



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF ATHENS
ATHENS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Athens
Athens County
8 East Washington Street
Athens, Ohio 45701

To the City Council:

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the City, taken as whole. The accompanying Schedule of Federal Awards Expenditures 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 also 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, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 2, 2002

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CITY OF ATHENS, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$1,505,150	\$4,111,508	\$16,543	\$2,938,351
Cash and Cash Equivalents in Segregated Accounts	0	29,999	0	0
Receivables:				
Taxes	1,212,722	257,863	0	179,744
Accounts	20,027	152,456	0	0
Special Assessments	580	0	30,000	0
Accrued Interest	5,415	14,262	60	7,541
Due from Other Funds	75,000	0	0	0
Due from Other Governments	450,382	108,693	0	3,157
Materials and Supplies Inventory	24,500	10,800	0	0
Notes Receivable	0	76,305	0	0
Loans Receivable	0	616,402	0	0
Prepaid Items	109,811	57,920	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 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
Amount to be Provided for Payment of Landfill Postclosure Care Costs	0	0	0	0
Total Assets and Other Debits	<u>\$3,403,587</u>	<u>\$5,436,208</u>	<u>\$46,603</u>	<u>\$3,128,793</u>

See accompanying notes to the general purpose financial statements.

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>			Totals (Memorandum Only)	
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	2001	2000	
\$2,516,525	\$308,881	\$8,485	\$0	\$0	\$11,405,443	\$10,263,834	
0	0	147,381	0	0	177,380	157,166	
0	0	0	0	0	1,650,329	1,559,060	
324,422	711	0	0	0	497,616	382,786	
57,812	0	0	0	0	88,392	108,785	
9,041	1,112	15	0	0	37,446	85,402	
0	0	0	0	0	75,000	16,532	
0	0	0	0	0	562,232	126,710	
243,735	0	0	0	0	279,035	234,670	
0	0	0	0	0	76,305	97,780	
0	0	0	0	0	616,402	656,909	
0	0	0	0	0	167,731	48,465	
20,913,373	8,492	0	20,525,011	0	41,446,876	40,012,829	
0	0	0	0	16,021	16,021	13,029	
0	0	0	0	6,778,978	6,778,978	7,042,190	
0	0	0	0	13,979	13,979	26,971	
0	0	0	0	41,670	41,670	44,336	
<u>\$24,064,908</u>	<u>\$319,196</u>	<u>\$155,881</u>	<u>\$20,525,011</u>	<u>\$6,850,648</u>	<u>\$63,930,835</u>	<u>\$60,877,454</u>	

(Continued)

CITY OF ATHENS, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities:				
Accounts Payable	\$74,514	\$67,573	\$0	\$27,111
Contracts Payable	2,528	88,318	0	74,575
Accrued Wages and Benefits	72,242	27,500	0	0
Compensated Absences Payable	29,605	17,791	0	0
Due to Other Funds	0	10,000	0	0
Due to Other Governments	91,662	25,224	0	0
Deferred Revenue	1,026,873	103,778	30,582	38,865
Deposits Held and Due to Others	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Claims & Judgements Payable	0	0	0	0
Current OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Noncurrent OWDA Loans Payable	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0
Landfill Postclosure Care Cost Liability	0	0	0	0
Total Liabilities	1,297,424	340,184	30,582	140,551
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	193,440	65,281	0	686,395
Reserved for Inventory	24,500	10,800	0	0
Reserved for Notes Receivable	0	54,067	0	0
Reserved for Loans Receivable	0	520,902	0	0
Unreserved:				
Undesignated	1,888,223	4,444,974	16,021	2,301,847
Total Fund Equity and Other Credits	2,106,163	5,096,024	16,021	2,988,242
Total Liabilities, Fund Equity and Other Credits	\$3,403,587	\$5,436,208	\$46,603	\$3,128,793

See accompanying notes to the general purpose financial statements.

<i>PROPRIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPES</i>	<i>ACCOUNT GROUPS</i>			Totals (Memorandum Only)	
Enterprise	Internal Service	Trust & Agency	General Fixed Assets	General Long-Term Obligations	2001	2000	
\$112,561	\$3,683	\$0	\$0	\$0	\$285,442	\$233,336	
279,368	18,375	0	0	0	463,164	627,336	
36,472	1,721	0	0	0	137,935	128,949	
218,093	19,963	0	0	657,824	943,276	904,409	
65,000	0	0	0	0	75,000	16,532	
66,380	1,062	0	0	211,154	395,482	500,867	
2,465	0	0	0	0	1,202,563	754,114	
0	0	151,704	0	0	151,704	129,378	
115,807	0	0	0	0	115,807	132,051	
1,764,215	0	0	0	0	1,764,215	1,808,557	
0	161,547	0	0	0	161,547	248,280	
312,525	0	0	0	0	312,525	322,004	
0	0	0	0	5,910,000	5,910,000	6,085,000	
4,106,688	0	0	0	0	4,106,688	4,419,209	
0	0	0	0	30,000	30,000	40,000	
0	0	0	0	41,670	41,670	44,336	
<u>7,079,574</u>	<u>206,351</u>	<u>151,704</u>	<u>0</u>	<u>6,850,648</u>	<u>16,097,018</u>	<u>16,394,358</u>	
0	0	0	20,525,011	0	20,525,011	19,989,852	
3,631,259	0	0	0	0	3,631,259	3,631,259	
13,354,075	112,845	0	0	0	13,466,920	12,838,027	
0	0	0	0	0	945,116	920,774	
0	0	0	0	0	35,300	47,183	
0	0	0	0	0	54,067	76,305	
0	0	0	0	0	520,902	565,213	
0	0	4,177	0	0	8,655,242	6,414,483	
<u>16,985,334</u>	<u>112,845</u>	<u>4,177</u>	<u>20,525,011</u>	<u>0</u>	<u>47,833,817</u>	<u>44,483,096</u>	
<u>\$24,064,908</u>	<u>\$319,196</u>	<u>\$155,881</u>	<u>\$20,525,011</u>	<u>\$6,850,648</u>	<u>\$63,930,835</u>	<u>\$60,877,454</u>	

CITY OF ATHENS, OHIO
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended December 31, 2001

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$4,674,839	\$2,155,831	\$0
Charges for Services	415,734	547,627	0
Licenses and Permits	396,117	67,835	0
Fines and Forfeitures	933,172	170,201	0
Intergovernmental	1,612,088	1,522,879	0
Special Assessments	1,179	0	15,578
Interest Earnings	79,740	154,847	964
Other Revenue	181,146	1,222,079	0
<i>Total Revenues</i>	8,294,015	5,841,299	16,542
Expenditures:			
<i>Current:</i>			
General Government	3,451,649	297,829	0
Security of Persons and Property	4,326,516	38,950	0
Transportation	315,016	1,780,947	0
Community Environment	450,580	1,007,673	0
Leisure Time Activities	0	1,066,602	0
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	0	0	10,000
Interest and Fiscal Charges	0	0	3,550
<i>Total Expenditures</i>	8,543,761	4,192,001	13,550
Excess of Revenues Over (Under) Expenditures	(249,746)	1,649,298	2,992
Other Financing Sources (Uses):			
Proceeds of Bonds	0	0	0
Operating Transfers - In	369,445	50,466	0
Operating Transfers - Out	(102,482)	(162,646)	0
<i>Total Other Financing Sources (Uses)</i>	266,963	(112,180)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17,217	1,537,118	2,992
Fund Balances (Deficit) at Beginning of Year	2,094,217	3,565,518	13,029
Increase (Decrease) in Reserve for Inventory	(5,271)	(6,612)	0
Fund Balances (Deficit) at End of Year	\$2,106,163	\$5,096,024	\$16,021

See accompanying notes to the general purpose financial statements.

