



**Auditor of State
Betty Montgomery**

CITY OF COSHOCTON
COSHOCTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual All Governmental Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balance All Proprietary Fund Types and Similar Trust Funds	14
Combined Statement of Cash Flows All Proprietary Fund Types and Similar Trust Funds	16
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget (Non-GAAP Basis) and Actual All Proprietary Fund Types and Similar Trust Funds	20
Notes to the General Purpose Financial Statements.....	23
Schedule of Receipts and Expenditures of Federal Awards.....	47
Notes to the Schedule of Receipts and Expenditures of Federal Awards	48
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings.....	53

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Coshocton
Coshocton County
760 Chestnut Street
Coshocton, Ohio 43812

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Coshocton, Coshocton County, Ohio, (the City) as of and for the year ended December 31, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 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.

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

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

Betty Montgomery
Auditor of State

May 16, 2003

This page intentionally left blank.

City of Coshocton, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$202,007	\$498,721	\$69,037	\$284,275
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	935,053	191,614	15,600	68,184
Accounts	11,105	24,832	0	0
Special Assessments	0	0	132,703	0
Accrued Interest	750	0	0	0
Intergovernmental	496,892	262,302	0	0
Due from Other Funds	0	33,542	0	0
Deferred Loss on Refunding Revenue Bonds	0	0	0	0
Bond Issuance Cost	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount Available in Debt Service Fund for Retirement of Special Assessment Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Amount to be Provided from Special Assessments	0	0	0	0
<i>Total Assets and Other Debits</i>	<u><u>\$1,645,807</u></u>	<u><u>\$1,011,011</u></u>	<u><u>\$217,340</u></u>	<u><u>\$352,459</u></u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$6,147,165	\$38,087	\$616,107	\$0	\$0	\$7,855,399
0	0	4,255	0	0	4,255
0	0	0	0	0	1,210,451
566,476	0	0	0	0	602,413
0	0	0	0	0	132,703
0	0	6,179	0	0	6,929
0	0	0	0	0	759,194
0	0	0	0	0	33,542
131,988	0	0	0	0	131,988
72,178	0	0	0	0	72,178
4,386,177	0	0	6,009,744	0	10,395,921
0	0	0	0	48,844	48,844
0	0	0	0	35,793	35,793
0	0	0	0	1,579,103	1,579,103
0	0	0	0	44,207	44,207
<u>\$11,303,984</u>	<u>\$38,087</u>	<u>\$626,541</u>	<u>\$6,009,744</u>	<u>\$1,707,947</u>	<u>\$22,912,920</u>

(continued)

City of Coshocton, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$35,414	\$25,570	\$0	\$1,334
Contracts Payable	0	2,440	0	0
Accrued Wages	37,419	10,439	0	0
Compensated Absences Payable	8,579	1,307	0	0
Due to Other Funds	33,542	0	0	0
Intergovernmental Payable	40,637	9,062	0	70,177
Deferred Revenue	958,039	362,741	132,703	50,439
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Claims Payable	0	0	0	0
Judgements Payable	0	0	0	0
Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Revenue Bonds Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
<i>Total Liabilities</i>	<u>1,113,630</u>	<u>411,559</u>	<u>132,703</u>	<u>121,950</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	43,355	50,523	0	754
Reserved for Unclaimed Monies	2,719	0	0	0
Reserved For Endowments	0	0	0	0
Unreserved, Undesignated	486,103	548,929	84,637	229,755
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>532,177</u>	<u>599,452</u>	<u>84,637</u>	<u>230,509</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u><u>\$1,645,807</u></u>	<u><u>\$1,011,011</u></u>	<u><u>\$217,340</u></u>	<u><u>\$352,459</u></u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$165,337	\$0	\$0	\$0	\$0	\$227,655
12,824	0	0	0	0	15,264
21,568	0	0	0	0	69,426
279,647	0	0	0	511,485	801,018
0	0	0	0	0	33,542
62,372	0	0	0	104,488	286,736
0	0	0	0	0	1,503,922
0	0	22,098	0	0	22,098
208,994	0	0	0	0	208,994
0	0	0	0	6,974	6,974
0	80,726	0	0	0	80,726
410,000	0	0	0	0	410,000
4,900,000	0	0	0	0	4,900,000
0	0	0	0	1,005,000	1,005,000
2,390,000	0	0	0	0	2,390,000
0	0	0	0	80,000	80,000
<u>8,450,742</u>	<u>80,726</u>	<u>22,098</u>	<u>0</u>	<u>1,707,947</u>	<u>12,041,355</u>
0	0	0	6,009,744	0	6,009,744
679,735	0	0	0	0	679,735
2,173,507	(42,639)	0	0	0	2,130,868
0	0	0	0	0	94,632
0	0	0	0	0	2,719
0	0	300,497	0	0	300,497
0	0	303,946	0	0	1,653,370
<u>2,853,242</u>	<u>(42,639)</u>	<u>604,443</u>	<u>6,009,744</u>	<u>0</u>	<u>10,871,565</u>
<u>\$11,303,984</u>	<u>\$38,087</u>	<u>\$626,541</u>	<u>\$6,009,744</u>	<u>\$1,707,947</u>	<u>\$22,912,920</u>

