



**Auditor of State
Betty Montgomery**

**CITY OF CELINA
MERCER COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celina, Mercer County, Ohio (the City), as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 28, 2003

CITY OF CELINA
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

The discussion and analysis of the City of Celina's financial performance provides an overview of the City's financial activities for the year ended December 31, 2002. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2002 are as follows:

In total, the City's net assets increased \$585 thousand. The business-type activities increase of \$630 thousand is largely from the charges for services being sufficient to cover operating costs in the electric enterprise fund.

The police department began supplying a police officer to the Celina City School District as part of the School Resource Officer - COPS in Schools grant program. The City was awarded a \$125 thousand grant through the U. S. Department of Justice on December 1, 1999. Actual services relating to the grant were not started until July 1, 2002.

The City was awarded an Issue II grant during 2002, in the amount of \$900 thousand, to widen Havemann Road. Engineering services were acquired during 2002; however, the bidding of the contracts did not occur until 2003. No grant revenues were received during 2002.

The City also received approval for a U. S. Department of Commerce Economic Development Administration grant, in the amount of \$889,000, and an Ohio Public Works Commission interest free loan, in the amount of \$500,000, to construct a new 1.5 million gallon water tower and install new lines from the new tower to the existing water system. Engineering services were acquired during 2001 and 2002; however, the bidding of the contracts did not occur until 2003. The total amount of the grant received during 2002 was \$45,134.

The City issued \$4 million in general obligation notes for constructing and equipping a new substation, refurbishing an existing transformer, installing new transmission lines, and acquiring and installing a generator. Actual work was started during 2002 and the projects have not yet been completed.

All of the City's enterprise funds had an operating income during 2002 indicating operating revenues are currently sufficient to cover operating expenses of the respective funds. Electric rates have not been increased; however, there has been an increase in usage. Water and sewer rates increased during February 2001, which helped these funds to maintain positive operating balances. Additional increases in water rates occurred during 2002.

USING THIS ANNUAL REPORT

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

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

CITY OF CELINA
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2002. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities:

- Governmental Activities - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, basic utility services, transportation, and general government. These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's electric, water, and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

Enterprise Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2002 compared to 2001.

Table 1
Net Assets
(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2002	2001	2002	2001	2002	2001
<u>Assets</u>						
Current and Other Assets	\$3,535	\$3,156	\$13,028	\$13,707	\$16,563	\$16,863
Capital Assets, Net	12,923	13,490	18,981	17,258	31,904	30,748
Total Assets	16,458	16,646	32,009	30,965	48,467	47,611
<u>Liabilities</u>						
Current and Other Liabilities	2,156	2,237	5,812	5,040	7,968	7,277
Long-Term Liabilities	967	1,029	7,350	7,708	8,317	8,737
Total Liabilities	3,123	3,266	13,162	12,748	16,285	16,014
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	11,386	11,484	9,856	9,955	21,242	21,439
Restricted	542	711	2,002	1,850	2,544	2,561
Unrestricted	1,407	1,185	6,989	6,412	8,396	7,597
Total Net Assets	\$13,335	\$13,380	\$18,847	\$18,217	\$32,182	\$31,597

CITY OF CELINA
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Although current assets in governmental activities increased mostly due to a sizable receivable in estate taxes when compared to the previous year, in the amount of \$438,375, net capital assets decreased, in the amount of \$567 thousand, from the annual depreciation being greater than the City's purchase of capital assets due to budget constraints.

The increase in the business-type activities total net assets of \$630 thousand can largely be attributed to the financial health of the electric fund. Total liabilities increased due to outstanding contracts for construction of the electric improvements.

Table 2 reflects the changes in net assets for 2002. Since this is the first year the City has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to 2001 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Changes in Net Assets
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
	2002	2002	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$923	\$13,303	\$14,226
Operating Grants, Contributions, and Interest	442		442
Capital Grants and Contributions	147	145	292
Total Program Revenues	1,512	13,448	14,960
General Revenues			
Property Taxes	369		369
Municipal Income Taxes	2,121		2,121
Other Local Taxes	584	271	855
Grants and Entitlements not Restricted to Specific Programs	1,082		1,082
Interest	88	50	138
Other	107	48	155
Total General Revenues	4,351	369	4,720
Total Revenues	5,863	13,817	19,680
Transfers	94	(94)	0
Total Revenues and Transfers	5,957	13,723	19,680

Continued

CITY OF CELINA
Management's Discussion and Analysis
For the Year Ended December 31, 2002
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	Governmental Activities	Business-Type Activities	Total
	2002	2002	
<u>Program Expenses</u>			
Security of Persons and Property	\$2,531		\$2,531
Public Health	60		60
Leisure Time Activities	595		595
Community Environment	135		135
Basic Utility Services	280		280
Transportation	931		931
General Government	1,390		1,390
Interest and Fiscal Charges	80		80
Electric		10,031	10,031
Water		1,643	1,643
Sewer		1,419	1,419
Total Expenses	<u>6,002</u>	<u>13,093</u>	<u>19,095</u>
Increase (Decrease) in Net Assets	<u>(\$45)</u>	<u>\$630</u>	<u>\$585</u>

Program revenues for governmental activities represented 26 percent of total revenues and 97 percent for business-type activities. Municipal income taxes and State shared revenues represented 74 percent of general revenues for governmental activities. Other local taxes included the electric kilowatt hour tax.

The major program expense for governmental activities is security of persons and property, which includes the police and fire departments, and accounts for 42 percent of all governmental expenses. Maintenance of the City's streets also represents a significant amount of the City's governmental expenses, 16 percent, and the general business of running the City's government accounts for 23 percent of governmental expenses. These three programs alone represent almost all of the general expenses of the City of Celina and are funded almost entirely from property taxes, municipal income taxes, and State shared revenues.

The City's electric operations account for 77 percent of the expenses of the City's business-type activities and are funded almost entirely from charges for services.

CITY OF CELINA
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Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2001 have not been made since they are not available for this year.

Table 3
 Governmental Activities
 (In Thousands)

	Total Cost of Services	Net Cost of Services
	2002	2002
Security of Persons and Property	\$2,531	\$2,288
Public Health	60	60
Leisure Time Activities	595	266
Community Environment	135	125
Basic Utility Services	280	280
Transportation	931	577
General Government	1,390	813
Interest and Fiscal Charges	80	80
Total Expenses	\$6,002	\$4,489

It should be noted that for all governmental activities, over 74 percent of the revenues to provide these services are derived from the City's general revenues; that being primarily municipal income taxes, property taxes, and State shared revenues. Over 55 percent of leisure time activities are funded by charges for activities and donations from the Bryson Trust.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and General Obligation Bond Retirement fund. The General Fund had a small increase in fund balance during 2002. This increase can be attributed to a significant increase in inheritance tax revenues. The General Obligation Bond Retirement and other governmental funds had a significant decrease in fund balance from the recording outstanding notes as a fund liability.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, and Sewer funds. As can be seen on the statement of activities, program revenues, primarily charges for services, have been sufficient to cover the expenses of the respective funds.

The City's Electric fund has consistently generated adequate revenues. Expenses have been reduced over the last two years by moving the costs of operations for the community development and engineering departments from the Electric fund to the General Fund.

CITY OF CELINA
Management's Discussion and Analysis
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During prior years, the Water fund did not generate adequate revenues. During 2001, the City increased water rates 20 percent to generate additional revenues to provide for current and future maintenance. An additional change to the water rates occurred during 2002 to generate sufficient revenue to make necessary repairs and improvements to the water system.

