310,000)</u>	<u>3,740,000</u>
<u>Other Long-Term Obligations</u>					
Compensated Absences Payable		281,009	9,310	-	290,319
Intergovernmental Payable		84,533	-	(8,786)	75,747
Landfill Closure/Postclosure Costs		<u>2,195,323</u>	<u>1,545,185</u>	-	<u>3,740,508</u>
Total Other Long-Term Obligations		<u>2,560,865</u>	<u>1,554,495</u>	<u>(8,786)</u>	<u>4,106,574</u>
Total Enterprise Fund Obligations		<u>\$ 9,755,865</u>	<u>\$1,554,495</u>	<u>\$ (578,786)</u>	<u>\$10,731,574</u>
Total Long-Term Obligations		<u>\$10,435,403</u>	<u>\$1,926,495</u>	<u>\$(1,051,822)</u>	<u>\$11,310,076</u>

Bond Anticipation Notes

The bond anticipation notes are supported by the full faith and credit of the City. The City's long-term bond anticipation notes are presented in the general long-term obligations account group and are payable from unvoted property tax revenues.

Special Assessment Bonds

The special assessment bonds are supported 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 service requirements, the City will be required to pay the related debt.

Compensated Absences Payable

Compensated absences are presented at net because it is not practical to determine the actual increases and decreases. The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

CITY OF ST. MARYS

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

Intergovernmental Payable

The intergovernmental payable, representing the City's contractually required pension obligation, will be paid from the fund from which the employees' salaries are paid. At December 31, 2001, this liability has been reported within the respective funds.

Loans Payable

The loans payable, for the purchase of land, will be paid from the General fund.

Fire Pension Liability

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system in 1967. The liability is payable semiannually from the Fire Pension special revenue fund.

Revenue Bonds

The revenue bonds are liabilities of the Water and Sewer enterprise funds and pledge their respective revenues for repayment. The bonds also pledge the full faith and credit and taxing authority of the City in the event the enterprise funds revenues are not sufficient to meet the principal and interest requirements. The 1991 Sewer Revenue Refunding Bonds are reported on the combined balance sheet net of the unamortized loss on advanced refunding of \$194,090.

The Water Revenue Bonds include serial and term bonds. The term bonds maturing on December 1, 2011, are subject to mandatory redemption prior to maturity, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2005	\$ 85,000
2006	100,000
2007	105,000
2008	110,000
2009	115,000
2010	<u>125,000</u>
Total	<u>\$640,000</u>

CITY OF ST. MARYS

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

The Water Revenue Bonds have optional redemption provisions which, at the sole option of the City, are callable either in whole or in part, in multiples of \$5,000, at the following redemption prices plus accrued interest:

Redemption Dates	Redemption Prices
December 1, 2001, through November 30, 2002	102%
December 1, 2002, through November 30, 2003	101
December 1, 2003, and thereafter	100

Mortgage Revenue Bonds

The mortgage revenue bonds are special obligations of the City secured by a mortgage upon all assets of the electric system. These bonds are payable solely from the gross revenues of the electric system after provision for reasonable operating and maintenance expenses. The bond indentures have certain restrictive covenants and principally require that bond reserve funds be maintained and charges for services to customers be in sufficient amounts to satisfy the obligations under the indenture agreements. The Electric Mortgage Revenue Bonds are reported on the combined balance sheet net of the unamortized loss on advanced refunding of \$295,185.

The Electric Mortgage Revenue Bonds include serial and term bonds. The term bonds maturing on December 1, 2011, are subject to mandatory redemption prior to maturity, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2005	\$ 85,000
2006	90,000
2007	95,000
2008	100,000
2009	110,000
2010	<u>115,000</u>
Total	<u>\$595,000</u>

CITY OF ST. MARYS

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

The Electric Mortgage Revenue Bonds have optional redemption provisions which, at the sole option of the City, are callable either in whole or in part, in multiples of \$5,000, at the following redemption prices plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
December 1, 2001, through November 30, 2002	102%
December 1, 2002, through November 30, 2003	101
December 1, 2003, and thereafter	100

Defeased Debt

In 1991, the City advance refunded revenue and mortgage revenue bonds, in the amount of \$2,645,000 and \$3,540,000, respectively. The proceeds of the bonds and other assets were placed in an irrevocable trust for the payment of the bonds when due. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the City's financial statements. At December 31, 2001, revenue and mortgage revenue bonds, in the amount of \$1,840,000, and \$2,650,000, were outstanding.