<i>FIDUCIARY FUND TYPE</i>		Totals (Memorandum Only)	
Capital Projects	Expendable Trust	2001	2000
\$1,408,324	\$0	\$8,238,994	\$7,712,812
5,743	0	969,104	746,973
0	0	463,952	433,240
52,897	0	1,156,270	1,169,124
102,542	0	3,237,509	2,472,707
8,177	0	24,934	20,523
113,540	166	349,257	601,327
70,250	0	1,473,475	474,117
<u>1,761,473</u>	<u>166</u>	<u>15,913,495</u>	<u>13,630,823</u>
0	0	3,749,478	3,345,249
0	0	4,365,466	4,080,483
0	0	2,095,963	2,056,313
0	0	1,458,253	685,085
0	0	1,066,602	742,466
556,757	0	556,757	5,740,234
175,000	0	185,000	15,000
388,657	0	392,207	396,825
<u>1,120,414</u>	<u>0</u>	<u>13,869,726</u>	<u>17,061,655</u>
641,059	166	2,043,769	(3,430,832)
0	0	0	6,085,000
0	0	419,911	616,543
0	0	(265,128)	(447,061)
<u>0</u>	<u>0</u>	<u>154,783</u>	<u>6,254,482</u>
641,059	166	2,198,552	2,823,650
2,347,183	4,011	8,023,958	5,210,299
<u>0</u>	<u>0</u>	<u>(11,883)</u>	<u>(9,991)</u>
<u>\$2,988,242</u>	<u>\$4,177</u>	<u>\$10,210,627</u>	<u>\$8,023,958</u>

CITY OF ATHENS, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$4,572,763	\$4,689,155	\$116,392
Charges for Services	400,075	415,734	15,659
Licenses and Permits	361,900	376,217	14,317
Fines and Forfeitures	910,000	935,810	25,810
Intergovernmental	1,514,928	1,516,139	1,211
Special Assessments	250	1,179	929
Interest Earnings	85,000	87,952	2,952
Other Revenue	136,010	188,018	52,008
<i>Total Revenues</i>	7,980,926	8,210,204	229,278
Expenditures:			
<i>Current:</i>			
General Government	4,084,178	3,710,742	373,436
Security of Persons and Property	4,516,403	4,367,033	149,370
Transportation	342,159	318,548	23,611
Community Environment	520,127	460,677	59,450
Leisure Time Activities	0	0	0
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	9,462,867	8,857,000	605,867
Excess of Revenues Over (Under) Expenditures	(1,481,941)	(646,796)	835,145
Other Financing Sources (Uses):			
Operating Transfers - In	414,832	369,445	(45,387)
Operating Transfers - Out	(102,482)	(102,482)	0
Advances - Out	0	(65,000)	(65,000)
<i>Total Other Financing Sources (Uses)</i>	312,350	201,963	(110,387)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,169,591)	(444,833)	724,758
Fund Balances (Deficit) at Beginning of Year	1,309,692	1,309,692	0
Prior Year Encumbrances Appropriated	318,016	318,016	0
Fund Balances (Deficit) at End of Year	\$458,117	\$1,182,875	\$724,758

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,104,204	\$2,159,928	\$55,724	\$0	\$0	\$0
500,510	547,627	47,117	0	0	0
63,000	63,397	397	0	0	0
209,225	172,876	(36,349)	0	0	0
1,509,530	1,488,184	(21,346)	0	0	0
0	0	0	18,000	16,160	(1,840)
118,410	162,058	43,648	1,000	1,013	13
1,117,823	1,241,834	124,011	0	0	0
<u>5,622,702</u>	<u>5,835,904</u>	<u>213,202</u>	<u>19,000</u>	<u>17,173</u>	<u>(1,827)</u>
573,541	333,672	239,869	0	0	0
138,936	23,442	115,494	0	0	0
2,039,178	1,941,860	97,318	0	0	0
1,234,369	1,115,197	119,172	0	0	0
1,165,730	1,103,292	62,438	0	0	0
0	0	0	0	0	0
0	0	0	10,000	10,000	0
0	0	0	3,550	3,550	0
<u>5,151,754</u>	<u>4,517,463</u>	<u>634,291</u>	<u>13,550</u>	<u>13,550</u>	<u>0</u>
470,948	1,318,441	847,493	5,450	3,623	(1,827)
80,465	50,466	(29,999)	0	0	0
(227,872)	(162,646)	65,226	0	0	0
0	0	0	0	0	0
<u>(147,407)</u>	<u>(112,180)</u>	<u>35,227</u>	<u>0</u>	<u>0</u>	<u>0</u>
323,541	1,206,261	882,720	5,450	3,623	(1,827)
2,415,762	2,415,762	0	12,920	12,920	0
309,698	309,698	0	0	0	0
<u>\$3,049,001</u>	<u>\$3,931,721</u>	<u>\$882,720</u>	<u>\$18,370</u>	<u>\$16,543</u>	<u>(\$1,827)</u>

(Continued)

CITY OF ATHENS, OHIO
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2001

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$1,398,597	\$1,439,547	\$40,950
Charges for Services	6,000	5,743	(257)
Licenses and Permits	0	0	0
Fines and Forfeitures	25,000	49,740	24,740
Intergovernmental	35,714	102,542	66,828
Special Assessments	10,000	8,177	(1,823)
Interest Earnings	97,910	126,429	28,519
Other Revenue	5,750	70,250	64,500
<i>Total Revenues</i>	1,578,971	1,802,428	223,457
Expenditures:			
<i>Current:</i>			
General Government	0	0	0
Security of Persons and Property	0	0	0
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	1,389,043	1,349,927	39,116
<i>Debt Service:</i>			
Principal Retirement	175,000	175,000	0
Interest and Fiscal Charges	388,657	388,657	0
<i>Total Expenditures</i>	1,952,700	1,913,584	39,116
Excess of Revenues Over (Under) Expenditures	(373,729)	(111,156)	262,573
Other Financing Sources (Uses):			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Advances - Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(373,729)	(111,156)	262,573
Fund Balances (Deficit) at Beginning of Year	1,635,834	1,635,834	0
Prior Year Encumbrances Appropriated	668,901	668,901	0
Fund Balances (Deficit) at End of Year	\$1,931,006	\$2,193,579	\$262,573

See accompanying notes to the general purpose financial statements.

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$8,075,564	\$8,288,630	\$213,066
906,585	969,104	62,519
424,900	439,614	14,714
1,144,225	1,158,426	14,201
3,060,172	3,106,865	46,693
28,250	25,516	(2,734)
302,320	377,452	75,132
1,259,583	1,500,102	240,519
15,201,599	15,865,709	664,110
4,657,719	4,044,414	613,305
4,655,339	4,390,475	264,864
2,381,337	2,260,408	120,929
1,754,496	1,575,874	178,622
1,165,730	1,103,292	62,438
1,389,043	1,349,927	39,116
185,000	185,000	0
392,207	392,207	0
16,580,871	15,301,597	1,279,274
(1,379,272)	564,112	1,943,384
495,297	419,911	(75,386)
(330,354)	(265,128)	65,226
0	(65,000)	(65,000)
164,943	89,783	(75,160)
(1,214,329)	653,895	1,868,224
5,374,208	5,374,208	0
1,296,615	1,296,615	0
\$5,456,494	\$7,324,718	\$1,868,224

CITY OF ATHENS, OHIO
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 2001

	<u>PROPRIETARY FUND TYPES</u>		Totals	
	Enterprise	Internal Service	(Memorandum Only)	
			2001	2000
Operating Revenues:				
Charges for Services	\$5,791,607	\$1,122,276	\$6,913,883	\$6,768,322
Other Operating Revenues	15,744	0	15,744	7,857
<i>Total Operating Revenues</i>	<u>5,807,351</u>	<u>1,122,276</u>	<u>6,929,627</u>	<u>6,776,179</u>
Operating Expenses:				
Personal Services	1,539,625	128,479	1,668,104	1,707,266
Fringe Benefits	509,885	45,133	555,018	565,311
Contractual Services	937,363	187,522	1,124,885	1,138,690
Claims and Judgements	0	1,121,800	1,121,800	1,232,589
Materials and Supplies	276,310	11,857	288,167	489,849
Utilities	381,225	946	382,171	386,472
Depreciation	771,958	1,884	773,842	676,587
<i>Total Operating Expenses</i>	<u>4,416,366</u>	<u>1,497,621</u>	<u>5,913,987</u>	<u>6,196,764</u>
Operating Income (Loss)	1,390,985	(375,345)	1,015,640	579,415
Nonoperating Revenues (Expenses):				
Interest Income	105,894	13,136	119,030	183,275
Loss on Disposal of Fixed Assets	(15,280)	0	(15,280)	(175,228)
Intergovernmental Grants	2,500	0	2,500	0
Interest and Fiscal Charges	(308,317)	0	(308,317)	(264,082)
Other Nonoperating Revenues	37,526	47,211	84,737	14,690
Other Nonoperating Expenses	(112,076)	(2,558)	(114,634)	(2,525)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(289,753)</u>	<u>57,789</u>	<u>(231,964)</u>	<u>(243,870)</u>
Income (Loss) Before Operating Transfers	1,101,232	(317,556)	783,676	335,545
Operating Transfers - In	131,719	206,555	338,274	255,655
Operating Transfers - Out	(416,697)	(76,360)	(493,057)	(425,137)
Net Income (Loss)	816,254	(187,361)	628,893	166,063
Retained Earnings at Beginning of Year, As Restated	<u>12,537,821</u>	<u>300,206</u>	<u>12,838,027</u>	<u>12,671,964</u>
Retained Earnings at End of Year	13,354,075	112,845	13,466,920	12,838,027
Contributed Capital at End of Year	<u>3,631,259</u>	<u>0</u>	<u>3,631,259</u>	<u>3,631,259</u>
Total Fund Equity at End of Year	<u>\$16,985,334</u>	<u>\$112,845</u>	<u>\$17,098,179</u>	<u>\$16,469,286</u>

See accompanying notes to the general purpose financial statements.