Although the Sewer Fund currently has a positive operating income, the Fund is having difficulty with staying in compliance with EPA mandates. Sewer rates were not sufficiently increased during 2001. During 2003, the City increased sewer rates by 20 percent to begin on July 1, 2003, to provide additional funds for operations and make the necessary repairs and improvements to the sewer system.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal due to the continued financial problems in the City; revenues not increasing to cover expenditures. The City's actual revenues during 2002 were slightly higher than those estimated. Expenditures were \$445 thousand less than the final budget which computes to 10 percent. The major variances included keeping the cost of outside consultants and operating supplies to a minimum. Transfers to the Street special revenue fund were reduced because the street department did not resurface all of the streets originally set to be completed and transfers to the Industrial Park debt service fund were reduced from the sale of a portion of the property of which a percentage was used to retire the related debt. Also, health care and pension costs were lower than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2002, was \$11,386,087 and \$9,856,221, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; improvements other than buildings; streets; furniture and equipment; vehicles; and electric, water, and sewer lines. There was a minimal change to governmental activities capital assets during the year. In the business-type activities, engineering costs relating to the construction of the water tower and installation of water lines; along with electric system improvements that occurred during 2002 that are reported as construction in progress. Note 10 to the basic financial statements provides details on the capital asset activity during 2002.

At December 31, 2002, the City had \$1,255,000 in bond anticipation notes outstanding payable from governmental activities and \$4,000,000 in bond anticipation notes payable from business-type activities.

The City also had a number of long-term obligations outstanding. These obligations included \$140,000 in general obligation bonds, \$567,271 in rural development general obligation bonds, \$12,680 of special assessment bonds, and \$7,635,000 of mortgage revenue bonds. Of this amount, \$7,635,000 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term debt also includes compensated absences. Additional information on the County's long-term debt can be found in Note 18 of this report.

CITY OF CELINA
Management's Discussion and Analysis
For the Year Ended December 31, 2002
Unaudited

CURRENT ISSUES

Although two major manufacturing companies have left the City in the last few years, the City's tax revenue has remained fairly stable. Uncertainty exists regarding the revenues that will be received from state-shared local government funding. The City has remained focused on providing necessary services at a minimum cost.

Negotiations on the firefighters' union contract have been finalized, but not approved by City Council. Any new contract will not begin until July 1, 2003.

During 2003, the City adopted new sewer rates that increased the rate by 20 percent and which will go into effect July 1, 2003.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Patrick T. Smith, Celina City Auditor, P. O. Box 297, Celina, Ohio 45822-0297.

**City of Celina
Mercer County**

**Statement of Net Assets
December 31, 2002**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,369,716	\$7,084,848	\$8,454,564
Investments		788,646	788,646
Cash and Cash Equivalents with Fiscal Agent	81,169	888,156	969,325
Cash and Cash Equivalents with Escrow Agent		89,671	89,671
Accounts Receivable, Net	25,138	2,485,227	2,510,365
Due from Other Governments	922,438	144,563	1,067,001
Accrued Interest Receivable	107	6,406	6,513
Municipal Income Taxes Receivable	490,583		490,583
Permissive Motor Vehicle License Taxes Receivable	1,775		1,775
Internal Balances	(10,477)	10,477	
Prepaid Items	14,574	23,779	38,353
Materials and Supplies Inventory	56,305	1,213,046	1,269,351
Property Taxes Receivable	380,912		380,912
Notes Receivable	162,117		162,117
Special Assessments Receivable	40,008		40,008
Unamortized Bond Issuance Cost		283,480	283,480
Investment in Joint Venture		9,875	9,875
Nondepreciable Capital Assets	7,796,580	2,388,465	10,185,045
Depreciable Capital Assets, Net	5,126,778	16,592,729	21,719,507
Total Assets	16,457,723	32,009,368	48,467,091
<u>Liabilities</u>			
Accrued Wages Payable	126,729	73,087	199,816
Accounts Payable	108,257	64,128	172,385
Contracts Payable	3,733	1,266,737	1,270,470
Due to Other Governments	174,869	80,633	255,502
Accrued Interest Payable	16,070	57,407	73,477
Notes Payable	1,255,000	4,000,000	5,255,000
Retainage Payable		150,544	150,544
Deferred Revenue	379,303		379,303
Claims Payable	92,248		92,248
Deposits Held and Due to Others		118,861	118,861
Long-Term Liabilities			
Due Within One Year	54,794	412,927	467,721
Due in More Than One Year	912,077	6,937,365	7,849,442
Total Liabilities	3,123,080	13,161,689	16,284,769
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt Restricted for	11,386,087	9,856,221	21,242,308
Capital Projects	14,499		14,499
Debt Service		888,156	888,156
Other Purposes	526,827		526,827
Revenue Bond Operations and Maintenance		171,495	171,495
Revenue Bond Renewal and Replacement		942,000	942,000
Unrestricted	1,407,230	6,989,807	8,397,037
Total Net Assets	\$13,334,643	\$18,847,679	\$32,182,322

See Accompanying Notes to the Basic Financial Statements

**City of Celina
Mercer County**

**Statement of Activities
For the Year Ended December 31, 2002**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities</u>				
Security of Persons and Property	\$2,530,642	\$197,478	\$20,785	\$24,990
Public Health	59,658			
Leisure Time Activities	594,609	124,331	81,657	122,360
Community Environment	135,230		9,887	
Basic Utility Services	280,300			
Transportation	931,129	28,755	325,057	
General Government	1,389,565	572,426	4,432	
Interest and Fiscal Charges	80,529			
Total Governmental Activities	6,001,662	922,990	441,818	147,350
<u>Business-Type Activities</u>				
Electric	10,031,229	10,291,176		
Water	1,642,500	1,564,997		144,563
Sewer	1,419,293	1,447,359		
Total Business-Type Activities	13,093,022	13,303,532		144,563
Total	\$19,094,684	\$14,226,522	\$441,818	\$291,913

General Revenues

Property Taxes Levied for General Purposes
 General Fund
 Police Pension Fund
 Fire Pension Fund
 Municipal Income Taxes
 Other Local Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Interest
 Other

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated Note 3

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

**Net (Expense) Revenue
and Change in Net Assets**

Governmental Activities	Business-Type Activities	Total
(\$2,287,389)		(\$2,287,389)
(59,658)		(59,658)
(266,261)		(266,261)
(125,343)		(125,343)
(280,300)		(280,300)
(577,317)		(577,317)
(812,707)		(812,707)
(80,529)		(80,529)
<u>(4,489,504)</u>		<u>(4,489,504)</u>
	259,947	259,947
	67,060	67,060
	<u>28,066</u>	<u>28,066</u>
	355,073	355,073
<u>(4,489,504)</u>	<u>355,073</u>	<u>(4,134,431)</u>
283,523		283,523
42,528		42,528
42,528		42,528
2,121,379		2,121,379
584,275	270,786	855,061
1,082,142		1,082,142
87,719	50,146	137,865
106,652	47,862	154,514
<u>4,350,746</u>	<u>368,794</u>	<u>4,719,540</u>
94,000	(94,000)	
(44,758)	629,867	585,109
<u>13,379,401</u>	<u>18,217,812</u>	<u>31,597,213</u>
<u>\$13,334,643</u>	<u>\$18,847,679</u>	<u>\$32,182,322</u>

**City of Celina
Mercer County**

**Balance Sheet
Governmental Funds
December 31, 2002**

	General	General Obligation Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$665,703	\$33,165	\$526,590	\$1,225,458
Accounts Receivable	24,860		278	25,138
Due from Other Governments	749,987		172,451	922,438
Accrued Interest Receivable	107			107
Municipal Income Taxes Receivable	490,583			490,583
Permissive Motor Vehicle License Taxes Receivable			1,775	1,775
Interfund Receivable	42,514			42,514
Prepaid Items	14,574			14,574
Materials and Supplies Inventory	20,990		35,315	56,305
Property Taxes Receivable	293,010		87,902	380,912
Notes Receivable			162,117	162,117
Special Assessments Receivable		24,900	15,108	40,008
Total Assets	\$2,302,328	\$58,065	\$1,001,536	\$3,361,929
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$107,054		\$19,675	\$126,729
Accounts Payable	81,855		24,281	106,136
Contracts Payable	1,201		2,532	3,733
Due to Other Governments	36,294		412	36,706
Interfund Payable			3,871	3,871
Accrued Interest Payable		6,567	2,199	8,766
Notes Payable		285,000	970,000	1,255,000
Deferred Revenue	1,162,345	24,900	251,241	1,438,486
Total Liabilities	1,388,749	316,467	1,274,211	2,979,427
<u>Fund Balance</u>				
Reserved for Encumbrances	7,221		22,299	29,520
Reserved for Notes Receivable			143,467	143,467
Unreserved, Reported in				
General Fund	906,358			906,358
Special Revenue Funds			280,503	280,503
Debt Service Fund (Deficit)		(258,402)	(2,181)	(260,583)
Capital Projects Funds (Deficit)			(716,763)	(716,763)
Total Fund Balance	913,579	(258,402)	(272,675)	382,502
Total Liabilities and Fund Balance	\$2,302,328	\$58,065	\$1,001,536	\$3,361,929