City of Coshocton, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2002*

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Taxes	\$1,981,901	\$440,032
Property and Other Taxes	481,286	57,434
Charges for Services	565,265	263,580
Licenses and Permits	9,517	13,112
Fines and Forfeitures	22,089	26,873
Intergovernmental	974,246	840,669
Special Assessments	0	0
Interest	27,200	39,514
Contributions and Donations	78,576	0
Other	108,588	27,662
	<u>4,248,668</u>	<u>1,708,876</u>
Expenditures		
Current:		
General Government	1,887,194	105,976
Security of Persons and Property	2,698,062	60,000
Public Health and Welfare	452,425	185,996
Transportation	0	805,287
Community Environment	15,392	0
Leisure Time Activities	271,709	61,939
Urban Redevelopment and Housing	0	428,181
Capital Outlay	0	0
Debt Service:		
Principal Retirement	1,554	33,532
Interest and Fiscal Charges	721	0
	<u>5,327,057</u>	<u>1,680,911</u>
<i>Total Expenditures</i>	<u>5,327,057</u>	<u>1,680,911</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,078,389)	27,965
<i>Fund Balances Beginning of Year</i>	<u>1,610,566</u>	<u>571,487</u>
<i>Fund Balances End of Year</i>	<u>\$532,177</u>	<u>\$599,452</u>

See accompanying notes to the general purpose financial statements

Fund Types		
Debt Service	Capital Projects	Totals (Memorandum Only)
\$168,600	\$177,384	\$2,767,917
0	0	538,720
0	0	828,845
0	0	22,629
0	0	48,962
0	572,838	2,387,753
29,415	0	29,415
0	0	66,714
0	0	78,576
0	0	136,250
<u>198,015</u>	<u>750,222</u>	<u>6,905,781</u>
0	0	1,993,170
0	0	2,758,062
0	0	638,421
0	0	805,287
0	0	15,392
0	0	333,648
0	0	428,181
0	706,779	706,779
145,000	0	180,086
52,900	0	53,621
<u>197,900</u>	<u>706,779</u>	<u>7,912,647</u>
115	43,443	(1,006,866)
<u>84,522</u>	<u>187,066</u>	<u>2,453,641</u>
<u><u>\$84,637</u></u>	<u><u>\$230,509</u></u>	<u><u>\$1,446,775</u></u>

City of Coshocton, Ohio
*Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types
 For the Year Ended December 31, 2002*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Taxes	\$3,000,000	\$2,215,024	(\$784,976)
Property and Other Taxes	486,000	436,901	(49,099)
Charges for Services	588,052	577,919	(10,133)
Licenses and Permits	8,900	9,517	617
Fines and Forfeitures	21,100	10,984	(10,116)
Intergovernmental	798,140	798,271	131
Special Assessments	0	0	0
Interest	200,000	25,941	(174,059)
Contributions and Donations	15,000	78,576	63,576
Other	85,000	111,142	26,142
<i>Total Revenues</i>	<u>5,202,192</u>	<u>4,264,275</u>	<u>(937,917)</u>
Expenditures			
Current:			
General Government	2,060,042	1,929,829	130,213
Security of Persons and Property	2,723,128	2,692,430	30,698
Public Health and Welfare	505,208	438,975	66,233
Transportation	0	0	0
Community Environment	14,894	9,574	5,320
Leisure Time Activities	313,925	307,907	6,018
Urban Redevelopment and Housing	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>5,617,197</u>	<u>5,378,715</u>	<u>238,482</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(415,005)	(1,114,440)	(699,435)
<i>Fund Balances (Deficit) Beginning of Year</i>	981,238	981,238	0
Prior Year Encumbrances Appropriated	<u>285,502</u>	<u>285,502</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$851,735</u></u>	<u><u>\$152,300</u></u>	<u><u>(\$699,435)</u></u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$341,000	\$439,993	\$98,993	\$170,000	\$167,000	(\$3,000)
57,431	52,140	(5,291)	0	0	0
270,300	259,788	(10,512)	0	0	0
8,444	13,112	4,668	0	0	0
28,000	24,984	(3,016)	0	0	0
1,025,059	862,351	(162,708)	0	0	0
0	0	0	35,000	29,415	(5,585)
39,500	36,379	(3,121)	0	0	0
0	0	0	0	0	0
24,000	15,888	(8,112)	0	0	0
<u>1,793,734</u>	<u>1,704,635</u>	<u>(89,099)</u>	<u>205,000</u>	<u>196,415</u>	<u>(8,585)</u>
122,607	107,178	15,429	0	0	0
60,000	60,000	0	0	0	0
213,092	183,193	29,899	0	0	0
935,679	807,684	127,995	0	0	0
0	0	0	0	0	0
86,700	64,179	22,521	0	0	0
546,450	487,360	59,090	0	0	0
0	0	0	0	0	0
33,600	33,532	68	145,000	145,000	0
0	0	0	57,525	55,454	2,071
<u>1,998,128</u>	<u>1,743,126</u>	<u>255,002</u>	<u>202,525</u>	<u>200,454</u>	<u>2,071</u>
(204,394)	(38,491)	165,903	2,475	(4,039)	(6,514)
442,588	442,588	0	73,076	73,076	0
33,958	33,958	0	0	0	0
<u>\$272,152</u>	<u>\$438,055</u>	<u>\$165,903</u>	<u>\$75,551</u>	<u>\$69,037</u>	<u>(\$6,514)</u>

(continued)

