



**Auditor of State
Betty Montgomery**

**CITY OF ATHENS
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity – All Proprietary Fund Types.....	14
Combined Statement of Cash Flows – All Proprietary Fund Types.....	15
Notes to the General Purpose Financial Statements.....	17
Schedule of Changes in General Fixed Assets – By Function and Activity.....	43
Schedule of Federal Awards Expenditures.....	45
Notes to Schedule of Federal Awards Expenditures	46
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.	49
Schedule of Findings – <i>OMB Circular A-133 §.505</i>	51

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

August 15, 2003

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CITY OF ATHENS, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$925,553	\$3,092,473	\$17,023	\$7,352,511
Cash and Cash Equivalents in Segregated Accounts	0	50,986	0	0
Receivables:				
Taxes	1,259,332	303,007	0	247,366
Accounts	24,798	58,521	0	0
Special Assessments	621	0	12,801	0
Accrued Interest	3,058	9,677	56	24,184
Due from Other Funds	0	0	0	0
Due from Other Governments	513,592	270,870	0	1,111,402
Materials and Supplies Inventory	27,147	31,325	0	0
Notes Receivable	0	54,067	0	0
Loans Receivable	0	525,283	0	0
Prepaid Items	29,201	5,908	0	3,667
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>\$2,783,302</u>	<u>\$4,402,117</u>	<u>\$29,880</u>	<u>\$8,739,130</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 and Agency	General Fixed Assets	General Long-Term Obligations	2002	2001	
\$1,434,330	\$204,355	\$9,371	\$0	\$0	\$13,035,616	\$11,405,443	
0	0	171,975	0	0	222,961	177,380	
0	0	0	0	0	1,809,705	1,650,329	
381,528	726	0	0	0	465,573	497,616	
52,781	0	0	0	0	66,203	88,392	
4,738	675	14	0	0	42,402	37,446	
0	0	0	0	0	0	75,000	
0	0	0	0	0	1,895,864	562,232	
227,634	0	0	0	0	286,106	279,035	
0	0	0	0	0	54,067	76,305	
0	0	0	0	0	525,283	616,402	
13,514	2,867	0	0	0	55,157	167,731	
20,833,684	5,500	0	21,064,625	0	41,903,809	41,446,876	
0	0	0	0	16,102	16,102	16,021	
0	0	0	0	6,667,336	6,667,336	6,778,978	
0	0	0	0	0	0	13,979	
0	0	0	0	38,892	38,892	41,670	
<u>\$22,948,209</u>	<u>\$214,123</u>	<u>\$181,360</u>	<u>\$21,064,625</u>	<u>\$6,722,330</u>	<u>\$67,085,076</u>	<u>\$63,930,835</u>	

(Continued)

CITY OF ATHENS, OHIO
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002

	GOVERNMENTAL FUND TYPES			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities:				
Accounts Payable	\$42,626	\$74,211	\$0	\$297
Contracts Payable	6,889	126,285	0	295,642
Accrued Wages and Benefits	104,009	34,185	0	0
Compensated Absences Payable	25,279	7,865	0	0
Due to Other Funds	0	0	0	0
Due to Other Governments	25,160	23,437	0	0
Deferred Revenue	1,015,915	214,972	13,778	1,131,216
Deposits Held and Due to Others	0	0	0	0
Accrued Interest Payable	0	0	0	37,279
Notes Payable	0	0	0	4,100,000
Claims and 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	1,219,878	480,955	13,778	5,564,434
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	82,641	132,519	0	5,063,086
Reserved for Inventory	27,147	31,325	0	0
Reserved for Notes Receivable	0	31,038	0	0
Reserved for Loans Receivable	0	442,675	0	0
Unreserved:				
Undesignated	1,453,636	3,283,605	16,102	(1,888,390)
Total Fund Equity and Other Credits	1,563,424	3,921,162	16,102	3,174,696
Total Liabilities, Fund Equity and Other Credits	\$2,783,302	\$4,402,117	\$29,880	\$8,739,130

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 and Agency	General Fixed Assets	General Long-Term Obligations	2002	2001	
\$88,221	\$409	\$0	\$0	\$0	\$205,764	\$285,442	
152,088	10,439	0	0	0	591,343	463,164	
46,415	3,640	0	0	0	188,249	137,935	
244,875	22,853	0	0	699,502	1,000,374	943,276	
0	0	0	0	0	0	75,000	
74,389	1,753	0	0	258,936	383,675	395,482	
2,185	0	0	0	0	2,378,066	1,202,563	
0	0	177,084	0	0	177,084	151,704	
121,893	0	0	0	0	159,172	115,807	
1,324,741	0	0	0	0	5,424,741	1,764,215	
0	133,566	0	0	0	133,566	161,547	
331,272	0	0	0	0	331,272	312,525	
0	0	0	0	5,710,000	5,710,000	5,910,000	
3,748,220	0	0	0	0	3,748,220	4,106,688	
0	0	0	0	15,000	15,000	30,000	
0	0	0	0	38,892	38,892	41,670	
<u>6,134,299</u>	<u>172,660</u>	<u>177,084</u>	<u>0</u>	<u>6,722,330</u>	<u>20,485,418</u>	<u>16,097,018</u>	
0	0	0	21,064,625	0	21,064,625	20,525,011	
3,644,528	0	0	0	0	3,644,528	3,631,259	
13,169,382	41,463	0	0	0	13,210,845	13,466,920	
0	0	0	0	0	5,278,246	945,116	
0	0	0	0	0	58,472	35,300	
0	0	0	0	0	31,038	54,067	
0	0	0	0	0	442,675	520,902	
0	0	4,276	0	0	2,869,229	8,655,242	
<u>16,813,910</u>	<u>41,463</u>	<u>4,276</u>	<u>21,064,625</u>	<u>0</u>	<u>46,599,658</u>	<u>47,833,817</u>	
<u>\$22,948,209</u>	<u>\$214,123</u>	<u>\$181,360</u>	<u>\$21,064,625</u>	<u>\$6,722,330</u>	<u>\$67,085,076</u>	<u>\$63,930,835</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, 2002