See Accompanying Notes to the Basic Financial Statements

**City of Celina
Mercer County**

**Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
December 31, 2002**

Total Governmental Fund Balance		\$382,502
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		12,923,358
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	21,669	
Due from Other Governments	743,836	
Accrued Interest Receivable	48	
Municipal Income Taxes Receivable	252,017	
Property Taxes Receivable	1,605	
Special Assessments Receivable	<u>40,008</u>	
		1,059,183
An interfund payable is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(49,120)
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and, therefore, not reported in the funds.		(138,163)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(7,304)	
General Obligation Bonds Payable	(140,000)	
Rural Development Bonds Payable	(567,271)	
Special Assessment Bonds Payable	(12,680)	
Compensated Absences Payable	<u>(246,920)</u>	
		(974,175)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		<u>131,058</u>
Net Assets of Governmental Activities		<u><u>\$13,334,643</u></u>

See Accompanying Notes to the Basic Financial Statements

**City of Celina
Mercer County**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2002**

	General	General Obligation Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$283,783		\$85,134	\$368,917
Municipal Income Taxes	2,137,470			2,137,470
Permissive Motor Vehicle License Taxes			27,056	27,056
Other Local Taxes	584,022			584,022
Special Assessments		4,151	2,423	6,574
Charges for Services	198,910		126,363	325,273
Fees, Licenses, and Permits	7,559			7,559
Fines and Forfeitures	314,993		47,256	362,249
Intergovernmental	995,784		386,553	1,382,337
Interest	81,618	5,368	11,818	98,804
Gifts and Donations		122,360	81,657	204,017
Other	70,354		4,488	74,842
Total Revenues	4,674,493	131,879	772,748	5,579,120
<u>Expenditures</u>				
Current:				
Security of Persons and Property	2,094,338		371,381	2,465,719
Public Health	59,658			59,658
Leisure Time Activities	74,180		417,569	491,749
Community Environment	18,084		115,999	134,083
Basic Utility Services	280,564			280,564
Transportation	91,984		463,708	555,692
General Government	1,293,817		70,881	1,364,698
Debt Service:				
Principal Retirement		1,453,850	723,760	2,177,610
Issuance Costs		5,106		5,106
Interest and Fiscal Charges		103,239	14,344	117,583
Total Expenditures	3,912,625	1,562,195	2,177,642	7,652,462
Excess of Revenues Over (Under) Expenditures	761,868	(1,430,316)	(1,404,894)	(2,073,342)
<u>Other Financing Sources (Uses)</u>				
Notes Issued		720,000		720,000
Premium on Notes Issued		5,106		5,106
Sale of Capital Assets			75,000	75,000
Transfers In		294,818	528,470	823,288
Transfers Out	(685,788)		(43,500)	(729,288)
Total Other Financing Sources (Uses)	(685,788)	1,019,924	559,970	894,106
Net Change in Fund Balance	76,080	(410,392)	(844,924)	(1,179,236)
Fund Balance Beginning of Year	837,499	151,990	572,249	1,561,738
Fund Balance (Deficit) End of Year	\$913,579	(\$258,402)	(\$272,675)	\$382,502

See Accompanying Notes to the Basic Financial Statements

**City of Celina
Mercer County**

**Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2002**

Net Change in Fund Balance - Total Governmental Funds (\$1,179,236)

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

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

Capital Outlay - Depreciable Capital Assets	39,302	
Depreciation	(560,922)	
		(521,620)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Sale of Capital Assets	(75,000)	
Loss on Disposal of Capital Assets	(1,338)	
Gain on Disposal of Capital Assets	31,500	
		(44,838)

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

Property Taxes	(338)	
Municipal Income Taxes	(16,091)	
Other Local Taxes	253	
Special Assessments	(6,574)	
Charges for Services	(333)	
Intergovernmental	275,071	
Interest	(14)	
Other	310	
		252,284

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

Notes Payable	2,105,000	
General Obligation Bonds	15,000	
Rural Development Bonds	53,850	
Special Assessment Bonds	3,760	
		2,177,610

Note proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets.

Notes Payable		(720,000)
---------------	--	-----------

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

37,054

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Due to Other Governments	(3,829)	
Compensated Absences Payable	(10,006)	
		(13,835)

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

(32,177)

Change in Net Assets of Governmental Activities (\$44,758)

See Accompanying Notes to the Basic Financial Statements

**City of Celina
Mercer County**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$282,141	\$282,141	\$283,783	\$1,642
Municipal Income Taxes	2,250,000	2,250,000	2,158,010	(91,990)
Other Local Taxes	580,000	580,000	583,403	3,403
Charges for Services	220,000	220,000	217,960	(2,040)
Fees, Licenses, and Permits	6,500	6,500	7,559	1,059
Fines and Forfeitures	280,000	280,000	307,968	27,968
Intergovernmental	764,089	764,089	888,970	124,881
Interest	110,000	110,000	81,988	(28,012)
Other	64,200	64,200	70,310	6,110
Total Revenues	4,556,930	4,556,930	4,599,951	43,021
<u>Expenditures</u>				
Current:				
Security of Persons and Property	2,154,575	2,172,938	2,074,610	98,328
Public Health	68,000	68,000	59,658	8,342
Leisure Time Activities	83,500	83,500	72,538	10,962
Community Environment	20,000	20,000	18,000	2,000
Basic Utility Services	264,700	289,700	281,368	8,332
Transportation	105,100	105,100	92,535	12,565
General Government	1,445,844	1,481,789	1,297,375	184,414
Other	202,540	105,640	1,007	104,633
Capital Outlay	25,000	27,000	11,115	15,885
Total Expenditures	4,369,259	4,353,667	3,908,206	445,461
Excess of Revenues Over Expenditures	187,671	203,263	691,745	488,482
<u>Other Financing Uses</u>				
Transfers Out	(783,200)	(823,200)	(685,788)	137,412
Net Change in Fund Balance	(595,529)	(619,937)	5,957	625,894
Fund Balance Beginning of Year	598,155	598,155	598,155	0
Prior Year Encumbrances Appropriated	24,408	24,408	24,408	0
Fund Balance End of Year	\$27,034	\$2,626	\$628,520	\$625,894