City of Coshocton, Ohio
*Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types (continued)
 For the Year Ended December 31, 2002*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Taxes	\$200,000	\$212,282	\$12,282
Property Taxes	0	0	0
Charges for Services	0	0	0
Licenses and Permits	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	626,000	666,197	40,197
Special Assessments	0	0	0
Interest	0	0	0
Contributions and Donations	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>826,000</u>	<u>878,479</u>	<u>52,479</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Urban Redevelopment and Housing	0	0	0
Capital Outlay	835,733	758,809	76,924
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>835,733</u>	<u>758,809</u>	<u>76,924</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(9,733)	119,670	129,403
<i>Fund Balances (Deficit) Beginning of Year</i>	(433,068)	(433,068)	0
Prior Year Encumbrances Appropriated	<u>545,585</u>	<u>545,585</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$102,784</u></u>	<u><u>\$232,187</u></u>	<u><u>\$129,403</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,711,000	\$3,034,299	(\$676,701)
543,431	489,041	(54,390)
858,352	837,707	(20,645)
17,344	22,629	5,285
49,100	35,968	(13,132)
2,449,199	2,326,819	(122,380)
35,000	29,415	(5,585)
239,500	62,320	(177,180)
15,000	78,576	63,576
109,000	127,030	18,030
<u>8,026,926</u>	<u>7,043,804</u>	<u>(983,122)</u>
2,182,649	2,037,007	145,642
2,783,128	2,752,430	30,698
718,300	622,168	96,132
935,679	807,684	127,995
14,894	9,574	5,320
400,625	372,086	28,539
546,450	487,360	59,090
835,733	758,809	76,924
178,600	178,532	68
57,525	55,454	2,071
<u>8,653,583</u>	<u>8,081,104</u>	<u>572,479</u>
(626,657)	(1,037,300)	(410,643)
1,063,834	1,063,834	0
<u>865,045</u>	<u>865,045</u>	<u>0</u>
<u>\$1,302,222</u>	<u>\$891,579</u>	<u>(\$410,643)</u>

City of Coshocton, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended December 31, 2002*

	Proprietary Fund Types	
	Enterprise	Internal Service
Operating Revenues		
Charges for Services	\$3,619,855	\$952,032
Interest	0	0
Other	1,324	87,034
	<u>3,621,179</u>	<u>1,039,066</u>
<i>Total Operating Revenue</i>		
Operating Expenses		
Personal Services	1,335,593	0
Materials and Supplies	1,676,115	911
Contractual Services	758,862	116,455
Claims and Judgements	0	880,403
Depreciation	313,649	0
Other	0	0
	<u>4,084,219</u>	<u>997,769</u>
<i>Total Operating Expenses</i>		
<i>Operating Income (Loss)</i>	<u>(463,040)</u>	<u>41,297</u>
Non-Operating Revenues (Expenses)		
Interest	83,883	575
Interest and Fiscal Charges	(356,009)	0
	<u>(272,126)</u>	<u>575</u>
<i>Total Non-Operating Revenues (Expenses)</i>		
<i>Net Income (Loss)</i>	<u>(735,166)</u>	<u>41,872</u>
<i>Retained Earnings (Deficit)/Fund Balance</i>		
<i>Beginning of Year</i>	<u>2,908,673</u>	<u>(84,511)</u>
<i>Retained Earnings (Deficit)/Fund</i>		
<i>Balance End of Year</i>	<u>\$2,173,507</u>	<u>(\$42,639)</u>

See accompanying notes to the general purpose financial statements

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Nonexpendable Trust</u>	
\$9,105	\$4,580,992
8,742	8,742
182	88,540
<u>18,029</u>	<u>4,678,274</u>
14,539	1,350,132
10,136	1,687,162
0	875,317
0	880,403
0	313,649
2,779	2,779
<u>27,454</u>	<u>5,109,442</u>
<u>(9,425)</u>	<u>(431,168)</u>
0	84,458
0	(356,009)
<u>0</u>	<u>(271,551)</u>
(9,425)	(702,719)
<u>613,868</u>	<u>3,438,030</u>
<u><u>\$604,443</u></u>	<u><u>\$2,735,311</u></u>

City of Coshocton, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds
For the Year Ended December 31, 2002

<i>Increase (Decrease) in Cash and Cash Equivalents</i>	Proprietary Fund Types	
	Enterprise	Internal Service
Cash Flows from Operating Activities		
Cash Received from Customers	\$3,998,240	\$952,032
Cash Payments to Suppliers for Goods and Services	(1,618,889)	(911)
Cash Payments for Contractual Services	(944,958)	(116,455)
Cash Payments for Employee Services and Benefits	(1,286,295)	0
Cash Payments for Claims	0	(895,666)
Cash Received for Other Operating Revenues	0	87,034
Cash Payments for Other Operating Expenses	0	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	148,098	26,034
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	(292,990)	0
Proceeds from Sale of Notes	4,900,000	0
Principal Paid on Notes	(4,900,000)	0
Interest Payments on Notes	(185,220)	0
Principal Payments on Revenue Bonds	(355,000)	0
Interest Payments on Revenue Bonds	(107,540)	0
Principal Payments on OPWC Loans	(22,500)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	(963,250)	0
Cash Flows from Investing Activities		
Interest on Investments	83,883	575
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(731,269)	26,609
<i>Cash and Cash Equivalents Beginning of Year</i>	6,878,434	11,478
<i>Cash and Cash Equivalents End of Year</i>	\$6,147,165	\$38,087

Fiduciary Fund Type	Totals
<u>Nonexpendable Trust</u>	<u>(Memorandum Only)</u>
\$9,105	\$4,959,377
(10,136)	(1,629,936)
0	(1,061,413)
(14,539)	(1,300,834)
0	(895,666)
182	87,216
<u>(2,779)</u>	<u>(2,779)</u>
 (18,167)	 155,965
 0	 (292,990)
0	4,900,000
0	(4,900,000)
0	(185,220)
0	(355,000)
0	(107,540)
<u>0</u>	<u>(22,500)</u>
 <u>0</u>	 <u>(963,250)</u>
 9,371	 93,829
 (8,796)	 (713,456)
 <u>607,060</u>	 <u>7,496,972</u>
 <u>\$598,264</u>	 <u>\$6,783,516</u>
	(continued)