Conduit Debt

In prior years, the City issued industrial development revenue bonds for facilities used by a private corporation, in the amount of \$4,250,000. The bonds are secured by the property financed and are payable solely by the corporation. The City is not obligated in any way to pay debt and related charges on the industrial revenue bonds from any of its funds, and therefore, they have been excluded entirely from the City's financial statements. The total amount of the industrial development revenue bonds of \$4,250,000 was paid in 2001. The City had no other conduit debt obligations at December 31, 2001.

Legal Debt Margin

The City's voted and unvoted legal debt margins were \$13,377,304 and \$6,919,306, respectively, at December 31, 2001.

CITY OF ST. MARYS

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

NOTE 17 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year</u>	Special Assessment <u>Bonds</u>	<u>Loans</u>	Fire Pension Liability	<u>Total</u>
2002	\$ 77,368	\$32,100	\$ 958	\$110,426
2003	59,673	0	958	60,631
2004	56,096	0	958	57,054
2005	44,504	0	958	45,462
2006	21,528	0	958	22,486
2007 - 2011	0	0	4,792	4,792
2012 - 2016	0	0	4,792	4,792
2017 - 2035	<u>0</u>	<u>0</u>	<u>17,732</u>	<u>17,732</u>
Total	<u>\$259,169</u>	<u>\$32,100</u>	<u>\$32,106</u>	<u>\$323,375</u>

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

<u>Year</u>	Revenue <u>Bonds</u>	Mortgage Revenue <u>Bonds</u>	<u>Total</u>
2002	\$ 434,438	\$ 533,050	\$ 967,488
2003	435,360	531,360	966,720
2004	430,345	528,810	959,155
2005	429,775	530,390	960,165
2006	443,083	525,578	968,661
2007 - 2011	<u>1,560,083</u>	<u>2,230,540</u>	<u>3,790,623</u>
Total	<u>\$3,733,084</u>	<u>\$4,879,728</u>	<u>\$8,612,812</u>

CITY OF ST. MARYS

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

NOTE 18 - RESERVED RETAINED EARNINGS AND RESTRICTED ASSET ACCOUNTS

Fund assets, whose use are restricted under the bond indentures to replacement and improvements, operations, 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 the trustees. Restricted assets relating to each of the bond issues were as follows at December 31, 2001.

	Restricted Assets				Totals
	Water Revenue	Sewer Revenue Refunding	Electric Mortgage Revenue Refunding	Electric Mortgage Revenue	
Restricted Assets held by the City for:					
Replacements and Improvements	\$611,854	\$288,253	\$ 944,799	\$ -	\$1,844,906
Operations	387,311	218,395	2,783,315	-	3,389,021
Construction	59,591	849	-	-	60,440
Restricted Assets held by Trustee for:					
Bond Current Debt Service	1,577	4,028	5,325	1,629	12,559
Bond Future Debt Service	150,364	310,923	415,453	138,759	1,015,499

NOTE 19 - LANDFILL CLOSURE/POSTCLOSURE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City is in the process of closing the landfill. The landfill closure and postclosure liability of \$3,740,508 at December 31, 2001, represents the cumulative amount for closure and postclosure care. The amounts are based on what it would cost to perform all closure and postclosure care in 2001. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill. The City has not been in compliance with guidelines from the Ohio Environmental Protection Agency since 1997, the last year the City passed the financial accountability test proving the ability to self-fund these future costs.