See Accompanying Notes to the Basic Financial Statements

City of Celina
Mercer County

Statement of Fund Net Assets
Proprietary Funds
December 31, 2002

	Electric	Water	Sewer	Total Business-Type Activities	Governmental Activity Self Insurance Internal Service Fund
Assets					
Current Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,785,672	\$158,017	\$128,310	\$4,071,999	\$144,258
Cash and Cash Equivalents with Fiscal Agent					81,169
Accounts Receivable, Net	1,924,166	299,029	262,032	2,485,227	
Due from Other Governments		144,563		144,563	
Interfund Receivable	16,116			16,116	
Prepaid Items	13,423	5,178	5,178	23,779	
Materials and Supplies Inventory	1,132,786	78,288	1,972	1,213,046	
Total Current Assets	6,872,163	685,075	397,492	7,954,730	225,427
Non-Current Assets					
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	2,688,000	302,631	22,218	3,012,849	
Investments			788,646	788,646	
Cash and Cash Equivalents with Fiscal Agent		197,984	690,172	888,156	
Cash and Cash Equivalents with Escrow Agent	89,671			89,671	
Accrued Interest Receivable			6,406	6,406	
Unamortized Bond Issuance Costs		70,989	212,491	283,480	
Investment in Joint Venture	9,875			9,875	
Nondepreciable Capital Assets	2,217,234	82,931	88,300	2,388,465	
Depreciable Capital Assets, Net	8,720,012	2,654,400	5,218,317	16,592,729	
Total Non-Current Assets	13,724,792	3,308,935	7,026,550	24,060,277	
Total Assets	20,596,955	3,994,010	7,424,042	32,015,007	225,427
Liabilities					
Current Liabilities					
Accrued Wages Payable	35,232	22,364	15,491	73,087	
Accounts Payable	48,691	8,635	4,567	61,893	2,121
Contracts Payable	623,481		19,430	642,911	
Compensated Absences Payable	8,631	5,245	4,051	17,927	
Due to Other Governments	39,565	24,844	16,224	80,633	
Interfund Payable	38,803	15,352	604	54,759	
Accrued Interest Payable	9,067	7,289	41,051	57,407	
Notes Payable	4,000,000			4,000,000	
Retainage Payable			1,690	1,690	
Claims Payable					92,248
Mortgage Revenue Bonds Payable		79,118	214,497	293,615	
Total Current Liabilities	4,803,470	162,847	317,605	5,283,922	94,369
Non-Current Liabilities					
Liabilities Payable from Restricted Assets					
Accounts Payable	2,235			2,235	
Contracts Payable	623,826			623,826	
Retainage Payable	148,854			148,854	
Deposits Held and Due to Others	118,861			118,861	
Mortgage Revenue Bonds Payable		15,882	85,503	101,385	
Compensated Absences Payable	40,145	32,983	18,408	91,536	
Mortgage Revenue Bonds Payable		1,440,000	5,405,829	6,845,829	
Total Non-Current Liabilities	933,921	1,488,865	5,509,740	7,932,526	
Total Liabilities	5,737,391	1,651,712	5,827,345	13,216,448	94,369
Net Assets					
Invested in Capital Assets, Net of Related Debt	8,769,622	1,273,320	(186,721)	9,856,221	
Restricted for					
Debt Service		197,984	690,172	888,156	
Revenue Bond Operations and Maintenance		102,631	68,864	171,495	
Revenue Bond Renewal and Replacement		200,000	742,000	942,000	
Unrestricted	6,089,942	568,363	282,382	6,940,687	131,058
Total Net Assets	\$14,859,564	\$2,342,298	\$1,596,697	18,798,559	\$131,058

Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the balance of the internal service fund

Net assets of business-type activities 49,120
\$18,847,679

See Accompanying Notes to the Basic Financial Statements

City of Celina
Mercer County

**Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2002**

	Electric	Water	Sewer	Total Business-Type Activities	Governmental Activity Self Insurance Internal Service Fund
<u>Operating Revenues</u>					
Charges for Services	\$10,291,176			\$10,291,176	\$907,402
Charges Pledged as Security on Mortgage Revenue Bonds		1,564,997	1,447,359	3,012,356	
Other	25,307	21,482	1,073	47,862	20
Total Operating Revenues	10,316,483	1,586,479	1,448,432	13,351,394	907,422
<u>Operating Expenses</u>					
Personal Services	969,528	671,748	423,130	2,064,406	
Contractual Services					191,072
Materials and Supplies	8,351,162	683,538	374,775	9,409,475	
Claims					764,172
Bad Debt	27,770	1,382	11,838	40,990	
Depreciation	604,695	183,134	265,444	1,053,273	
Other					3,646
Total Operating Expenses	9,953,155	1,539,802	1,075,187	12,568,144	958,890
Operating Income (Loss)	363,328	46,677	373,245	783,250	(51,468)
<u>Non-Operating Revenues (Expenses)</u>					
Other Local Taxes	270,786			270,786	
Loss on Disposal of Capital Assets	(68,839)	(605)	(1,619)	(71,063)	
Change in Joint Venture	(108)			(108)	
Interest Revenue		13,072	37,074	50,146	
Interest Expense		(95,752)	(338,664)	(434,416)	
Total Non-Operating Revenues (Expenses)	201,839	(83,285)	(303,209)	(184,655)	
Income (Loss) before Contributions and Transfers	565,167	(36,608)	70,036	598,595	(51,468)
Capital Contributions		144,563		144,563	
Transfers Out		(47,000)	(47,000)	(94,000)	
Change in Net Assets	565,167	60,955	23,036	649,158	(51,468)
Net Assets Beginning of Year - Restated Note 3	14,294,397	2,281,343	1,573,661		182,526
Net Assets End of Year	\$14,859,564	\$2,342,298	\$1,596,697		\$131,058

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

Change in net assets of business-type activities

(19,291)
\$629,867

See Accompanying Notes to the Basic Financial Statements

**City of Celina
Mercer County**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Business-Type Activities</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$10,447,382	\$1,517,759	\$1,439,098	\$13,404,239	\$907,402
Cash Received from Transactions with Other Funds	186,202	546	546	187,294	
Cash Payments for Personal Services	(815,260)	(564,161)	(353,900)	(1,733,321)	
Cash Payments for Contractual Services					(188,951)
Cash Payments to Vendors	(8,618,436)	(585,913)	(262,316)	(9,466,665)	
Cash Payments for Claims					(719,615)
Cash Payments for Transactions with Other Funds	(421,231)	(208,564)	(180,542)	(810,337)	
Cash Received from Other Revenues	25,307	20,936	527	46,770	3,334
Cash Received from Deposits	34,375			34,375	
Cash Payments for Other Expenses					(3,646)
Cash Payments for Deposits Refunded	(32,060)			(32,060)	
Net Cash Provided by (Used for) Operating Activities	<u>806,279</u>	<u>180,603</u>	<u>643,413</u>	<u>1,630,295</u>	<u>(1,476)</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Other Local Taxes	270,786			270,786	
Transfers Out		(47,000)	(47,000)	(94,000)	
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>270,786</u>	<u>(47,000)</u>	<u>(47,000)</u>	<u>176,786</u>	
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(4,000,000)			(4,000,000)	
Principal Paid on Mortgage Revenue Bonds		(90,000)	(290,000)	(380,000)	
Interest Paid on Bond Anticipation Notes	(103,980)			(103,980)	
Interest Paid on Mortgage Revenue Bonds		(91,965)	(312,142)	(404,107)	
Proceeds of Notes	4,000,000			4,000,000	
Acquisition of Capital Assets	(1,735,844)	(159,721)	(116,704)	(2,012,269)	
Net Cash Used for Capital and Related Financing Activities	<u>(1,839,824)</u>	<u>(341,686)</u>	<u>(718,846)</u>	<u>(2,900,356)</u>	
<u>Cash Flows from Investing Activities</u>					
Purchase of Investments			(761,581)	(761,581)	
Sale of Investments	3,000,000		155,608	3,155,608	
Interest	73,866	13,072	33,576	120,514	
Net Cash Provided by (Used for) Investing Activities	<u>3,073,866</u>	<u>13,072</u>	<u>(572,397)</u>	<u>2,514,541</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,311,107</u>	<u>(195,011)</u>	<u>(694,830)</u>	<u>1,421,266</u>	<u>(1,476)</u>
Cash and Cash Equivalents Beginning of Year	<u>4,252,236</u>	<u>853,643</u>	<u>1,535,530</u>	<u>6,641,409</u>	<u>226,903</u>
Cash and Cash Equivalents End of Year	<u>\$6,563,343</u>	<u>\$658,632</u>	<u>\$840,700</u>	<u>\$8,062,675</u>	<u>\$225,427</u>

(continued)