City of Coshocton, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types and Similar Trust Funds (continued)
For the Year Ended December 31, 2002

	Proprietary Fund Types	
	Enterprise	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(\$463,040)	\$41,297
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation	313,649	0
Interest Received by Nonexpendable Trust Fund	0	0
(Increase) in Assets:		
Accounts Receivable	177,061	0
Intergovernmental Receivable	200,000	0
Increase/(Decrease) in Liabilities:		
Accounts Payable	(12,220)	0
Contracts Payable	(23,958)	0
Accrued Wages	835	0
Compensated Absences Payable	21,651	0
Intergovernmental Payable	19,120	0
Claims and Judgements Payable	(85,000)	(15,263)
<i>Total Adjustments</i>	611,138	(15,263)
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$148,098	\$26,034
Reconciliation of Cash and Cash Equivalents to the Balance Sheet		
Trust and Agency	\$620,362	
Less: Agency Funds	(22,098)	
Nonexpendable Trust Fund	\$598,264	

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type Nonexpendable Trust	Totals (Memorandum Only)
(\$9,425)	(\$431,168)
0	313,649
(8,742)	(8,742)
0	177,061
0	200,000
0	(12,220)
0	(23,958)
0	835
0	21,651
0	19,120
0	(100,263)
(8,742)	587,133
(\$18,167)	\$155,965

City of Coshocton, Ohio
*Combined Statement of Revenues, Expenses and Changes
 In Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types and Similar Trust Funds
 For the Year Ended December 31, 2002*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$4,620,236	\$3,998,240	(\$621,996)
Interest	120,000	86,858	(33,142)
Proceeds of Notes	9,000,000	4,900,000	(4,100,000)
Other	7,103	0	(7,103)
<i>Total Revenues</i>	<u>13,747,339</u>	<u>8,985,098</u>	<u>(4,762,241)</u>
Expenses			
Personal Services	1,419,100	1,286,295	132,805
Materials and Supplies	2,385,867	2,045,361	340,506
Contractual Services	5,306,911	1,470,878	3,836,033
Capital Outlay	292,990	292,990	0
Claims and Judgements	0	0	0
Other	0	0	0
Debt Service:			
Principal Retirement	5,277,500	5,277,500	0
Interest and Fiscal Charges	293,260	292,760	500
<i>Total Expenses</i>	<u>14,975,628</u>	<u>10,665,784</u>	<u>4,309,844</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(1,228,289)	(1,680,686)	(452,397)
<i>Fund Equity Beginning of Year</i>	6,780,183	6,780,183	0
Prior Year Encumbrances Appropriated	<u>89,515</u>	<u>89,515</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$5,641,409</u></u>	<u><u>\$5,189,012</u></u>	<u><u>(\$452,397)</u></u>

Internal Service Fund			Nonexpendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,127,919	\$952,032	(\$175,887)	\$9,000	\$9,105	\$105
400	575	175	46,000	18,232	(27,768)
0	0	0	0	0	0
20,000	87,034	67,034	0	182	182
<u>1,148,319</u>	<u>1,039,641</u>	<u>(108,678)</u>	<u>55,000</u>	<u>27,519</u>	<u>(27,481)</u>
0	0	0	15,000	14,539	461
1,000	911	89	25,833	10,136	15,697
200,000	116,455	83,545	0	0	0
0	0	0	0	0	0
1,000,000	936,869	63,131	0	0	0
0	0	0	15,000	2,779	12,221
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,201,000</u>	<u>1,054,235</u>	<u>146,765</u>	<u>55,833</u>	<u>27,454</u>	<u>28,379</u>
(52,681)	(14,594)	38,087	(833)	65	898
52,681	52,681	0	591,752	591,752	0
0	0	0	5,833	5,833	0
<u>\$0</u>	<u>\$38,087</u>	<u>\$38,087</u>	<u>\$596,752</u>	<u>\$597,650</u>	<u>\$898</u>

(continued)

City of Coshocton, Ohio
Combined Statement of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types and Similar Trust Funds (continued)
For the Year Ended December 31, 2002

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$5,757,155	\$4,959,377	(\$797,778)
Interest	166,400	105,665	(60,735)
Proceeds of Notes	9,000,000	4,900,000	(4,100,000)
Other	27,103	87,216	60,113
<i>Total Revenues</i>	<u>14,950,658</u>	<u>10,052,258</u>	<u>(4,898,400)</u>
Expenses			
Personal Services	1,434,100	1,300,834	133,266
Materials and Supplies	2,412,700	2,056,408	356,292
Contractual Services	5,506,911	1,587,333	3,919,578
Capital Outlay	292,990	292,990	0
Claims and Judgements	1,000,000	936,869	63,131
Other	15,000	2,779	12,221
Debt Service:			
Principal Retirement	5,277,500	5,277,500	0
Interest and Fiscal Charges	293,260	292,760	500
<i>Total Expenses</i>	<u>16,232,461</u>	<u>11,747,473</u>	<u>4,484,988</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(1,281,803)	(1,695,215)	(413,412)
<i>Fund Equity Beginning of Year</i>	7,424,616	7,424,616	0
Prior Year Encumbrances Appropriated	<u>95,348</u>	<u>95,348</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$6,238,161</u></u>	<u><u>\$5,824,749</u></u>	<u><u>(\$413,412)</u></u>

See accompanying notes to the general purpose financial statements

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 1 - Reporting Entity and Basis of Presentation

The City of Coshocton (City), established in 1811, is a statutory municipal corporation established and operated under the laws of the State of Ohio. The City is organized as a Mayor-Council form of government. Eight council members are each elected for staggered two-year terms. The mayor is elected for a four year term.