CITY OF ATHENS, OHIO
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2001

	<u>PROPRIETARY FUND TYPES</u>		Totals	
	Enterprise	Internal Service	(Memorandum Only) 2001	2000
<i>Cash Flows from Operating Activities:</i>				
Cash Received from Customers	\$5,805,275	\$1,122,276	\$6,927,551	\$6,753,029
Cash from Other Receipts	15,744	0	15,744	8,435
Cash Payments to Employees	(2,072,278)	(181,357)	(2,253,635)	(2,215,478)
Cash Payments for Contractual Services	(1,172,208)	(184,214)	(1,356,422)	(1,129,482)
Cash Payments for Insurance Claims	0	(1,096,596)	(1,096,596)	(1,071,331)
Cash Payments for Supplies and Materials	(297,393)	(9,198)	(306,591)	(445,017)
Cash Payments for Other Expenses	(386,166)	0	(386,166)	(355,183)
Other Nonoperating Receipts	40,026	47,541	87,567	14,227
Other Nonoperating Payments	(112,076)	(2,558)	(114,634)	(2,525)
<i>Net Cash from Operating Activities</i>	<u>1,820,924</u>	<u>(304,106)</u>	<u>1,516,818</u>	<u>1,556,675</u>
<i>Cash Flows from Noncapital Financing Activities:</i>				
Advances - In from Other Funds	65,000	0	65,000	0
Advances - Out to Other Funds	0	0	0	(130,000)
Transfers - In from Other Funds	131,719	206,555	338,274	255,655
Transfers - Out to Other Funds	(416,697)	(76,360)	(493,057)	(425,137)
<i>Net Cash from Noncapital Financing Activities</i>	<u>(219,978)</u>	<u>130,195</u>	<u>(89,783)</u>	<u>(299,482)</u>
<i>Cash Flows from Capital & Related Financing Activities:</i>				
Proceeds Received from Notes	1,764,215	0	1,764,215	1,610,161
Interest Paid on Notes and Loans	(324,561)	0	(324,561)	(267,812)
Principal Paid on Notes and Loans	(2,130,557)	0	(2,130,557)	(299,856)
Cash Paid to Acquire/Construct Capital Assets	(1,635,814)	(8,098)	(1,643,912)	(957,428)
Cash Received from Special Assessments	15,093	0	15,093	5,031
<i>Net Cash from Capital & Related Financing Activities</i>	<u>(2,311,624)</u>	<u>(8,098)</u>	<u>(2,319,722)</u>	<u>90,096</u>
<i>Cash Flows from Investing Activities:</i>				
Interest Received on Investments	117,410	15,975	133,385	169,310
<i>Net Cash from Investing Activities</i>	<u>117,410</u>	<u>15,975</u>	<u>133,385</u>	<u>169,310</u>
Net Increase (Decrease) in Cash & Cash Equivalents	(593,268)	(166,034)	(759,302)	1,516,599
Cash & Cash Equivalents at Beginning of Year	<u>3,109,793</u>	<u>474,915</u>	<u>3,584,708</u>	<u>2,068,109</u>
Cash & Cash Equivalents at End of Year	<u><u>\$2,516,525</u></u>	<u><u>\$308,881</u></u>	<u><u>\$2,825,406</u></u>	<u><u>\$3,584,708</u></u>

See accompanying notes to the general purpose financial statements.

CITY OF ATHENS, OHIO
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2001

	PROPRIETARY FUND TYPES		Totals	
	Enterprise	Internal Service	(Memorandum Only) 2001	2000
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Operating Income (Loss)	\$1,390,985	(\$375,345)	\$1,015,640	\$579,415
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Depreciation Expense	771,958	1,884	773,842	676,587
Nonoperating Cash Receipts	40,026	47,541	87,567	14,227
Nonoperating Cash Payments	(112,076)	(2,558)	(114,634)	(2,525)
Changes in Assets & Liabilities:				
(Increase) Decrease in Accounts Receivable	17,723	0	17,723	(19,245)
(Increase) Decrease in Material & Supply Inventory	(56,248)	0	(56,248)	22,166
(Increase) Decrease in Prepaid Items	6,536	1,076	7,612	3,379
Increase (Decrease) in Accounts Payable	21,301	3,605	24,906	38,159
Increase (Decrease) in Contracts Payable	(118,872)	2,232	(116,640)	17,636
Increase (Decrease) in Accrued Wages & Benefits	4,002	(748)	3,254	(12,704)
Increase (Decrease) in Compensated Absences	2,183	(5,060)	(2,877)	38,536
Increase (Decrease) in Due to Other Governments	(15,738)	(1,937)	(17,675)	19,611
Increase (Decrease) in Deferred Revenue	(18,919)	0	(18,919)	20,175
Increase (Decrease) in Claims & Judgements Payable	(111,937)	25,204	(86,733)	161,258
Net Cash from Operating Activities	\$1,820,924	(\$304,106)	\$1,516,818	\$1,556,675

See accompanying notes to the general purpose financial statements.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Athens, Ohio (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1811 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance, and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system, and a public parking garage, which are reported as enterprise funds. Refuse collection services are also accounted for as an enterprise operation.

As required by generally accepted accounting principles, the combined financial statements present the City of Athens (the primary government) and any component units. In determining whether to include a governmental department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City.

Based on the foregoing criteria, the following governmental entity is not considered legally separate and is financially accountable to the City. Therefore, it is included as part of the reporting entity of the City.

Athens Municipal Court - The City budgets and appropriates for the operation of the Court, establishes the compensation for certain Court employees and is ultimately responsible for any operating deficits sustained by the Court. The operations of the Court are presented as a separate Agency Fund in the City's financial statements.

However, the following organizations are not part of the City of Athens reporting entity and are excluded from the City's combined financial statements.

Athens City School District - The Athens City School District encompasses the City of Athens. The members of the Board of Education of the District are elected by the voters within the District. The Board is a legally separate body politic and corporate, capable of suing, contracting, possessing, acquiring, and disposing of real property. The Board controls its own operations and budget and has no financial accountability to the City.

Athens Public Library - The Library provides library services for the citizens of Athens County. The Library is a legally separate entity with no financial accountability to the City. It has a separately selected governing authority and a separate designation of management. The City has no ability to impose its will upon the Library. Additionally, the Library provides no financial benefit to nor does it impose any financial burden upon the City.

Athens Cable Access Center - The Center is a nonprofit organization that operates a public access channel for the citizens of Athens County and surrounding areas. It is a legally separate entity that appoints its own governing board. Although the City contributes a portion of its cable franchise fee revenue toward the operation of the Center, the City cannot impose its will upon the Center. While this organization is excluded from the reporting entity of the City, the contributions made to the Center are reflected in a separate Special Revenue Fund.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 1 - DESCRIPTION OF THE ENTITY (Continued)

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of the City are organized on the basis of funds or account groups, each of which are considered a separate accounting entity. The operations of each fund and account group are accounted for based on a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds are summarized by type in the combined financial statements.

Amounts in the "totals - memorandum only" columns in the financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented for analytical purpose only. The summation includes fund types and account groups that use different bases of accounting. Consequently, amounts shown in the "totals - memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the City.

The City uses the following fund types and account groups:

Governmental Funds: Those funds through which most governmental functions are typically financed. The following comprise the City's Governmental Fund Types:

- ◆ General Fund: The General Fund is the operating fund of the City. This fund accounts for all financial resources not accounted for in another fund. The major sources of revenue are income tax, property tax, state and local government fund revenues, and interest earnings.
- ◆ Special Revenue Funds: These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative actions.
- ◆ Debt Service Fund: This fund is used to account for the accumulation of resources for, and the payment of principal and interest on general obligation and special assessment debt with governmental commitment reported in the City's General Long-Term Obligations Account Group.
- ◆ Capital Projects Funds: These funds are used to account for the acquisition or construction of major capital facilities and capital improvements other than those financed by Proprietary Funds. They include projects financed by special assessments.

Proprietary Funds: The Proprietary Funds are used to account for those City activities which are similar to those often found in the private sector. The measurement focus is upon the determination of net income, financial position, and changes in financial position. The following comprise the City's Proprietary Fund Types:

- ◆ Enterprise Funds: These funds account for the acquisition, operation, and maintenance of City facilities which are financed primarily by user charges.
- ◆ Internal Service Funds: These funds are used to account for the financing of goods or services provided by one department to other departments of the City or to other governments on a cost-reimbursement basis.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fiduciary Funds: Fiduciary Funds are used to account for assets held by the City in a trustee capacity for individuals, other governments and/or funds. The City's Fiduciary Fund Types include:

- ◆ Expendable Trust Fund: This fund is accounted for in essentially the same manner as governmental funds: the principal of the trust is not required to be preserved.
- ◆ Agency Funds: These funds are custodial in nature (assets equal liabilities) and do not purport to present the financial position or results of operations of the related entities.