**City of Celina
Mercer County**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002
(continued)**

	Electric	Water	Sewer	Total Business-Type Activities	Governmental Activity Self Insurance Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$363,328	\$46,677	\$373,245	\$783,250	(\$51,468)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Allowance for Uncollectibles	27,770	1,382	11,838	40,990	
Depreciation	604,695	183,134	265,444	1,053,273	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(155,048)	(47,238)	(8,261)	(210,547)	3,314
Increase in Interfund Receivable	(1,938)			(1,938)	
Increase in Prepaid Items	(3,017)	(1,140)	(1,140)	(5,297)	
(Increase) Decrease in Materials and Supplies Inventory	3,481	(9,645)	605	(5,559)	
Increase in Accrued Wages Payable	5,041	2,118	3,459	10,618	
Increase (Decrease) in Accounts Payable	(67,627)	(818)	419	(68,026)	2,121
Increase (Decrease) in Contracts Payable	41,231	(8,884)		32,347	
Increase (Decrease) in Due to Other Governments	(13,816)	4,160	3,413	(6,243)	
Increase (Decrease) in Interfund Payable	619	9,673	(7,679)	2,613	
Increase in Claims Payable					44,557
Increase in Deposits Held and Due to Others	2,315			2,315	
Increase (Decrease) in Compensated Absences Payable	(755)	1,184	2,070	2,499	
Net Cash Provided by (Used for) Operating Activities	<u>\$806,279</u>	<u>\$180,603</u>	<u>\$643,413</u>	<u>\$1,630,295</u>	<u>(\$1,476)</u>

Non-Cash Capital Transactions

During 2002, the City received capital grants, in the amount of \$144,563, in the water enterprise fund for the construction of a water tower and water lines.

Non-Cash Investing Transactions

In 2002, the fair market value of investments decreased by \$327.

See *Accompanying Notes to the Basic Financial Statements*

**City of Celina
Mercer County**

**Statement of Assets and Liabilities
Agency Funds
December 31, 2002**

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$22,569
Cash and Cash Equivalents in Segregated Accounts	<u>30,333</u>
Total Assets	<u><u>\$52,902</u></u>
<u>Liabilities</u>	
Due to Other Governments	\$1,387
Payroll Withholdings	15,148
Deposits Held and Due to Others	<u>36,367</u>
Total Liabilities	<u><u>\$52,902</u></u>

See Accompanying Notes to the Basic Financial Statements

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**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 1 - DESCRIPTION OF THE CITY OF CELINA AND THE REPORTING ENTITY

A. The City

The City of Celina (the City) is a statutory municipal corporation operating under the laws of the State of Ohio. The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Service-Safety Director, are elected positions. The Service-Safety Director is appointed by the Mayor.

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

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City during 2002.

The City participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, the Grand Lake/Mercer County Research Corporation, and the Mercer County Planning Commission, jointly governed organizations; and the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program and the Ohio Government Risk Management Plan, insurance purchasing pools. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General Obligation Bond Retirement Fund - This fund accounts for special assessments to pay the principal and interest on the Knowlton Ditch improvement general obligation bonds; along with the issuance and retirement of bond anticipation notes for the purchase of real estate for recreational and industrial purposes, construction of a swimming pool, and the purchase of a fire truck.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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

Electric Fund - This fund accounts for the provision of electric distribution to residential and commercial users within the City.

Water Fund - This fund accounts for the provision of water collection and distribution service to residential and commercial users within the City.

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2002. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for insurance proceeds to secure proper handling of fire damaged structures, the activity of the municipal court due to third-parties, excluding the City, and employee deductions not remitted to their specific vendors in the payroll account.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2002, but were levied to finance 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations resolution is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund level or at various levels within a fund based on Council requirements.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by City Council.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Investments

To improve cash management, cash received by the City, except cash held by a trustee or held by fiscal or escrow agents is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The City utilizes financial institutions as trustees to service its mortgage revenue bonded debt as principal and interest payments come due. Money held by trustees is invested in mutual funds and is presented as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately for the City by escrow agents are recorded as "Cash and Cash Equivalents with Escrow Agent".

Cash and cash equivalents that are held separately within departments of the City are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Investments are reported at fair value, except for non-negotiable certificates of deposit and repurchase agreements which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2002.

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 2002 was \$81,618, which includes \$69,680 assigned from other City funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Notes Receivable

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Restricted Assets

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

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

Utility deposits from customers are classified as restricted assets on the statement of fund net assets because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

Resources set aside in separate escrow accounts, whose use is limited to the payment of retainage to contractors, are also reported as restricted.

K. Unamortized Issuance Costs/Bond Discount

Issuance costs and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

L. Capital Assets

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

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

All capital assets are depreciated, except for land, some land improvements, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20-40 years	30 years
Buildings	5-30 years	30 years
Improvements Other Than Buildings	10-20 years	N/A
Streets and Storm Sewers	15-50 years	N/A
Furniture and Equipment	10 years	10 years
Vehicles and Inland Marine	3-25 years	3-25 years
Electric, Water, and Sewer Lines	N/A	20-50 years

The City's infrastructure consists streets, storm sewers, electric lines, water lines, and sewer lines.

M. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the governmental-wide statements of net assets are those between governmental and business-type activities. These amounts are presented as "Internal Balances".

N. 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.

O. Accrued Liabilities and Long-Term Obligations

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Unamortized 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 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.

The Sewer enterprise fund's mortgage revenue bonds advance refunded outstanding mortgage revenue bonds in a prior year. These bonds are presented on the proprietary fund statement of net assets net of an unamortized loss and discount, in the amount of \$389,442 and \$4,729, respectively. The loss is being amortized over the remaining fourteen year life of the bonds.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Other purposes restricted net assets include activities for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted by use for the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The City's Water and Sewer enterprise funds have restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements.

R. Fund Balance Reserves

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

S. Operating Revenues and Expenses

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

T. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from grants restricted to capital acquisition and construction.

U. Interfund Transactions

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

W. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

A. Changes in Accounting Principles

For 2002, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the City's programs between governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2001, caused by the elimination of the internal service fund and the conversion to the full accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the proprietary funds from the prior fiscal year.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The water and sewer lines were recorded incorrectly in the Water and Sewer enterprise funds in the prior year, in the amount of \$174,280 and \$3,140,473, respectively.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY
(continued)**

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds as they were previously reported.

	General	General Obligation Bond Retirement	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2001	<u>\$837,499</u>	<u>\$151,990</u>	<u>\$572,249</u>	<u>\$1,561,738</u>
GASB Statement No. 34 Adjustments:				
Long Term (Deferred) Assets				806,899
Capital Assets				13,489,816
Internal Service Fund				114,115
Due to Other Governments				(134,334)
Accrued Interest Payable				(44,358)
Notes Payable				(1,385,000)
General Obligation Bonds Payable				(155,000)
Rural Development Bonds Payable				(621,121)
Special Assessment Bonds Payable				(16,440)
Compensated Absences Payable				(236,914)
Governmental Activities Net Assets at December 31, 2001				<u>\$13,379,401</u>

The restatement of the business-type activities:

	Electric	Water	Sewer	Total Business-Type Activities
Fund Equity December 31, 2001	<u>\$14,294,397</u>	<u>\$2,455,623</u>	<u>\$4,714,134</u>	<u>\$21,464,154</u>
Capital Assets	0	(174,280)	(3,140,473)	(3,314,753)
Adjusted Net Assets December 31, 2001	<u>\$14,294,397</u>	<u>\$2,281,343</u>	<u>\$1,573,661</u>	<u>\$18,149,401</u>
Internal Service Fund				68,411
Adjusted Net Assets December 31, 2001				<u>\$18,217,812</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2002, the Special Assessment debt service fund and the Sidewalk/Curb capital projects fund had deficit fund balances, in the amount of \$2,181 and \$4,062, respectively, due to reporting special assessments as deferred revenue on the fund basis. The deficit will be alleviated when the special assessments are received.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)

At December 31, 2002, the General Obligation debt service fund and the Capital Improvements capital projects fund had deficit fund balances, in the amount of \$258,402 and \$722,199, respectively, due to reporting notes payable as a fund liability. The deficit will be alleviated when sufficient revenues are received to retire the notes.