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City of Coshocton (the primary government) and its potential component units consistent with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity."

The City provides various services including fire protection and prevention, water and sewer services, street maintenance and repairs, planning and zoning, building inspection, parks and recreation, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

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 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 that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The Coshocton City School District and the Coshocton City and County Park District have been excluded from the reporting entity because the City is not financially accountable for these organizations nor does the City approve the budget, the levying of taxes or the issuance of debt for these organizations.

The City participates in the Ohio Government Risk Management Plan which is an insurance purchasing pool and Ohio Mid-Eastern Governments Association (OMEGA) which is a jointly governed organization. These organizations are presented in Notes 13 and 14 to the combined financial statements.

B. Basis of Presentation - Fund Accounting

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

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

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

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

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

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

Debt Service Funds Debt service funds are used to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal and interest.

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

Proprietary Fund Types Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The following are the City's proprietary fund types:

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

Internal Service Fund An internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is used to account for the medical self-insurance fund.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. There are two types of fiduciary funds, trust and agency. The following are the City's fiduciary fund types:

Nonexpendable Trust Funds Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Agency Funds These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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

General Fixed Assets Account Group The general fixed assets account group is used to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group The general long-term obligations account group is used to account for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Coshocton 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 proprietary activities provided they do not contradict or conflict with GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds and non-expendable trust.

Revenue Recognition Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, interest, state-levied locally shared taxes, fines and forfeitures and income tax withheld by employers.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized when 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 the governmental funds.

B. Budgetary Process

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

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

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

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

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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

C. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to repurchase agreements, nonnegotiable certificates of deposit and STAR Ohio.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2002.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2002 amounted to \$27,200 which includes \$23,085 assigned from other City funds.

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

For purposes of the statement of cash flows and for presentation on the balance sheet, investments of the cash management pool and investments with an original maturity of three months or less are considered to be cash equivalents.

D. Inventory

Inventory is stated at cost for governmental funds and at the lower of cost or market for the proprietary funds. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. The City's inventory was not material at December 31, 2002.

E. Bond Issuance Cost and Accounting Loss

Bond issuance costs for proprietary fund types are reported as deferred charges and amortized over the term of the bonds. The accounting loss resulting from the advance refunding (the difference between the reacquisition price and the net carrying amount of the debt) is also amortized over the life of the refunded bonds. All items are amortized using the straight-line method since the results are not significantly different from the effective interest method.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Fixed assets utilized in the proprietary funds are capitalized in the funds.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

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

Donated fixed assets are valued at their estimated fair market value on the date received. The City has established a capitalization threshold for fixed assets at \$1,000. Assets in the general fixed assets account group are not depreciated. Property, plant, and equipment reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Description	Enterprise
Buildings	30-50 years
Building Improvements	10-40 years
Improvements Other Than Buildings	10-20 years
Furniture and Equipment	5-20 years
Vehicles	8-10 years
Water and Sewer Lines	50 years

The City's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2002, interest costs incurred on construction projects in the proprietary funds were not material.

G. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources.

Payments made more than thirty-one days after year end are generally considered not to have been made with current available financial resources. Bonds and long-term loans are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations expected to be financed from proprietary funds are reported as liabilities in the appropriate funds.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on the accumulated sick leave and employee's wage rates at December 31, taking into consideration any limits specified in the City's termination policy.

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

I. Contributed Capital

Contributed capital in the proprietary fund represents resources prior to 2001, to the enterprise funds from other funds, other governments and private sources that are not subject to repayment. There was no change in contributed capital during 2002.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves

Reserves for retained earnings represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances. Fund balance has also been reserved for endowments in the nonexpendable trust funds to indicate that the principal is legally restricted. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years. These amounts are presented as reserved for unclaimed monies.

L. 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.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

M. Total Columns on General Purpose Financial Statements

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

Note 3 – Compliance and Accountability

A. Legal Compliance

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources during the year in the Sewage Contingency Fund, Perpetual Care Fund and the Street Construction and Maintenance and Repair Fund.

B. Fund Deficits

At December 31, 2002, the health insurance internal service fund had deficit retained earnings in the amount of \$42,639. Management is currently analyzing the operations of this fund to determine appropriate action to alleviate the deficit.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
4. Proceeds from and principal payments on notes are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
5. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements; these amounts are included as revenue on the GAAP basis operating statement.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

6. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

Excess of Revenues
Over (Under) Expenditures
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$1,078,389)	\$27,965	\$115	\$43,443
Unreported Cash	(1,259)	(3,135)	0	0
Net Adjustment for Revenue Accruals	16,866	(1,106)	(1,600)	128,257
Net Adjustment for Expenditures Accruals	(3,210)	(4,571)	(2,554)	58
Encumbrances	(48,448)	(57,644)	0	(52,088)
Budget Basis	<u>(\$1,114,440)</u>	<u>(\$38,491)</u>	<u>(\$4,039)</u>	<u>\$119,670</u>

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
All Proprietary Fund Types and Similar Trust Funds

	Enterprise	Internal Service	Nonexpendable Trust
GAAP Basis	(\$735,166)	\$41,872	(\$9,425)
Unreported Cash	2,975	0	8,861
Net Adjustment for Revenue Accruals	377,061	0	629
Proceeds of Notes	4,900,000	0	0
Net Adjustment for Expenditure Accruals	(309,313)	(56,466)	0
Principal Retirement	(5,277,500)	0	0
Depreciation	313,649	0	0
Encumbrances	(952,392)	0	0
Budget Basis	<u>(\$1,680,686)</u>	<u>(\$14,594)</u>	<u>\$65</u>