Account Groups: Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. The two account groups include:

- ◆ General Fixed Assets Account Group: This group is used to account for all fixed assets of the City other than those accounted for in the Proprietary Funds. General fixed assets include land, buildings, machinery, equipment, vehicles, and construction in progress.
- ◆ General Long-Term Obligations Account Group: This account group is used to account for all long-term obligations of the City except those accounted for in the Proprietary Funds.

The accompanying combined financial statements of the City are prepared in conformity with generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental and Expendable Trust Funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Agency Funds are purely custodial in nature (assets equal liabilities) and thus do not focus on the measurement of operations.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund 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, Expendable Trust and Agency Funds. The accrual basis of accounting is followed for the Proprietary Funds.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal 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. 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: municipal income taxes, grants, state-levied shared taxes and investment earnings.

Deferred Revenue: Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a 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 at the time they are incurred.

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

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the City does not apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Budgetary Accounting and Control

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Fiduciary Fund Types. Budgets are adopted for each organizational unit by major expenditure/expense category.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original budgets must be requested by the departmental management and approved through ordinance by City Council. Each revised budget presented in the combined financial statements includes all modifications and supplemental appropriations that were necessary during the year.

The City maintains budgetary control within an organizational unit and fund by not permitting expenditures/expenses and encumbrances to exceed appropriations for each fund, function, department and object level. Unencumbered and unexpended appropriations lapse at year-end in all annually budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the revised budget amounts shown in the budget-to-actual comparisons.

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures/expenses are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances as expenditures/expenses on the budgetary basis.

The actual results of operations compared to the revised appropriation for budgeted Governmental Funds are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types.

Estimates

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

Cash and Cash Equivalents

The City Treasurer pools and invests all active and inactive City funds. Active City funds are invested in interest bearing demand accounts with commercial banks. Inactive funds are invested in certificates of deposit with commercial banks and the State Treasury Assets Reserve of Ohio (STAROhio). 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, 2001. The City pools its cash for investment purposes to capture the highest rate of return. Investment income is distributed to various funds based upon their average daily balances.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Material & Supplies Inventory

Inventories on hand at year-end is reported for all funds and valued at cost using the first-in, first-out method. Costs of inventory are charged as expenditures in the Governmental Funds at the time of acquisition and as expenses in the Proprietary Funds when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Fixed Assets and Depreciation

All fixed assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are capitalized in the General Fixed Assets Account Group if they meet the City's capitalization criteria. All fixed assets are recorded at actual or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date received. General infrastructure fixed assets that are public domain assets such as roads, bridges, streets, sidewalks, curbs and gutters, drainage systems, and lighting systems, are not capitalized in the General Fixed Assets Account Group of the City. Infrastructure fixed assets related to proprietary funds are capitalized based on the City's valuation policy within the appropriate Proprietary Fund.

Depreciation is not reflected in the General Fixed Assets Account Group. Depreciation on Proprietary Fund fixed assets is charged as an expense against current operations by allocating the cost of the asset over the estimated useful life using the straight line method. The estimated useful life of the various fixed asset classes are as follows:

Furniture, fixtures, machinery and equipment	3-20 years
Buildings	20-40 years
Improvements other than buildings	30-50 years

Capitalization of Interest

It is the City's policy to capitalize net interest costs on funds borrowed to finance Proprietary Fund construction projects until substantial completion of the project. For 2001, the City had no capitalized net interest costs.

Contributed Capital

Contributed capital is not subject to repayment and primarily represents assets contributed to Proprietary Funds by other City funds and donations. It also includes grants that are restricted for Proprietary Fund capital acquisitions, and assets acquired through general government resources. These assets are recorded at their fair value on the date contributed. Depreciation on all contributed assets is included in the determination of net income and closed to retained earnings.

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

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Long-Term Liabilities

In accordance with GAAP, long-term liabilities are not recognized within the governmental funds. Instead, they are reported as liabilities in the General Long-Term Obligations Account Group. Long-term liabilities used to finance Proprietary Fund operations and directly payable from revenue of those funds are reported in the applicable Proprietary Fund.

Interfund Transactions

During the normal course of operations, the City has numerous transactions between funds. Operating transfers represent transfers of resources from a fund receiving revenue to a fund through which those resources will be expended. Interfund transactions that would be treated as revenues and expenditures/expenses if they involve organizations external to the City are similarly treated when involving other funds of the City.

Compensated Absences

The City records a liability in accordance with GASB Statement No. 16, "Accounting for Compensated Absences", for accumulated unpaid sick, vacation and compensatory time benefits when earned by employees. For Governmental Funds, the portion of the liability which is not currently due and payable is recorded in the General Long-Term Obligations Account Group.

Employees earn vacation time at varying rates depending on the duration of their employment. Employees with a minimum of one (1) year of service become vested in accumulated unpaid vacation time. Vacation leave is to be taken by the employee in the year accrued unless administrative approval has been obtained to carry-over the accumulated time to the following year. Ohio law requires that vacation time not be accumulated for more than three (3) years. Unused vacation time is payable upon termination of employment. It is deemed that each employee will remain with the City for at least one year, therefore, the City accrues a liability for each employee based on their unused vacation time.

Unused sick leave may be accumulated until retirement. Employees with a minimum of ten (10) years of service under Public Employee Retirement System (PERS) and fifteen (15) years under Ohio Police and Fire Pension Fund (OP&F) are entitled to payment for accumulated sick leave credit upon retirement. Payment may be made at twenty-five (25) percent, up to a maximum of thirty (30) days, of accrued sick leave credit. The City uses a termination method to accrue a liability based on average sick leave rates paid to retirees and years worked by current employees.

Employees are awarded compensatory time off in lieu of overtime pay when overtime hours are worked, except in certain departments where employees have the option of being compensated for overtime hours worked. Compensatory time off must be used within a specified period of time. Upon termination of employment or retirement, employees may be entitled to payment for unused compensatory time in those departments which provide for payment of overtime hours. The City accrues a liability for each employee with unused compensatory time.

All vacation, sick leave and compensatory time benefits are compensated at the employees current wage rate at retirement or termination.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Self-Insurance Program

The City is self-insured for certain employee health care benefits, however, the City's exposure to risk is limited to \$65,000 per individual and \$1,427,507 in the aggregate through Guarantee Life and Mutual Insurance Company. The program is administered, in part, by independent service agents who assist with the claims reviewing and processing. The self-insurance program is accounted for in the Internal Service Fund. Self-insurance liabilities reported at year-end include incurred but unreported claims.

Fund Equity

The City reserves portions of fund equity which are legally segregated for specific future uses or which do not represent available, spendable resources and therefore, are not available for appropriations for expenditures. Designation of fund equity are amounts that have been designated by management for a specific use, which are not legally segregated. Unreserved/undesignated fund equity indicates that a portion of fund equity which is available for appropriations in future periods.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS

The City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

GASB Statement No. 33 establishes accounting and financial reporting guidelines about when to report the results of nonexchange transactions. GASB Statement No. 36 is a modification to the provisions of GASB Statement No. 33 for certain specific nonexchange revenues. The implementation of these statements did not affect fund balance or retained earnings and therefore, did not require a prior period adjustment to fund balance or retained earnings.

The City decreased the prior period balance of OWDA loans payable and increased the prior period balance of retained earnings in the Sewer Enterprise Fund by \$27,200 due to an adjustment made by the Ohio Water Development Authority (OWDA) on the loan balance.

Previously, the City had understated special assessments receivable and reported special assessment revenues in the Water Enterprise Fund as contributed capital. A prior period adjustment was made to establish a special assessments receivable for future special assessment collections and reclassify these revenues to retained earnings. The result of the adjustment was to increase retained earnings by \$82,686, decrease contributed capital by \$15,093 and increase special assessments receivable by \$67,593.