B. Compliance

At December 31, 2002, the Special Assessment debt service fund and the Sidewalk/Curb capital projects fund had deficit cash balances, in the amount of \$2,181 and \$1,530, respectively.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$76,080
<u>Increases (Decreases) Due To</u>	
Revenue Accruals:	
Accrued 2001, Received in Cash 2002	370,571
Accrued 2002, Not Yet Received in Cash	(435,005)
Expenditure Accruals:	
Accrued 2001, Paid in Cash 2002	(203,490)
Accrued 2002, Not Yet Paid in Cash	226,404
	Continued

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Change in Fund Balance (continued)	
	<u>General</u>
Cash Adjustments:	
Unrecorded Activity 2001	\$21,142
Unrecorded Activity 2002	(28,279)
Prepaid Items	(3,503)
Materials and Supplies Inventory	(6,040)
Fair Value of Manuscript Bonds	
2001	692
2002	(869)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(11,746)</u>
Budget Basis	<u><u>\$5,957</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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).

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

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

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

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

At year end, the City had \$35,146 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

At year end, the City's internal service fund had a balance of \$81,169 with Employee Benefit Claims, Inc. This money is held by the claims servicer in a pooled account with that of other entities and, therefore, cannot be classified by risk under GASB Statement No. 3.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

At year end, the carrying amount of the City's deposits was \$457,982, and the bank balance was \$827,540. The entire bank balance was covered by the federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 1	Category 3	Carrying Value	Fair Value
Manuscript Bonds	\$13,549	\$0	\$13,549	\$13,549
Federal Home Loan Bank Notes		70,459	70,459	70,459
Federal National Mortgage Association Notes		100,188	100,188	100,188
Repurchase Agreements		1,699,908	1,699,908	1,699,967
	<u>\$13,549</u>	<u>\$1,870,555</u>	1,884,104	1,884,163
STAR Ohio			7,008,552	7,008,552
Mutual Funds			888,155	888,154
			<u>\$9,780,811</u>	<u>\$9,780,869</u>

The classification of cash and cash equivalents and investments on the financial statements is based on the criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements 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	\$9,566,462	\$788,646
Cash on Hand	(35,146)	
Cash Held by Third Party Administrator	(81,169)	
Investments:		
Certificates of Deposit	617,999	(617,999)
Manuscript Bonds	(13,549)	13,549
Repurchase Agreements	(1,699,908)	1,699,908
STAR Ohio	(7,008,552)	7,008,552
Mutual Funds	(888,155)	888,155
GASB Statement No. 3	<u>\$457,982</u>	<u>\$9,780,811</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 7 - RECEIVABLES

Receivables at December 31, 2002, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; accrued interest, income taxes; other local taxes; interfund; property taxes; notes; and special assessments. All receivables are considered collectible in full and within one year, except for the allowance for uncollectibles related to utility services and special assessments. At December 31, 2002, delinquent special assessments were \$1,609. Special assessments, in the amount of \$30,287, will not be received within one year.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Block Grant program. The loans have an annual interest rate of 4.75 to 5 percent and are to be repaid over periods ranging from seven to twenty years. During 2002, one loan was considered uncollectible and written off, in the amount of \$115,974. A new loan was issued in the amount of \$6,509. Principal, in the amount of \$17,780, was repaid. Loans outstanding at December 31, 2002, were \$162,117. Notes receivable, in the amount of \$143,467, will not be received within one year.

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

	Electric	Water	Sewer	Total Enterprise Funds
Accounts Receivable	\$2,290,285	\$355,454	\$311,476	\$2,957,215
Less Allowance for Uncollectibles	(366,119)	(56,425)	(49,444)	(471,988)
Net Accounts Receivable	\$1,924,166	\$299,029	\$262,032	\$2,485,227

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$16,654
Local Government	196,637
Local Government Revenue Assistance	33,685
Estate Tax	478,460
Mental Health Transport	56
Court Cost Reimbursement	24,495
Total General Fund	749,987
Nonmajor Funds	
Street	
Gasoline Tax	108,215
Motor Vehicle License Tax	46,685
Total Street	154,900
State Highway	
Gasoline Tax	8,774
Motor Vehicle License Tax	3,785
Total State Highway	12,559
	continued

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 7 - RECEIVABLES (continued)

	Amount
Police Pension	
Homestead and Rollback	2,496
Fire Pension	
Homestead and Rollback	2,496
Total Nonmajor Governmental Funds	172,451
Total Governmental Activities	\$922,438
 Business-Type Activities	
Water Fund	
Ohio Department of Development	\$99,429
Economic Development Authority	45,134
Total Business-Type Activities	\$144,563

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax is credited to the General Fund.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received during 2002 represent the collection of 2001 taxes. Real property taxes were levied during 2002 after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. These taxes will be collected in and are intended to finance 2003 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 2001. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes were levied during 2002 after October 1, 2002, on the assessed values as of December 31, 2001, the lien date. These taxes will be collected in and are intended to finance 2003 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received during 2002 (other than public utility property) represent the collection of 2002 taxes. Tangible personal property taxes received during 2002 were levied after October 1, 2001, on the true value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value for equipment and 24 percent for inventory. 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 9 - PROPERTY TAXES (continued)

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

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations. On the modified accrual basis, the entire receivable is deferred. On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue.

The full tax rate for all City operations for the year ended December 31, 2002, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2002 property tax receipts were based are as follows:

Category	Amount
Real Property	
Residential/Agricultural	\$98,204,160
Commercial/Industrial	38,473,300
Public Utility Property	
Real	4,160
Personal	2,552,460
Tangible Personal Property	20,021,278
Total Assessed Value	\$159,255,358

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2002, was as follows:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$1,839,014		(\$43,500)	\$1,795,514
Land Improvements	6,001,066			6,001,066
Total Nondepreciable Capital Assets	7,840,080		(43,500)	7,796,580
Depreciable Capital Assets				
Land Improvements	339,604	7,481		347,085
Buildings	224,100			224,100
Improvements Other than Buildings	1,684,030		(4,014)	1,680,016
Streets and Storm Sewers	8,077,532			8,077,532
Furniture and Equipment	491,480	11,580		503,060
Vehicles and Inland Marine	1,845,123	20,241	(36,244)	1,829,120
Total Depreciable Capital Assets	12,661,869	39,302	(40,258)	12,660,913

(continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 10 - CAPITAL ASSETS (continued)

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
Less Accumulated Depreciation for				
Land Improvements	(\$169,320)	(\$7,497)		(\$176,817)
Buildings	(140,073)	(8,042)		(148,115)
Improvements Other than Buildings	(409,001)	(86,060)	2,676	(492,385)
Streets and Storm Sewers	(4,773,161)	(343,011)		(5,116,172)
Furniture and Equipment	(300,807)	(33,731)		(334,538)
Vehicles and Inland Marine	(1,219,771)	(82,581)	36,244	(1,266,108)
Total Accumulated Depreciation	<u>(7,012,133)</u>	<u>(560,922)</u>	<u>38,920</u>	<u>(7,534,135)</u>
Total Depreciable Capital Assets, Net	<u>5,649,736</u>	<u>(521,620)</u>	<u>(1,338)</u>	<u>5,126,778</u>
Governmental Activities Capital Assets, Net	<u>\$13,489,816</u>	<u>(\$521,620)</u>	<u>(\$44,838)</u>	<u>\$12,923,358</u>
	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$157,815			\$157,815
Construction in Progress	2,375	2,228,275		2,230,650
Total Nondepreciable Capital Assets	<u>160,190</u>	<u>2,228,275</u>		<u>2,388,465</u>
Depreciable Capital Assets				
Land Improvements	8,762			8,762
Buildings	18,267,294			18,267,294
Electric, Water, and Sewer Lines	17,982,744	405,790	(147,988)	18,240,546
Furniture and Equipment	447,011	53,198	(30,903)	469,306
Vehicles and Inland Marine	1,148,502	159,961	(43,176)	1,265,287
Total Depreciable Capital Assets	<u>37,854,313</u>	<u>618,949</u>	<u>(222,067)</u>	<u>38,251,195</u>
Less Accumulated Depreciation for				
Land Improvements	(6,276)	(92)		(6,368)
Buildings	(12,312,710)	(329,261)		(12,641,971)
Electric, Water, and Sewer Lines	(7,529,412)	(588,668)	85,722	(8,032,358)
Furniture and Equipment	(256,779)	(38,534)	22,106	(273,207)
Vehicles and Inland Marine	(651,020)	(96,718)	43,176	(704,562)
Total Accumulated Depreciation	<u>(20,756,197)</u>	<u>(1,053,273)</u>	<u>151,004</u>	<u>(21,658,466)</u>
Total Depreciable Capital Assets, Net	<u>17,098,116</u>	<u>(434,324)</u>	<u>(71,063)</u>	<u>16,592,729</u>
Business-Type Activities Capital Assets, Net	<u>\$17,258,306</u>	<u>\$1,793,951</u>	<u>(\$71,063)</u>	<u>\$18,981,194</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$70,502
Leisure Time Activities	105,902
Community Environment	2,593
Transportation	370,747
General Government	11,178
Total Depreciation Expense - Governmental Activities	\$560,922