Note 5 - Deposits and Investments

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

Active monies are public deposits necessary to meet current demands on the City treasury. Active 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.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Inactive deposits are public deposits that 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 Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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

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

Deposits At year-end, the carrying amount of the City's deposits was \$1,267,674 and the bank balance was \$1,266,716. Of the bank balance:

1. \$253,189 was covered by federal depository insurance.
2. \$1,013,527 was uncollateralized and uninsured. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institutions name, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$1,616,000	\$1,616,000	\$1,616,000
STAROhio	_____	4,975,980	4,975,980
Total Investments	\$1,616,000	\$6,591,980	\$6,591,980

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

	Equivalents/Deposits	Investments
GASB Statement No. 9	\$7,859,654	\$0
Investments of the Cash Management Pool:		
STAROhio	(4,975,980)	4,975,980
Repurchase Agreement	(1,616,000)	1,616,000
GASB Statement No. 3	\$1,267,674	\$6,591,980

Note 6 - Receivables

Receivables at December 31, 2002, primarily consisted of taxes, accounts (billings for user charged services including unbilled utility services), intergovernmental receivables, entitlement or shared revenues, special assessments and interest on investments. All receivables are considered fully collectible.

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property (used in a business) located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed as 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the values as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2002, was \$2.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$146,635,720
Tangible Personal	41,738,381
Public Utility	6,249,690
Total	\$194,623,791

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due by December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Coshocton. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002 and for which there is 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, nor are they intended to finance 2002 operations. The receivable is offset by deferred revenue.

B. Intergovernmental

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivable	Amount
General Fund	
Homestead and Rollback	\$22,826
Estate Tax	216,138
Hotel Tax	363
Local Government	257,565
<i>Total General Fund</i>	496,892
Special Revenue Funds	
Indigent	2,000
Street Construction, Maintenance and Repair	230,657
State Highway	9,756
Permissive Motor Vehicle License Tax	17,150
Fire Pension	2,739
<i>Total Special Revenue Funds</i>	262,302
<i>Total</i>	\$759,194

C. Municipal Income Taxes

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

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

Income tax proceeds are received by the general fund, street construction maintenance and repair special revenue fund, fire debt service fund and the capital improvements capital projects fund.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 7 - Fixed Assets

A summary of the enterprise funds' fixed assets at December 31, 2002, follows:

Land and Improvements	\$45,835
Building and Improvements	5,143,550
Furniture and Equipment	536,762
Vehicles	5,197,291
Water and Sewer Lines	10,036,527
	Total
	20,959,965
Less: Accumulated Depreciation	(16,573,788)
	Net Fixed Assets
	\$4,386,177

A summary of the changes in general fixed assets during 2002 follows:

	Balance 12/31/2001	Additions	Reductions	Balance 12/31/2002
Land and Improvements	\$877,392	\$0	\$0	\$877,392
Buildings	2,708,245	0	0	2,708,245
Vehicles	1,515,232	32,894	0	1,548,126
Furniture and Equipment	832,958	45,395	(2,372)	875,981
	Total	\$78,289	(\$2,372)	\$6,009,744
	\$5,933,827	\$78,289	(\$2,372)	\$6,009,744

Note 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2002, the City contracted for various types of insurance as follows:

Company	Type	Coverage
Rinehart, Walters, Danner & Associates	Public Officials Liability	\$50,000
	Umbrella Liability	1,000,000
	Comprehensive Crime	10,000
	Commercial Inland Marine	986,470
	Wrongful Acts	1,000,000
	EDP	177,548
	Property	23,253,421
	General Fire Liability/Rescue	1,420,226
	Automobile	1,000,000
	General Liability	1,000,000

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

The City, together with other government entities, participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool, for commercial insurance coverage. The City pays an annual premium to the Plan for its general insurance coverage. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will insure through commercial companies to pay claims. The Plan is intended to achieve lower insurance rates for the participants. Under this Plan, the Ohio Government Risk Management's Board of Directors contracted with Hylant Administrative Services, Inc. to act as the agent and coordinate the pool. Hylant Administrative Services, Inc. then contracts with various insurance companies to cover losses.

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

The City manages the hospital/medical, dental, and life insurance benefits for its employees on a self-insured basis through an internal service fund. A third party administrator, Cardinal Administrative Services, processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$20,000 per employee, per year.

The claims liability of \$80,726 reported in the internal service fund at December 31, 2002, was estimated based on billings in January and February 2003 and is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. 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 claims liability amount in 2000, 2001 and 2002 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2000	\$50,144	\$484,362	\$462,697	\$71,809
2001	71,809	718,557	694,377	95,989
2002	95,989	880,403	895,666	80,726

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the 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. The 2002 employer pension contribution rate for City was 8.55 percent of covered payroll, reduced from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2002, 2001, and 2000 were \$204,361 \$299,226, and \$135,742, respectively. The full amount has been contributed for 2001 and 2000. 72.16 percent has been contributed for 2002 with the remainder being reported as a liability in the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 16.25 percent for firefighters. For 2001, the City contributions were 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for firefighters were \$117,705 for the year ended December 31, 2002, \$159,054 for the year ended December 31, 2001 and \$110,553 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 72.70 percent has been contributed for 2002 with the remainder being reported as a liability in the general long-term obligations account group.