In the previous year, the City had understated special assessments receivable and deferred revenue in the State Route 56 Special Assessment Debt Service Fund. A prior period adjustment was made to establish a special assessments receivable for future special assessment collections and the corresponding deferred revenue. The result of the adjustment was to increase special assessments receivable and deferred revenue by \$40,000.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 4 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

A reconciliation of the results of operations for the year ended December 31, 2001 on the budget basis to the GAAP basis follows:

Description	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$444,833)	\$1,206,261	\$3,623	(\$111,156)
<i>Increases (Decreases) - Due to Revenues:</i>				
Taxes	(14,316)	(4,097)	0	(31,223)
Licenses and Permits	19,900	4,438	0	0
Fines and Forfeitures	(2,638)	(2,675)	0	3,157
Intergovernmental	95,949	34,695	0	0
Special Assessments	0	0	(582)	0
Interest Earnings	(8,212)	(7,211)	(49)	(12,889)
Other Revenues	(6,872)	(19,755)	0	0
<i>Due to Expenditures:</i>				
General Government	259,093	35,843	0	0
Security of Persons and Property	40,517	(15,508)	0	0
Transportation	3,532	160,913	0	0
Community Environment	10,097	107,524	0	0
Leisure Time Activities	0	36,690	0	0
Capital Outlay	0	0	0	793,170
Other Sources (Uses)	65,000	0	0	0
GAAP Basis	<u>\$17,217</u>	<u>\$1,537,118</u>	<u>\$2,992</u>	<u>\$641,059</u>

NOTE 5 - CASH DEPOSITS AND INVESTMENTS

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

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

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 5 - CASH DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that Council has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys 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. Interim moneys 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 or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government 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 Treasury Assets Reserve of Ohio (STAROhio).

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

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

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

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 5 - CASH DEPOSITS AND INVESTMENTS (Continued)

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

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

The amounts available for deposit and investment are as follows:

* Cash and Cash Equivalents (Carrying Amount)	\$11,405,443
* Cash and Cash Equivalents in Segregated Accounts (Carrying Amount)	177,380
* Reconciling Items (Net) to Arrive at Bank Balances of Deposits	495,123
Total Available for Deposit and Investment (Bank Balance of Deposits/Carrying Amount of Investments)	\$12,077,946

Any depository that receives a City deposit or investment is required to pledge to the investing authority as collateral eligible securities of aggregate fair value that, when added to the portion of the deposit by the Federal Deposit Insurance Corporation, equals or exceeds the amount of City funds deposited.

A public depository may, at its option, pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current fair value at least equal to 105% of all public monies on deposit with the depository including the amount covered by federal insurance.

GASB Statement No. 9 requires the City to report cash flows for its' Proprietary Funds. For purposes of the Statement of Cash Flows, Proprietary Fund participation in the State Treasury Assets Reserve of Ohio (STAROhio) is treated as a demand account and reported as a cash equivalent on the Balance Sheet. In addition, all highly liquid investments held with a maturity of three months or less when purchased, are considered cash equivalents. Only separate investments with a maturity of greater than three months are reported as investments on the Balance Sheet.

The Governmental Accounting Standards Board (GASB Statement No. 3) has established credit risk categories for deposits and investments as follows:

Category 1: Deposits that are insured or collateralized with securities held by the City or its agent in the City's name;

Investments that are insured or registered, or securities held by the City or its agent in the City's name.

Category 2: Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Investments that are uninsured and unregistered, with securities held by the counter-party's trust department or agent in the City's name;

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 5 - CASH DEPOSITS AND INVESTMENTS (Continued)

Category 3: Deposits that are uncollateralized or collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the City's name.

Investments that are uninsured and unregistered, with securities held by the counter-party or its trust department or agent but not in the City's name;

Based on the above criteria, the City deposits and investments at December 31, 2001 are classified as follows:

	Category		Bank Balance	Carrying Amount	Fair Value
	1	3			
<u>Deposits:</u>					
Demand Deposits	\$521,105	\$3,499,745	\$4,020,850	\$3,525,727	
Certificates of Deposit	0	1,000,000	1,000,000	1,000,000	
Total Deposits	<u>\$521,105</u>	<u>\$4,499,745</u>	<u>\$5,020,850</u>	<u>\$4,525,727</u>	
<u>Investments:</u>					
STAROhio*				\$7,057,096	\$7,057,096
Total Investments				<u>\$7,057,096</u>	<u>\$7,057,096</u>

* The City's investment in the STAROhio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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. STAROhio and investments with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this Note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
Per Combined Balance Sheet	\$11,582,823	\$0
State Treasury Assets Reserve of Ohio (STAROhio)	<u>(7,057,096)</u>	<u>7,057,096</u>
Per GASB Statement No. 3	<u>\$4,525,727</u>	<u>\$7,057,096</u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 6 - FIXED ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2001 follows:

	Balance January 1, 2001	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2001
Land	\$2,102,215	\$0	\$0	\$2,102,215
Buildings	5,286,049	18,500	0	5,304,549
Machinery, Equipment and Vehicles	5,885,715	558,865	148,786	6,295,794
Construction in Progress	6,715,873	106,580	0	6,822,453
Totals	<u>\$19,989,852</u>	<u>\$683,945</u>	<u>\$148,786</u>	<u>\$20,525,011</u>

The total additions/transfers of \$683,945 and deletions/transfers of \$148,786 both include \$73,340 of fixed asset transfers between asset classes and departments.

A summary of the Proprietary Fund fixed assets as of December 31, 2001 follows:

	Water	Sewer	Parking Garage	Garbage	Internal Service	Totals
Land	\$37,110	\$103,710	\$295,774	\$14,675	\$0	\$451,269
Buildings	2,268,418	5,129,957	1,767,772	0	0	9,166,147
Machinery, Equipment and Vehicles	920,656	1,111,408	30,994	190,971	11,837	2,265,866
Infrastructure	9,690,796	11,000,005	0	0	0	20,690,801
Construction in Progress	1,000,020	357,767	1,548,830	0	0	2,906,617
Total	13,917,000	17,702,847	3,643,370	205,646	11,837	35,480,700
Less: Accumulated Depreciation	6,677,977	6,552,003	1,186,007	139,503	3,345	14,558,835
Net Total Assets	<u>\$7,239,023</u>	<u>\$11,150,844</u>	<u>\$2,457,363</u>	<u>\$66,143</u>	<u>\$8,492</u>	<u>\$20,921,865</u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 7 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty (20) years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five (5) years). Any period in excess of five (5) years must be deducted from the permitted maximum maturity of bonds anticipated, and portions of the principal amount of notes outstanding for more than five (5) years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five (5) year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the City, or a combination of these sources. All notes are backed by the full faith and credit of the City and are reported as a liability in the fund which received the note proceeds.

The City had the following general obligation bond anticipation notes outstanding at December 31, 2001:

Purpose/Description	Maturity Date	Interest Rate	Balance January 1, 2001	Issued	Retired	Balance December 31, 2001
<i>Enterprise Funds:</i>						
Parking Garage	7/24/01	4.72%	\$1,200,000	\$0	\$1,200,000	\$0
Parking Garage	7/18/02	3.05%	0	1,200,000	0	1,200,000
EPA Litigation - Water	2/6/01	3.75%	241,057	0	241,057	0
EPA Litigation - Water	2/1/02	3.80%	0	364,215	0	364,215
Water Treatment Plant Improvement	10/17/01	4.30%	367,500	0	367,500	0
Water Treatment Plant Improvement	10/17/02	3.25%	0	200,000	0	200,000
Total Enterprise Funds			<u>\$1,808,557</u>	<u>\$1,764,215</u>	<u>\$1,808,557</u>	<u>\$1,764,215</u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS

The following is a summary of long-term bond and OWDA loan obligations of the City as of December 31, 2001:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2001	Issued	Retired	Balance December 31, 2001
<i><u>OWDA Loans Payable from Enterprise Revenues:</u></i>						
Loan No. 751	2006	8.97%	\$163,266	\$0	\$24,307	\$138,959
Loan No. 813	2007	7.86%	191,500	0	23,736	167,764
Loan No. 129	2011	5.00%	2,634,011	0	184,796	2,449,215
Loan No. 146	2013	5.20%	972,741	0	53,989	918,752
Loan No. 324	2016	4.16%	779,695	0	35,172	744,523
Total OWDA Loans Payable			<u>\$4,741,213</u>	<u>\$0</u>	<u>\$322,000</u>	<u>\$4,419,213</u>
<i><u>Special Assessment Bonds Payable from Special Assessment Revenues:</u></i>						
S.R. 56 Improvement	2003	8.875%	\$40,000	\$0	\$10,000	\$30,000
Total Special Assessment Bonds Payable			<u>\$40,000</u>	<u>\$0</u>	<u>\$10,000</u>	<u>\$30,000</u>
<i><u>General Obligation Bonds Payable from General Government Revenues:</u></i>						
Community Center	2016	4.30- 5.40%	\$6,085,000	\$0	\$175,000	\$5,910,000
Total General Obligation Bonds			<u>\$6,085,000</u>	<u>\$0</u>	<u>\$175,000</u>	<u>\$5,910,000</u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2001 follows.