CITY OF ST. MARYS

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

NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's enterprise funds account for the provision of a swimming pool, and for water, sewer, electric, and refuse services. Financial segment information as of and for the year ended December 31, 2001, was as follows:

	Swimming Pool	Water	Sewer	Electric	Refuse	Total
Operating Revenues	\$ 34,033	\$1,249,542	\$1,275,746	\$ 9,770,756	\$ 917,136	\$13,247,213
Depreciation	13,638	272,905	263,509	398,672	62,685	1,011,409
Operating Income (Loss)	(29,354)	150,803	176,657	163,246	(1,505,390)	(1,044,038)
Operating Transfers-In	10,000	19,638	42,689	420,082	40,000	532,409
Operating Transfers-Out	-	-	-	(62,327)	-	(62,327)
Investment in Joint Venture	-	-	-	1,638,460	-	1,638,460
Net Income (Loss)	(18,825)	164,167	146,214	2,188,345	(1,478,035)	1,001,866
Fixed Assets:						
Additions	-	48,177	44,745	1,303,251	4,817	1,400,990
Disposals	-	-	-	(1,946)	-	(1,946)
Net Working Capital	1,528	931,841	1,128,955	124,201	(64,014)	2,122,511
Long-Term Obligations:						
Compensated Absences Payable	-	73,094	45,225	148,240	23,760	290,319
Revenue Bonds Payable (net of unamortized loss on advance refunding)	-	930,000	1,485,910	-	-	2,415,910
Mortgage Revenue Bonds Payable (net of unamortized loss on advance refunding)	-	-	-	3,114,815	-	3,114,815
Landfill Closure/Postclosure Costs	-	-	-	-	3,740,508	3,740,508
Total Assets	74,096	6,332,478	6,475,592	19,263,604	1,755,810	33,901,580
Total Equity (Deficit)	73,981	5,217,075	4,684,598	11,836,498	(3,366,535)	18,445,617
Encumbrances Outstanding at Year End (Budget Basis)	195	117,009	98,193	1,477,751	207,759	1,900,907

CITY OF ST. MARYS

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

NOTE 21 - BUDGETARY BASIS OF ACCOUNTING

The City's budgetary process is based upon accounting for transactions on a cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the City reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of 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 USES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget Basis	\$(266,471)	\$258,382	\$ 12,434	\$(139,565)
Adjustments:				
Net Adjustment for Revenue Accruals	86,400	(4,789)	(3,521)	23,943
Net Adjustment for Expenditure Accruals	(182,332)	(72,413)	1,755,295	(277,053)
Net adjustment for Other Financing Sources/ (Uses) Accruals	(64,832)	(93,871)	(1,755,295)	212,963
Encumbrances	<u>285,126</u>	<u>31,154</u>	<u>-</u>	<u>111,834</u>
GAAP Basis	<u><u>\$(142,109)</u></u>	<u><u>\$118,463</u></u>	<u><u>\$ 8,913</u></u>	<u><u>\$(67,878)</u></u>

NOTE 22 - CONTINGENCIES

A. Litigation

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

CITY OF ST. MARYS

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

NOTE 22 - CONTINGENCIES - (Continued)

B. 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.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

Mayor and Members of Council
City of St. Marys
101 East Spring Street
St. Marys, OH 45885

We have audited the general purpose financial statements of the City of St. Marys as of and for the year ended December 31, 2001, and have issued our report thereon dated May 28, 2002. The City implemented Governmental Accounting Standards Board GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of St. Marys general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose 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 a certain immaterial instance of noncompliance that we have reported to the management of the City of St. Marys in a separate letter dated May 28, 2002.

Mayor and Members of Council
City of St. Marys

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of St. Marys internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter that we have reported to the City in a separate letter dated May 28, 2002.

This report is intended for the information of the City of St. Marys and its management and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
May 28, 2002

**CITY OF ST. MARYS
AUGLAIZE COUNTY, OHIO
DECEMBER 31, 2001**

STATUS OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-COSM-001	Ohio Revised Code 117.38	Yes	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CITY OF ST. MARYS

AUGLAIZE 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
JULY 30, 2002**