C. Social Security System

Effective August 3, 1992, all employees, not otherwise covered by another retirement system, are covered by Social Security. The City's contribution is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (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 recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. 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 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$119,509. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension 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 is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001 the percent used to fund healthcare was 7.50 percent. 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 City's actual contributions for 2002 that were used to fund postemployment benefits were \$56,136 for fire. OP&F's total health care expenses for the year ended December 31, 2001, (the latest information available) were \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

Note 11 - Employee Benefits - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned, unused vacation time is paid upon termination of employment. Employees earn sick leave at

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours of accumulated, unused sick leave. As of December 31, 2002, the liability for unpaid compensated absences was \$801,018 for the entire City.

Note 12 - Notes Payable

A summary of the note transactions for the year ended December 31, 2002, follows:

	Outstanding 12/31/2001	Issued	Retired	Outstanding 12/31/2002
Enterprise Funds:				
Water Note 2.07%	\$4,900,000	\$4,900,000	(\$4,900,000)	\$4,900,000

The notes are backed by the full faith and credit of the City of Coshocton, and mature within one year.

Note 13 - Insurance Purchasing Pool

The City participates in the Ohio Government Risk Management Plan (OGRMP), an insurance purchasing pool for commercial insurance, as established under Section 2744.08 of the Ohio Revised Code. The board of directors is responsible for collecting premiums, making payments to insurance agents, making payments to insurance companies, depositing appropriate amounts into OGRMP accounts and reimbursing board members for their expenses. The board of directors consists of eleven members elected from the participants.

Note 14 – Jointly Governed Organization

The City is associated with the Ohio Mid-Eastern Governments Association (OMEGA), which is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a seventeen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Coshocton serves as the City’s representative on the board. The board has total control over budgeting, personnel and financial matters. Each member currently pays a per capita membership fee based on the most recent United States census. During 2002, OMEGA received \$1,402 from the City of Coshocton for an annual fee. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, PO Box 130, Cambridge, Ohio 43725.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Note 15 - Long-term Obligations

	Balance 12/31/2001	Issued	Retired	Balance 12/31/2002
Enterprise Fund Obligations:				
<i>Revenue Bond (Self Supporting) General Obligation</i>				
Sewer				
2001 - 3.25% to 4.25% \$2,570,000	\$2,385,000	\$0	(\$180,000)	\$2,205,000
Waterworks				
1993 - 3.0% to 5.15% \$1,500,000	360,000	0	(175,000)	185,000
Total Revenue Bonds	<u>2,745,000</u>	<u>0</u>	<u>(355,000)</u>	<u>2,390,000</u>
<i>Ohio Public Works Commission Loans</i>				
Plum Street Sanitary Interceptor Sewer				
	22,500	0	(22,500)	0
Total Enterprise Fund Obligations	<u>2,767,500</u>	<u>0</u>	<u>(377,500)</u>	<u>2,390,000</u>
General Long-Term Obligations				
<i>General Obligation Bonds</i>				
Fire Station				
1998 - Various Rates \$1,480,000	1,130,000	0	(125,000)	1,005,000
<i>Special Assessment Bond</i>				
Downtown Street				
1986 - Series A 7 3/8% \$392,000	100,000	0	(20,000)	80,000
<i>Ohio Public Works Commission Loans</i>				
Street Resurfacing				
1994 - 0% \$79,600	15,920	0	(15,920)	0
Street Resurfacing				
1995 - 0% \$70,499	17,612	0	(17,612)	0
<i>Total OPWC Loans</i>	<u>33,532</u>	<u>0</u>	<u>(33,532)</u>	<u>0</u>
Other General Long-Term Obligations				
Intergovernmental Payable	94,478	104,488	(94,478)	104,488
Capital Lease Payable	8,528	0	(1,554)	6,974
Compensated Absences	457,935	127,832	(74,282)	511,485
<i>Total Other General Long-Term Obligations</i>	<u>560,941</u>	<u>232,320</u>	<u>(170,314)</u>	<u>622,947</u>
<i>Total General Long-Term Obligations</i>	<u>1,824,473</u>	<u>232,320</u>	<u>(348,846)</u>	<u>1,707,947</u>
Total	<u>\$4,591,973</u>	<u>\$232,320</u>	<u>(\$726,346)</u>	<u>\$4,097,947</u>

The sewer and water revenue bonds are being paid from operating revenues collected and receipted into the water and sewage enterprise funds. Enterprise OPWC loans are being paid from the sewage enterprise fund user service charges. The remainder of OPWC loans are being paid from municipal income taxes and any other available revenues deposited to the credit of the Street Construction, Maintenance and Repair special revenue fund.

General obligation bonds are being paid from the municipal income tax. Special assessment bonds are being paid from the proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

On December 1, 1999, the City issued \$1,480,000 in general obligation bonds with interest rates varying from 3.2 percent to 6.5 percent. Proceeds were used to retire \$1,355,000 of outstanding 1989 fire station general obligation bonds.

On September 1, 2001, the City issued \$2,570,000 in sewer system refunding bonds, Series 2001, with an average interest rate of 3.67 percent to advance refund \$2,325,000 of outstanding Series 1992 bonds with an average interest rate of 6.3 percent. The net proceeds of \$2,483,386 (after payment of \$78,014 in underwriting fees and \$8,600 for bond insurance premium) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered to be defeased and the liability for those bonds has been removed from the sewer system fund. In December, 2002 the refunded bonds were paid in full by the irrevocable trust.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$158,386. This difference, being reported as a deferral in the accompanying financial statements, is being charged to operations through the year 2012 using the straight-line method.