Enterprise Funds		
Year Ended December 31		OWDA Loans
2002		563,018
2003		563,018
2004		563,018
2005		563,018
2006		543,542
2007-2011		2,445,782
2012-2016		543,676
Totals		5,785,072
Less: Interest Requirements		1,365,859
Principal Due		<u>\$4,419,213</u>

General Long-Term Obligations Account Group		
Year Ended December 31	Special Assessment Bonds	General Obligation Bonds
2002	17,662	492,725
2003	16,331	508,925
2004	0	523,913
2005	0	537,663
2006	0	550,150
2007-2011	0	2,915,375
2012-2016	0	3,207,554
Totals	33,993	8,736,305
Less: Interest Requirements	3,993	2,826,305
Principal Due	<u>\$30,000</u>	<u>\$5,910,000</u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Defeased Debt: In December 1991, the City defeased an outstanding \$4,280,000 of Sewer Mortgage Revenue Bonds and fully funded the defeasance through the purchase of U.S. Government Securities which have amounts and maturities that are sufficient to generate a cash flow that will meet the principal and interest payments as they become due over the remaining life of the bonds. The investments and uninvested cash are being held in an irrevocable trust by Star Bank, Cincinnati, Ohio and as of December 31, 2001 there was \$3,593,027 held in trust with the Bank.

The amount of debt considered to be defeased for the Sewer Mortgage Revenue Bonds at December 31, 2001 is \$3,590,000. Accordingly, the trust account and corresponding debt are not included in the combined financial statements.

Long-Term Bonds and Loans: All long-term debt issued for governmental purposes of the City (including special assessment debt with governmental commitment) is retired through the Debt Service Fund. OWDA enterprise loans are retired through the respective Enterprise Funds. OWDA loans are secured by revenues generated from enterprise operations. Special assessment bonds are secured by an unvoted property tax levy (special assessment), which constitutes a lien on assessed properties. In the event of default by the assessed property owners, the City would be obligated to pay the special assessment debt. These bonds are also backed by the full faith and credit of the City as additional security.

General obligations bonds are secured by .1% of the City's income tax. These bonds are also backed by the full faith and credit of the City.

The following is a summary of changes in the remaining components of the General Long-Term Obligations Account Group:

Obligations	January 1, 2001	Additions	Deductions	December 31, 2001
Compensated Absences	\$643,763	\$14,061	\$0	\$657,824
Due to Other Governments	313,427	0	102,273	211,154
Landfill Postclosure Care	44,336	0	2,666	41,670
Totals	\$1,001,526	\$14,061	\$104,939	\$910,648

Compensated Absences: Upon retirement, employees with credited service are paid twenty-five (25) percent, up to a maximum of thirty (30) days, of their accrued sick leave. Vacation time is vested for employees after a minimum of one (1) year of credited service. Unused vacation may be accumulated up to three (3) years according to Ohio law. Compensatory time may also be accumulated by employees but must be used within specified limits. However, some employees have the option of being compensated for overtime worked in lieu of compensatory time off. All sick leave, vacation and compensatory time is compensated at the employee's current rate of pay at the time of retirement or termination. The liability reflected above as part of the General Long-Term Obligations Account Group represents the long-term portion of accumulated sick leave, vacation and compensatory time. The current portion of this liability is reflected within each of the appropriate funds.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 8 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Due to Other Governments: The City's obligation to the worker's compensation group rating plan at December 31, 2001 represents a Governmental Fund Type obligation incurred at year end that is not paid during the available period. This amount is reported in the General Long-Term Obligations Account Group since available financial resources are not used to pay this obligation.

NOTE 9 - PENSION OBLIGATIONS

Public Employee Retirement System

Plan Description: The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by state statute per chapter 145 of the Ohio Revised Code. The PERS issues a stand-alone publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Funding Policy: The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and the City is required to contribute 13.55%. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1% of covered payroll. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The City's required contributions to PERS for the years ending December 31, 2001, 2000 and 1999 were \$490,299, \$209,264, and \$434,124, respectively; 92.6 % has been contributed for 2001 and 100 percent for years 2000 and 1999. Of the 2001 amount, \$36,300 was unpaid at December 31, 2001 and is recorded as a liability within the respective funds.

Postemployment Benefits: The Public Employees Retirement System of Ohio also provides postemployment health care coverage to age and service retirants with ten (10) or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate for local government employer units was 13.55% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2001. The 2001 employer rate was 16.7% and 4.3% was used to fund health care for both the law enforcement and public safety divisions. Of the employer contributions made by the City for the year 2001, \$227,923 was the amount used to fund postemployment health care.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.10%. Health care costs were assumed to increase 4.75% annually.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 9 - PENSION OBLIGATIONS (Continued)

As of December 31, 2000, the actuarial value of net assets available for other postemployment benefits payments was \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively. The number of active contributing participants at December 31, 2000 was 411,076.

Ohio Police and Fire Pension Fund

Plan Description: The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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. The OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing to Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43125-5164 or by calling (614) 228-2975.

Funding Policy: Plan members (both policemen and firemen) are required to contribute 10% of their annual covered salary and the employers are required to contribute 19.5% of annual covered payroll for police and 24% of annual covered payroll for firemen. The City's contributions to OP&F for the years ending December 31, 2001, 2000 and 1999 were \$161,489, \$171,461, and \$192,753, for police; \$197,952, \$190,897, and \$169,681, for firemen, respectively; 67.71% has been contributed for 2001 and 100 percent for years 2000 and 1999 for police; and 68.58% has been contributed for 2001 and 100 percent for years 2000 and 1999 for firemen. Of the 2001 amount, \$52,143 for police and \$62,195 for firemen was unpaid at December 31, 2001 and is recorded as a liability within the General Long-Term Obligations Account Group.

Postemployment Benefits: The Ohio Police and Fire Pension Fund provides postemployment health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen (18) whether or not the child is attending school or under the age of twenty-two (22) if attending school full-time or on a two-thirds (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 that health care cost paid from the fund of the OP&F shall be included in the employer's contribution rate which is 19.5% for police and 24% for firemen of covered payroll. The Ohio Revised Code provides the statutory authority allowing the OP&F Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting are on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25% and 7.5% of covered payroll in 2000 and 2001, respectively. The allocation is 7.75% in 2002. The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$100,930 for police and \$89,978 for firemen. 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 check. As of December 31, 2000 the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 for firemen. The Fund's total health care expenses for the year ended December 31, 2000 were \$106,160,054.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 10 - DEFERRED COMPENSATION

City employees and elected officials may participate in a state-wide deferred compensation plan and a deferred compensation plan administered by the Aetna Life Insurance Company. Both plans are created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis.

The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Under both deferral compensation programs, all plan assets are now being held in a trust agreement for the exclusive benefit of participants and their beneficiaries as required by the Small Business Job Protection Act of 1996. Under this Act, all existing deferred compensation plans were required to establish such a trust arrangement by January 1, 1999. As a result, the assets of these plans are no longer reflected in the combined financial statements of the City.

NOTE 11 - ENCUMBRANCES

Encumbrance accounting for purchase orders and contracts is used during the normal course of operations to reserve portions of appropriations in City funds as an extension of budgetary control. An encumbrance is a reserve on the available spending authority due to a commitment related to nonperformed contracts for goods or services and does not represent a GAAP expenditure or liability. Reserves for encumbrances are reported separately for each Governmental Fund Type.

NOTE 12 - PROPERTY TAX REVENUE

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value by property classification upon which the 2001 tax levy was based follows:

	<u>Assessed Values</u>
Real Property	\$178,877,570
Tangible Personal Property	21,890,352
Public Utility Property	<u>11,307,330</u>
Total Assessed Valuation	<u><u>\$212,075,252</u></u>

Real property taxes (other than public utility) are collected in one calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at thirty-five (35) percent of appraised market value. All property is required to be revalued every six (6) years. The last revaluation was completed for tax year 1996. Real property taxes are payable annually or semi-annually. If paid annually, payment is due by January 31; if paid semi-annually, the first payment is due during February, with the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 12 - PROPERTY TAX REVENUE (Continued)

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its' true value. All public utility property taxes are payable on the same dates as real property taxes described previously.

Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the City levies 2.60 mills of the first 10 mills of assessed value for the General Fund.

The County Treasurer collects property taxes on behalf of the City. The County Auditor periodically remits to the City their portion of the taxes collected. Accrued property taxes receivable represent current taxes which were levied, measurable and unpaid, as well as, delinquent taxes outstanding as of December 31, 2001. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are intended to finance the subsequent year's operations. Therefore, the total property taxes receivable at year end are credited to deferred revenue.