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2002, the General Fund had an interfund receivable, in the amount of \$42,514, from other governmental funds, in the amount of \$3,711, to provide cash flow resources until the receipt of special assessment revenues, and from the Electric enterprise fund, in the amount of \$38,803, for the City's portion of the kilowatt hour tax.

The Electric enterprise fund had an interfund receivable, in the amount of \$16,116, for services provided by the Electric enterprise fund to the Recreation special revenue fund, in the amount of \$160, the Water enterprise fund, in the amount of \$15,352, and the Sewer enterprise fund, in the amount of \$604.

NOTE 12 - 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. During 2002, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$27,430,451	\$1,000
Liability - Aggregate	5,000,000	0
Public Official Liability - Aggregate	5,000,000	5,000
Law Enforcement Liability - Aggregate	5,000,000	5,000
Automobile Liability	3,000,000	0
Employee Bond	10,000	0
Crime	20,000	0
Equipment	1,072,885	1,000
Fire Vehicles	777,288	0
Electronic Data Processing	208,681	1,000
Employee Benefits Liability - Aggregate	3,000,000	0

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 12 - RISK MANAGEMENT (continued)

There has been no significant reduction in insurance coverage from 2001, and no insurance settlement has exceeded insurance coverage during the last three years.

B. Employee Medical Benefits

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

All funds of the City participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The liability for unpaid claims costs reported in the fund at December 31, 2002, is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability was based on a review of all claims paid after the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claim liability in 2001 and 2002 were:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Stop-Loss Reimbursement	Claim Payments	Balance at Year End
2001	\$62,076	\$654,846	\$80,437	(\$749,668)	\$47,691
2002	47,691	764,172	0	(719,615)	92,248

C. Workers' Compensation

For 2002, the City participated in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2002:

Vendor	Contract Amount	Amount Paid as of 12/31/02	Outstanding Balance
Vaughn Industries	\$1,829,698	\$0	\$1,829,698
PFK Associates, Inc.	118,550	92,627	25,923
Tatman Associates	230,670	181,053	49,617
Wesco Distribution, Inc.	46,391	42,680	3,711
Siemens Power T & D, Inc.	116,312	107,006	9,306
Waukesha Electric Systems	227,640	203,376	24,264
Siemens Energy and Automation	213,925	194,910	19,015
Birmingham Control Systems, Inc.	88,112	0	88,112
Buckeye Power Sales Co., Inc.	203,085	0	203,085
Alstom T & D, Inc.	166,489	66,622	99,867
Advanced Control Systems	133,366	109,503	23,863
Chuck Samples	132,481	0	132,481

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 8.55 percent was the portion used to fund pension obligations for 2002. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000, were \$244,226, \$251,493, and \$167,712, respectively; 73 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002, in the amount of \$66,659, is recorded as a liability.

B. Ohio Police and Fire Pension Fund

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police (11.75 percent was the portion used to fund pension obligations for 2002); and 24 percent for firefighters (16.25 percent was the portion used to fund pension obligations for 2002). Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2002, 2001, and 2000, were \$198,660, \$191,107, and \$190,819, respectively; 72 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002, in the amount of \$54,690, is recorded as a liability.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion used to fund health care for 2002.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .5 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

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

At December 31, 2002, the total number of benefit recipients eligible for OPEB through OPERS was 402,041. As of December 31, 2001, the actuarial value of net assets available for future OPEB payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The City's actual contributions for 2002 which were used to fund OPEB were \$142,822.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll and the firefighter employer contribution rate was 24 percent; 7.75 percent was the portion used to fund health

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

care for 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters. The City's actual contributions for 2002 that were used to fund postemployment benefits were \$51,475 for police and \$57,525 for firefighters. The Fund's total health care expenses for the year ended December 31, 2002, (the latest information available), were \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

Sick leave is earned at various rates as defined by City policy and union contracts. For employees under the CMERC union agreement, sick leave will be paid upon death or retirement at the lesser of 25 percent or eighty days of accumulated sick leave. For sergeants, law enforcement officers, and dispatchers, sick leave will be paid based on years of service. These employees with ten or more years of service will be paid upon death or retirement at the lesser of 25 percent or eighty days of accumulated sick leave and with twenty or more years of service will be paid upon death or retirement at the lesser of 30 percent or ninety days of accumulated sick leave. Firefighters and nonunion employees with ten years of service will be paid upon death or retirement at the lesser of 25 percent or eighty days of accumulated sick leave.

B. Health Care Benefits

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 17 - NOTES PAYABLE

The City's short-term obligations activity for the year ended December 31, 2002, was as follows:

	Interest Rate	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002
<u>Governmental Activities</u>					
Swimming Pool Capital Projects					
March 29, 2001	3.86%	\$345,000	\$0	\$345,000	\$0
March 2, 2002	2.39	0	280,000	280,000	0
November 19, 2002	1.97	0	280,000	0	280,000
Total Swimming Pool Capital Projects		345,000	560,000	625,000	280,000
Fire Truck Capital Projects					
February 16, 2001	4.21	360,000	0	360,000	0
February 16, 2002	2.41	0	285,000	0	285,000
November 19, 2002	1.97	0	250,000	0	250,000
Total Fire Truck Capital Projects		360,000	535,000	360,000	535,000
Industrial Park Infrastructure Capital Projects					
June 21, 2001	3.25	330,000	0	330,000	0
March 2, 2002	2.39	0	140,000	140,000	0
November 19, 2002	1.97	0	140,000	0	140,000
Total Industrial Park Infrastructure Capital Projects		330,000	280,000	470,000	140,000
Park Land Acquisition Capital Projects					
June 21, 2001	3.25	350,000	0	350,000	0
March 2, 2002	2.39	0	300,000	300,000	0
November 19, 2002	1.97	0	300,000	0	300,000
Total Park Land Acquisition Capital Projects		350,000	600,000	650,000	300,000
Total Governmental Activities		<u>\$1,385,000</u>	<u>\$1,975,000</u>	<u>\$2,105,000</u>	<u>\$1,255,000</u>
<u>Business-Type Activities</u>					
Electric Improvement					
November 20, 2001	2.18	\$4,000,000	\$0	\$4,000,000	\$0
November 19, 2002	1.97	0	4,000,000	0	4,000,000
Total Business-Type Activities		<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>

All of the City's bond anticipation notes are backed by the full faith and credit of the City of Celina and have a maturity of one year.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2002, was as follows:

	Interest Rate	Balance December 31, 2001	Additions	Reductions	Balance December 31, 2002	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1985 Knowlton Ditch	6-7.75%	\$155,000	\$0	\$15,000	\$140,000	\$20,000
Rural Development General Obligation Bonds						
2000 Rural Development Bonds	5.00	570,889	0	9,544	561,345	9,998
2000 Rural Development Bonds	5.00	50,232	0	44,306	5,926	3,021
Total Rural Development General Obligation Bonds		621,121	0	53,850	567,271	13,019
Special Assessment Bonds						
1999 Sidewalk	4.25	3,000	0	1,000	2,000	1,000
2000 Sidewalk	5.25	1,440	0	360	1,080	360
2001 Sidewalk	4.50	12,000	0	2,400	9,600	2,400
Total Special Assessment Bonds		16,440	0	3,760	12,680	3,760
Other Long-Term Obligations						
Compensated Absences Payable		236,914	19,269	9,263	246,920	18,015
Total Governmental Activities		\$1,029,475	\$19,269	\$81,873	\$966,871	\$54,794
<u>Business-Type Activities</u>						
Mortgage Revenue Bonds						
1999 Wastewater Refunding	3.25-4.95	\$4,405,000	\$0	\$215,000	\$4,190,000	\$225,000
Bond Discount		(4,972)	243	0	(4,729)	0
Accounting Loss		(409,425)	19,983	0	(389,442)	0
1994 Waterworks	3.55-5.90	1,625,000	0	90,000	1,535,000	95,000
1993 Wastewater	3-5.70	1,985,000	0	75,000	1,910,000	75,000
Total Mortgage Revenue Bonds		7,600,603	20,226	380,000	7,240,829	395,000
Other Long-Term Obligations						
Compensated Absences Payable		106,964	6,341	3,842	109,463	17,927
Total Business-Type Activities		\$7,707,567	\$26,567	\$383,842	\$7,350,292	\$412,927

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The Knowlton Ditch general obligation bonds were issued for \$285,000 during 1985 and are paid from revenues generated by an agreement between the City and Shir-Will Acres, Inc. All general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. In the event Shir-Will Acres, Inc. fails to make the payments to the City, the City will be required to pay the related debt.

Rural Development Bonds

The City issued rural development general obligation bonds during 2000, in the amount of \$580,000 and \$51,000, respectively, to provide funds for the acquisition of property for the development of an industrial park. These general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The bonds will be paid from transfers from the General Fund.

Special Assessment Bonds

Special assessment bonds were issued for curb and sidewalk projects during 1999, 2000, and 2001, in the amount of \$5,000, \$1,800, and \$12,000, respectively. The special assessment bonds are backed by the full faith and credit of the City of Celina. In the event that an assessed property owner fails to make payments or insufficient amounts are assessed to fund the debt, the City will be required to pay the related debt.

Compensated Absences Payable

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

Mortgage Revenue Bonds

The City issued bonds which pledge Water and Sewer enterprise fund income derived from the acquired and constructed assets to pay the debt. During 1999, the City issued \$4,940,000 in wastewater system revenue refunding bonds. During 1994, the City issued \$2,145,000 in first mortgage water system revenue bonds. During 1993, the City issued \$2,480,000 in first mortgage wastewater revenue bonds. The refunded bonds were fully retired in 2001.

The bond indentures have certain restrictive covenants and principally require that bond reserves be maintained and charges for services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties.

Fund assets, whose use are restricted under the bond indenture to improvement and replacement and debt service requirements are presented as restricted assets on the statement of fund net assets. These assets are further segregated between those held by the City and those held by trustees. Restricted assets relating to each of the mortgage revenue bond issues were as follows as of December 31, 2002:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Restricted Assets			Totals
	Wastewater System Mortgage Revenue Refunding	Waterworks Mortgage Revenue	Wastewater System Mortgage Revenue	
<u>Restricted Assets held by the City for:</u>				
Mortgage Revenue Bond Replacement	\$742,000	\$200,000	\$0	\$942,000
Mortgage Revenue Bond Operations	68,864	102,631	0	171,495
<u>Restricted Assets held by the Trustee for:</u>				
Mortgage Revenue Bond Current Debt Service	69,811	15,882	15,692	101,385
Mortgage Revenue Bond Future Debt Service	414,888	182,102	189,781	786,771

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

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

Authorized but Not Issued

On August 26, 2002, City Council authorized the issuance of a \$500,000 Ohio Public Works Commission interest free loan for the construction of a 1.5 million gallon water tower and installation of a twenty inch water line.

The City's legal debt margin was \$15,042,707 at December 31, 2002.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

The following is a summary of the City's future annual debt service requirements for general long-term obligations:

Year	Governmental Activities					
	General Obligation Bonds		Rural Development General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$20,000	\$10,850	\$10,844	\$26,960	\$3,760	\$574
2004	20,000	9,300	11,361	26,443	3,760	404
2005	20,000	7,750	11,903	25,901	2,760	235
2006	25,000	6,200	12,471	25,333	2,400	108
2007	25,000	4,263	13,066	24,739		
2008-2012	30,000	2,325	70,573	114,055		
2013-2017			87,428	95,879		
2018-2022			110,261	73,047		
2023-2027			139,056	44,251		
2028-2030			100,308	9,677		
	<u>\$140,000</u>	<u>\$40,688</u>	<u>\$567,271</u>	<u>\$466,285</u>	<u>\$12,680</u>	<u>\$1,321</u>

The City's future annual debt service requirements, including mandatory sinking fund requirements, payable from the enterprise funds are as follows:

Year	Business-Type Activities			
	Water Mortgage Revenue Bonds		Sewer Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest
2003	\$95,000	\$87,465	\$300,000	\$300,083
2004	100,000	82,620	310,000	287,332
2005	105,000	77,420	325,000	273,423
2006	110,000	71,855	340,000	258,582
2007	115,000	65,915	355,000	242,793
2008-2012	680,000	222,135	1,740,000	852,097
2013-2017	330,000	29,500	2,555,000	454,963
2018			175,000	9,975
	<u>\$1,535,000</u>	<u>\$636,910</u>	<u>\$6,100,000</u>	<u>\$2,679,248</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 20 - INTERFUND TRANSFERS

During 2002, the General Fund made transfers to the General Obligation Bond Retirement fund, in the amount of \$157,318, to move receipts as debt payments became due. The General Fund also made transfers to other governmental funds, in the amount of \$528,470, to subsidize various programs in other funds. Nonmajor governmental funds made transfers, in the amount of \$43,500, to move receipts to the General Obligation Bond Retirement fund as debt payments became due.

The Water and Sewer enterprise funds made transfers, in the amount of \$47,000 and \$47,000, respectively, to the General Obligation Bond Retirement fund to move receipts as debt payments became due.

NOTE 21 - JOINT VENTURE

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

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

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Community Improvement Corporation

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

B. Grand Lake/Mercer County Research Corporation

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 22 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Mercer County Planning Commission

The City participates in the Mercer County Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Mercer County, municipalities, and townships. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services within the County. In 2002, the City did not pay any membership dues toward the operation of the Commission. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

NOTE 23 - INSURANCE PURCHASING POOL

A. Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program

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

B. Ohio Government Risk Management Plan

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

NOTE 24 - CONTINGENT LIABILITIES

A. Litigation

There are currently no matters in litigation with the City as defendant.

B. Federal and State Grants

For the period January 1, 2002, to December 31, 2002, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 25 - SUBSEQUENT EVENT

On January 16, 2003, the City retired bond anticipation notes, in the amount of \$285,000, to retire notes previously issued to purchase a fire truck. The notes had an interest rate of 2.41 percent.

On April 16, 2003, the City entered into contracts for the improvements to the municipal water system, including the construction of a new water tower.

<u>Vendor</u>	<u>Contract Amount</u>
Landmark Structures, L.P.	\$1,580,000
Chuck Samples	108,992
All Industrial, Inc.	19,320

On May 1, 2003, the City issued bond anticipation notes, in the amount of \$400,000, to make improvements to the municipal water system, including the construction of a new water tower. The notes have an interest rate of 1.56 percent and mature on April 29, 2004.



**Auditor of State
Betty Montgomery**

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

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

To the Members of Council:

We have audited the financial statements of City of Celina, Mercer County, (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated July 28, 2003, wherein we noted the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* as described in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 28, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 28, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

CITY OF CELINA

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2003**