The City's overall legal debt margin was \$19,559,342 at December 31, 2002. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002, are as follows:

Year	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds
2003	\$165,900	\$25,900	\$468,027
2004	166,150	24,425	267,325
2005	171,080	22,950	271,150
2006	170,480	21,475	273,150
2007	169,535	0	271,010
2008-2012	335,110	0	1,350,728
Total Principal and Interest	1,178,255	94,750	2,901,390
Less: Interest	(173,255)	(14,750)	(511,390)
Total Principal Outstanding	<u>\$1,005,000</u>	<u>\$80,000</u>	<u>\$2,390,000</u>

Note 16 - Capitalized Lease - Lessee Disclosure

In prior years, the City entered into capitalized leases for six copiers and computer equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$8,528. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments during fiscal year 2002 amounted to \$1,554 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2002:

	Principal and Interest
2003	\$2,100
2004	2,100
2005	2,100
2006	2,100
Total minimum lease payments	8,400
Less: amount representing interest	(1,426)
Present value of net minimum lease payments	\$6,974

Note 17 - Contingencies

A. Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2002.

B. Litigation

The City of Coshocton is not a party to any significant legal proceedings.

Note 18 - Segment Information

The City's enterprise funds account for the provision of sewer, water and refuse services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Coshocton as of and for the year ended December 31, 2002:

City of Coshocton, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

	Water	Sewer	Refuse	Totals
Operating Revenues	\$1,969,797	\$1,162,994	\$488,388	\$3,621,179
Depreciation Expense	96,916	216,733	0	313,649
Operating Income (Loss)	(546,847)	40,781	43,026	(463,040)
Net Non-Operating Revenues (Expenses)	(162,863)	(109,263)	0	(272,126)
Net Income (Loss)	(709,710)	(68,482)	43,026	(735,166)
Net Working Capital	71,512	1,183,553	165,246	1,420,311
Total Assets	7,707,127	3,431,611	165,246	11,303,984
Fixed Asset Additions	118,997	173,993	0	292,990
Long-Term Compensated Absences	165,789	104,467	0	270,256
Bonds and Loans Payable				
from Operating Revenues	185,000	2,205,000	0	2,390,000
Total Fund Equity	1,657,861	1,030,135	165,246	2,853,242
Encumbrances at December 31, 2002	945,600	6,792	0	952,392

Note 19 – Judgements Payable

On September 17, 2001, the City entered into an agreement with Clow Water Systems Corporation (CLOW). This agreement was intended to settle the overpayment for water usage by CLOW to the City. The overpayment resulted in a \$575,000 credit to CLOW. Per the agreement, the City is required to pay CLOW \$5,000 per month for 24 months beginning with the July 2001 payment. The City water department will credit water usage at CLOW until the remainder of the overpayment is satisfied. On December 31, 2002, the outstanding judgements payable was \$410,000.

Note 20 – Due To/Due From Other Funds

The general fund reported a due to other funds of \$33,542, while the CDBG special revenue fund reported a due from other funds of \$33,542.

Note 21 – Subsequent Event

On January 13, 2003, the City passed an ordinance to issue \$5,090,000 in notes in anticipation of the issuance of bonds. The proceeds of the notes will be used to pay off the \$4,900,000 in outstanding notes which mature in February, 2003.

This page intentionally left blank.

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS THROUGH ENTITY NUMBER	FEDERAL CFDA NUMBER	RECEIPTS	EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> (Passed through the State Department of Development)				
Community Development Block Grants	A-F-00-109-1	14.228	\$50,950	\$73,300
	A-C-01-109-1		<u>135,070</u>	<u>116,237</u>
Total Community Development Block Grants			186,020	189,537
Home Investment Partnership Program	A-C-01-109-2	14.239	201,368	201,672
	A-C-02-109-2		<u>12,000</u>	<u>14,000</u>
Total Home Investment Partnership Program			<u>213,368</u>	<u>215,672</u>
Total U.S. Department of Housing and Urban Development			399,388	405,209
<u>FEDERAL HIGHWAY ADMINISTRATION</u> (Passed through the Ohio Department of Transportation)				
Highway Planning and Construction	N/A	20.205	<u>536,047</u>	<u>535,979</u>
Total			<u><u>\$935,435</u></u>	<u><u>\$941,188</u></u>

See Accompanying Notes to the Schedule of Receipts and Expenditures of Federal Awards.

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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



**Auditor of State
Betty Montgomery**

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

City of Coshocton
Coshocton County
760 Chestnut Street
Coshocton, Ohio 43812

To the City Council:

We have audited the general purpose financial statements of the City of Coshocton, Coshocton County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 16, 2003. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001.

In addition, we noted other immaterial matters of noncompliance that we have reported to management of the City in a separate letter dated May 16, 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 the financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 16, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

City of Coshocton
Coshocton County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*

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

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

Betty Montgomery
Auditor of State

May 16, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Coshocton
Coshocton County
760 Chestnut Street
Coshocton, Ohio 43812

To the City Council:

Compliance

We have audited the compliance of the City of Coshocton, Coshocton County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

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

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

May 16, 2003

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Finding Number	2002-001
-----------------------	-----------------

NONCOMPLIANCE

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated resources from each fund. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Total appropriations exceeded total estimated resources at January 23, 2002 as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Enterprise – Sewage Contingency Fund	\$17,299	\$62,800	\$45,501
Non-Expendable Trust – Perpetual Care Fund	29,112	35,000	5,888

Total appropriations exceeded total estimated resources at August 21, 2002 as follows:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue – Street Construction, Maintenance and Repair Fund	\$892,163	\$893,052	\$889

In addition, the City did not always obtain certificates from the County Auditor that appropriations from each fund do not exceed the total Amended Official Estimate of Resources for certain appropriation and estimated resource amendments. City Council should monitor appropriations versus estimated resources to help avoid overspending. The Auditor should obtain the required certificate from the County Auditor when amending appropriations and estimated resources.

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF COSHOCTON

COSHOCTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 1, 2003**