NOTE 13 - INCOME TAX REVENUE

The City levies a tax of 1.65% on all salaries, wages, commissions, other compensation and net profits earned within the City, as well as, on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% 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 employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. In 2001, the income tax generated a total of \$7,613,408 in income tax revenue.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 14 - INTERGOVERNMENTAL REVENUE

The following is a summary of major intergovernmental revenue:

General Fund:

Local Government Distributions	\$868,291
Estate Tax Distributions	233,143
Other Distributions	510,654
Total General Fund	<u><u>\$1,612,088</u></u>

Special Revenue Funds:

Transportation Assistance Grants	\$210,097
Motor Vehicle and Gasoline Tax Distributions	277,535
Permissive Wheel Tax Distributions	99,949
Community Corrections Grants	88,697
Community Development Grants	823,922
Other Grants and Distributions	22,679
Total Special Revenue Funds	<u><u>\$1,522,879</u></u>

Capital Projects Funds:

Community Center Grant	\$35,714
Street Rehabilitation Grant	66,828
Total Capital Projects Funds	<u><u>\$102,542</u></u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 15 - INTERFUND TRANSFERS

A summary of operating transfers by fund type follows:

Fund	Transfers In	Transfers Out
<u>General Fund:</u>	\$369,445	\$102,482
 <u>Special Revenue Funds:</u>		
Transportation Assistance Fund	25,000	0
Street Fund	0	93,528
Community Corrections Fund	25,466	0
Community Center Fund	0	69,118
Total Special Revenue Funds	50,466	162,646
 <u>Enterprise Funds:</u>		
Parking Garage Fund	77,640	76,068
Water Fund	54,079	170,915
Sewer Fund	0	169,714
Total Enterprise Funds	131,719	416,697
 <u>Internal Service Funds:</u>		
Internal Service Fund	206,555	76,360
Total Internal Service Funds	206,555	76,360
Total - All Funds	\$758,185	\$758,185

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four Enterprise Funds which account for the parking garage, water, sewer, and garbage collection services provided to the residents of the City. Segment information for the year ended December 31, 2001 follows:

	Parking Garage	Water	Sewer	Garbage	Totals
Operating Revenues	\$278,467	\$2,481,274	\$2,459,097	\$588,513	\$5,807,351
Operating Expenses Before Depreciation	218,807	1,179,823	1,650,873	594,905	3,644,408
Depreciation Expense	43,780	318,057	391,011	19,110	771,958
Operating Income	15,880	983,394	417,213	(25,502)	1,390,985
Operating Transfers-In	77,640	54,079	0	0	131,719
Operating Transfers-Out	76,068	170,915	169,714	0	416,697
Net Income (Loss)	(23,332)	772,819	81,427	(14,660)	816,254
Fixed Assets:					
Additions	482,227	960,337	224,722	15,440	1,682,726
Disposals	0	24,901	1,006	0	25,907
Net Working Capital	(974,947)	695,505	267,106	190,985	178,649
Total Assets	2,745,964	9,050,291	11,966,519	302,134	24,064,908
Bonds and Other Long-Term Obligations Payable From Operating Revenues (Net of Current Portion)	0	254,630	3,852,058	0	4,106,688
Total Equity	1,482,416	7,679,898	7,565,892	257,128	16,985,334

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The City has addressed these various types of risk by participating in a risk-sharing pool and by purchasing comprehensive insurance through a commercial carrier.

General liability insurance is maintained in the amount of \$7,000,000 in the aggregate, which includes \$7,000,000 law enforcement professional liability, \$2,000,000 for public official errors and omissions liability, \$7,000,000 for automobile liability, and \$40,000 for uninsured and \$40,000 for underinsured motorist liability.

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$58,597,167. Other property insurance includes the following: \$672,984 for contractor's equipment. Supplemental boiler and machinery coverage is carried in the amount of \$100,000 with business interruption and extra expense/actual loss provisions.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 17 - RISK MANAGEMENT (Continued)

Insurance deductibles on any of the above coverages do not exceed \$1,000.

The City participates in a medical self-insurance plan for employees which covers medical claims and prescription drugs. The medical portion is a limited risk health plan with a third party administrator, Harrington Benefit Services. The prescription drug coverage is administered by Claimspro, with the employee paying a deductible amount, then Claimspro paying the balance and billing the City. All claims are paid by the third party administrator under policies established by the City. The City pays an administrative fee to Harrington Benefit to service the claims. All funds contribute to the Medical Internal Service Fund based on fees legislatively set by Council to insure historical and anticipated claims coverage in relation to the number of employees paid from each fund. This fund is presented in the financial statements and reflects all fees paid into the fund and all claims and administrative costs paid out of the fund. The City also carries a specific excess coverage (stop-loss) policy for medical claims in excess of \$65,000 per person and \$1,427,507 in the aggregate. The specific and aggregate excess loss insurance is carried with Guarantee Life and Mutual Company through the third party administrator.

The City maintains a minimum reserve for claims in the Medical Internal Service Fund that is set legislatively by Council at one-fourth of the projected annual claims, based on actuarial forecasts developed by the third party administrator.

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

	Beginning Year Balance	Current Year Claims	Claim Payments	Ending Year Balance
2000	\$87,022	\$1,120,652	\$1,071,331	\$136,343
2001	136,343	1,121,800	1,096,596	\$161,547

The City carries a separate coverage for life insurance with a private commercial carrier, Great West Life Assurance Company, for each employee. The amounts of coverage are \$25,000 for life insurance and \$25,000 for AD&D insurance for all employees.

The City participates in the Workers' Compensation Group Rating Plan sponsored by the Ohio Municipal League. Eligibility and continued participation of member municipalities is determined annually based on the members' claims. It is a rating plan only with no risk assumed directly by the City. Claims are paid directly by the Ohio Bureau of Workers' Compensation. The savings under this plan totaled \$57,305 for 2001, compared to the regular premium rates.

The City has had no significant reductions in any of its insurance coverage from that which was maintained in the prior year. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

NOTE 18 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The City owns one landfill which was closed prior to 1975. State and federal laws and regulations require that certain maintenance and monitoring functions at landfill sites be performed for 20 to 30 years. In 1995, the City was required to begin maintenance and monitoring functions at the landfill site for 20 years. While there were some preliminary planning costs in 1995, the City installed its monitoring system in 1996 and 1997, but began monitoring in 1996. The City is required to obtain quarterly monitoring samples for the first five years, and semi-annual monitoring samples for the next 15 years. The sampling costs for 2002 are expected to be \$1,800. The City has projected costs, with built-in inflation, for the remaining 15 years.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

NOTE 18 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS (Continued)

The City has recorded a liability of \$41,670 as an estimate of future post closure care costs of the landfill. The actual cost of postclosure care may be higher depending upon results from surveying and required well testing, changes in technology, or changes in landfill laws and regulations. The City has partially funded this liability through the Internal Service Fund and Capital Improvements (Capital Projects) Fund.

NOTE 19 - CONTINGENCIES

The City is a defendant in several claims and legal proceedings which may be classified as routine litigation in which minimal damages are being sought. The City believes that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

In addition, the City participates in several federal and state assisted grants and programs that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes that disallowed claims, if any, will not have a material adverse effect on the City's financial condition.

CITY OF ATHENS, OHIO
Combining Statement of Changes in Assets and Liabilities -
All Agency Funds
For the Year Ended December 31, 2001

	Balance 1-1-01	Additions	Reductions	Balance 12-31-01
<u>Municipal Court Fund</u>				
<u>Assets:</u>				
Cash and Cash Equivalents in Segregated Accounts	\$125,055	\$1,825,080	\$1,802,754	\$147,381
Total Assets	\$125,055	\$1,825,080	\$1,802,754	\$147,381
<u>Liabilities:</u>				
Deposits Held and Due to Others	\$125,055	\$1,825,080	\$1,802,754	\$147,381
Total Liabilities	\$125,055	\$1,825,080	\$1,802,754	\$147,381
<u>Emergency Shelter Fund</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$0	\$58,625	\$58,625	\$0
Total Assets	\$0	\$58,625	\$58,625	\$0
<u>Liabilities:</u>				
Deposits Held and Due to Others	\$0	\$58,625	\$58,625	\$0
Total Liabilities	\$0	\$58,625	\$58,625	\$0
See accountant's report.				(Continued)

CITY OF ATHENS, OHIO
Combining Statement of Changes in Assets and Liabilities -
All Agency Funds
For the Year Ended December 31, 2001

	Balance 1-1-01	Additions	Reductions	Balance 12-31-01
<u>Mansfield House Maintenance Fund</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$4,323	\$0	\$0	\$4,323
Total Assets	\$4,323	\$0	\$0	\$4,323
<u>Liabilities:</u>				
Deposits Held and Due to Others	\$4,323	\$0	\$0	\$4,323
Total Liabilities	\$4,323	\$0	\$0	\$4,323
<u>All Agency Funds</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$4,323	\$58,625	\$58,625	\$4,323
Cash and Cash Equivalents in Segregated Accounts	125,055	1,825,080	1,802,754	147,381
Total Assets	\$129,378	\$1,883,705	\$1,861,379	\$151,704
<u>Liabilities:</u>				
Deposits Held and Due to Others	\$129,378	\$1,883,705	\$1,861,379	\$151,704
Total Liabilities	\$129,378	\$1,883,705	\$1,861,379	\$151,704

See accountant's report.

CITY OF ATHENS, OHIO
Schedule of General Fixed Assets
By Source
For the Year Ended December 31, 2001

General Fixed Assets:

Land	\$2,102,215
Buildings	5,304,549
Machinery, Equipment and Vehicles	6,295,794
Construction in Progress	6,822,453
<i>Total General Fixed Assets</i>	<u>\$20,525,011</u>

Investment in General Fixed Assets:

General Fixed Assets Accumulated Prior to December 31, 1988	\$5,218,582
General Fund Revenues	466,254
Special Revenue Fund Revenues	1,582,956
Capital Project Fund Revenues	12,606,046
Enterprise Fund	210,588
Internal Service Fund	28,709
Donations	411,876
<i>Total Investment in General Fixed Assets</i>	<u>\$20,525,011</u>

CITY OF ATHENS, OHIO
Schedule of Changes in General Fixed Assets
By Function and Activity
For the Year Ended December 31, 2001

Function and Activity	Balance 1-1-01	Additions/ Transfers	Deletions/ Transfers	Balance 12-31-01
General Government				
Mayor	\$371,150	\$14,067	\$16,450	\$368,767
Auditor	104,498	6,452	35,134	75,816
Treasurer	6,030	0	0	6,030
Law Director	71,818	8,729	0	80,547
City Council	7,225	1,345	0	8,570
Municipal Court	178,732	7,019	0	185,751
Animal Control	1,500	0	0	1,500
Land and Buildings	5,314,283	36,173	0	5,350,456
General Administration	173,771	11,187	2,098	182,860
Income Tax	0	5,921	0	5,921
Cable Access	137,669	8,590	5,156	141,103
<i>Total General Government</i>	<u>6,366,676</u>	<u>99,483</u>	<u>58,838</u>	<u>6,407,321</u>
Security of Persons & Property				
Police Department	780,787	162,312	58,566	884,533
Fire Department	2,062,712	115,180	0	2,177,892
<i>Total Security of Persons & Property</i>	<u>2,843,499</u>	<u>277,492</u>	<u>58,566</u>	<u>3,062,425</u>
Transportation				
Streets, Meters and Transportation	2,133,864	110,683	23,045	2,221,502
<i>Total Transportation</i>	<u>2,133,864</u>	<u>110,683</u>	<u>23,045</u>	<u>2,221,502</u>
Community Development				
Code Enforcement	129,289	3,050	1,699	130,640
<i>Total Community Development</i>	<u>129,289</u>	<u>3,050</u>	<u>1,699</u>	<u>130,640</u>
Leisure Time Activities				
Parks & Recreation	8,325,160	155,508	6,638	8,474,030
Community Center Operations	191,364	37,729	0	229,093
<i>Total Leisure Time Activities</i>	<u>8,516,524</u>	<u>193,237</u>	<u>6,638</u>	<u>8,703,123</u>
Total General Fixed Assets	<u><u>\$19,989,852</u></u>	<u><u>\$683,945</u></u>	<u><u>\$148,786</u></u>	<u><u>\$20,525,011</u></u>

CITY OF ATHENS, OHIO
Schedule of General Fixed Assets
By Function and Activity
For the Year Ended December 31, 2001

Function and Activity	Land	Buildings	Machinery, Equipment & Vehicles	Construction in Progress	Total
General Government					
Mayor	\$0	\$172,720	\$196,047	\$0	\$368,767
Auditor	0	0	75,815	0	75,815
Treasurer	0	0	6,030	0	6,030
Law Director	0	0	80,547	0	80,547
City Council	0	0	8,570	0	8,570
Municipal Court	0	0	185,751	0	185,751
Animal Control	0	0	1,500	0	1,500
Land and Buildings	1,704,612	3,535,956	102,929	6,959	5,350,456
General Administration	0	9,071	173,789	0	182,860
Income Tax	0	0	5,921	0	5,921
Cable Access	0	0	141,104	0	141,104
<i>Total General Government</i>	<u>1,704,612</u>	<u>3,717,747</u>	<u>978,003</u>	<u>6,959</u>	<u>6,407,321</u>
Security of Persons & Property					
Police Department	0	7,722	876,811	0	884,533
Fire Department	37,971	359,074	1,780,847	0	2,177,892
<i>Total Security of Persons & Property</i>	<u>37,971</u>	<u>366,796</u>	<u>2,657,658</u>	<u>0</u>	<u>3,062,425</u>
Transportation					
Streets, Meters and Transportation	17,568	485,830	1,718,104	0	2,221,502
<i>Total Transportation</i>	<u>17,568</u>	<u>485,830</u>	<u>1,718,104</u>	<u>0</u>	<u>2,221,502</u>
Community Development					
Code Enforcement	0	0	130,640	0	130,640
<i>Total Community Development</i>	<u>0</u>	<u>0</u>	<u>130,640</u>	<u>0</u>	<u>130,640</u>
Leisure Time Activities					
Parks & Recreation	342,064	734,176	582,296	6,815,494	8,474,030
Community Center Operations	0	0	229,093	0	229,093
<i>Total Leisure Time Activities</i>	<u>342,064</u>	<u>734,176</u>	<u>811,389</u>	<u>6,815,494</u>	<u>8,703,123</u>
Total General Fixed Assets	<u><u>\$2,102,215</u></u>	<u><u>\$5,304,549</u></u>	<u><u>\$6,295,794</u></u>	<u><u>\$6,822,453</u></u>	<u><u>\$20,525,011</u></u>

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**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants:	14.228		
Small Cities Grant Program		A-W-00-086-1	\$ 340,000
ARC/DRC		A-P-00-086-1	300,000
Economic Development		A-F-99-086-1	80,344
Economic Development		A-F-00-086-1	76,174
Total Community Development Block Grants			<u>796,518</u>
Emergency Shelter Grant Program	14.231	A-L-00-086-1	43,950
		A-L-01-086-1	14,675
Total Emergency Shelter Grant Program			<u>58,625</u>
Total United States Department of Housing and Urban Development			855,143
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Governor's Office of Criminal Justice Services</i>			
Violence Against Women Formula Grants	16.588	99-WF-VA2-8414	16,998
		00-WF-VA2-8414	58,639
Total Violence Against Women Formula Grants			<u>75,637</u>
Total United States Department of Justice			75,637
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Public Transportation for Nonurbanized Areas	20.509	RPT-4005-015-981	107,010
Public Transportation for Nonurbanized Areas -Capital		RPT-0005-017-982	8,912
Total Public Transportation for Nonurbanized Areas			<u>115,922</u>
State and Community Highway Safety	20.600	GR-1-01180.0	21,820
Total United States Department of Transportation			<u>137,742</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 1,068,522</u>

The notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**CITY OF ATHENS
ATHENS COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The City passes through certain Federal Emergency Shelter Grants Program assistance from the State Department of Development to Good Works, Inc., a not-for-profit corporation. As described in Note 1, the City records expenditures of federal awards to subrecipients when paid cash.

The subrecipient agency has certain compliance responsibilities related to administering this federal program. Under OMB Circular A-133, the City is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and the performance goals are achieved.

NOTE C – COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG) REVOLVING LOAN PROGRAM

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The Federal Department of Housing and Urban Development (HUD) grants the money for these loans to the City, passed through the State Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by accounts receivable, equipment, inventory, mortgages, and vehicles. At December 31, 2001, the gross amount of loans outstanding under this program was \$603,092.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

City of Athens
Athens County
8 East Washington Street
Athens, Ohio 45701

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Athens, Athens County, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated August 2, 2002, wherein we noted the City adopted Governmental Accounting Standards Board Statements 33 and 36.. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 2, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 2, 2002.

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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

August 2, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Athens, Ohio 45701
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Athens
Athens County
8 East Washington Street
Athens, Ohio 45701

To the City Council:

Compliance

We have audited the compliance of the City of Athens, Athens 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, 2001. 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 City'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, 2001.

Internal Control over Compliance

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

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

This report is intended for the information 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 2, 2002

**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #14.228 Community Development Block Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE YEAR ENDED DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-001	A material noncompliance citation was issued under the Ohio Housing and Community Partnership Financial Management Rules and Regulations Handbook, Section A(3)(f) for not developing an effective cash management system to ensure compliance with the fifteen day rule relating to the prompt disbursement of funds.	Yes	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

CITY OF ATHENS

ATHENS 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
NOVEMBER 7, 2002**