	GOVERNMENTAL FUND TYPES		
	General	Special Revenue	Debt Service
Revenues:			
Taxes	\$4,856,895	\$2,260,256	\$0
Charges for Services	455,348	581,194	0
Licenses and Permits	356,319	74,525	0
Fines and Forfeitures	986,114	193,550	0
Intergovernmental	1,462,787	708,326	0
Special Assessments	0	0	17,199
Interest Earnings	34,613	70,750	544
Other Revenue	84,662	273,146	0
<i>Total Revenues</i>	8,236,738	4,161,747	17,743
Expenditures:			
<i>Current:</i>			
General Government	3,765,465	321,405	0
Security of Persons and Property	4,482,419	2,635	0
Transportation	365,030	1,910,172	0
Community Environment	492,046	214,379	0
Leisure Time Activities	0	1,180,010	0
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	0	0	15,000
Interest and Fiscal Charges	0	0	2,662
<i>Total Expenditures</i>	9,104,960	3,628,601	17,662
Excess of Revenues Over (Under) Expenditures	(868,222)	533,146	81
Other Financing Sources (Uses):			
Operating Transfers - In	416,120	30,000	0
Operating Transfers - Out	(93,284)	(1,758,533)	0
<i>Total Other Financing Sources (Uses)</i>	322,836	(1,728,533)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(545,386)	(1,195,387)	81
Fund Balances (Deficit) at Beginning of Year	2,106,163	5,096,024	16,021
Increase (Decrease) in Reserve for Inventory	2,647	20,525	0
Fund Balances (Deficit) at End of Year	\$1,563,424	\$3,921,162	\$16,102

See accompanying notes to the general purpose financial statements

<i>FIDUCIARY FUND TYPE</i>		Totals (Memorandum Only)	
Capital Projects	Expendable Trust	2002	2001
\$1,949,209	\$0	\$9,066,360	\$8,238,994
2,805	0	1,039,347	969,104
0	0	430,844	463,952
58,508	0	1,238,172	1,156,270
1,036,948	0	3,208,061	3,237,509
5,451	0	22,650	24,934
159,234	99	265,240	349,257
52,500	0	410,308	1,473,475
<u>3,264,655</u>	<u>99</u>	<u>15,680,982</u>	<u>15,913,495</u>
0	0	4,086,870	3,749,478
0	0	4,485,054	4,365,466
0	0	2,275,202	2,095,963
0	0	706,425	1,458,253
0	0	1,180,010	1,066,602
4,088,653	0	4,088,653	556,757
200,000	0	215,000	185,000
330,004	0	332,666	392,207
<u>4,618,657</u>	<u>0</u>	<u>17,369,880</u>	<u>13,869,726</u>
(1,354,002)	99	(1,688,898)	2,043,769
2,469,226	0	2,915,346	419,911
(928,770)	0	(2,780,587)	(265,128)
<u>1,540,456</u>	<u>0</u>	<u>134,759</u>	<u>154,783</u>
186,454	99	(1,554,139)	2,198,552
2,988,242	4,177	10,210,627	8,023,958
0	0	23,172	(11,883)
<u>\$3,174,696</u>	<u>\$4,276</u>	<u>\$8,679,660</u>	<u>\$10,210,627</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, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$4,860,163	\$4,823,186	(\$36,977)
Charges for Services	415,075	455,348	40,273
Licenses and Permits	366,100	355,990	(10,110)
Fines and Forfeitures	935,000	971,624	36,624
Intergovernmental	1,416,886	1,389,318	(27,568)
Special Assessments	750	0	(750)
Interest Earnings	49,500	37,018	(12,482)
Other Revenue	37,835	90,255	52,420
<i>Total Revenues</i>	8,081,309	8,122,739	41,430
Expenditures:			
<i>Current:</i>			
General Government	4,200,769	3,774,228	426,541
Security of Persons and Property	4,764,707	4,526,597	238,110
Transportation	397,396	363,385	34,011
Community Environment	527,633	489,026	38,607
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>	9,890,505	9,153,236	737,269
Excess of Revenues Over (Under) Expenditures	(1,809,196)	(1,030,497)	778,699
Other Financing Sources (Uses):			
Proceeds of Notes	0	0	0
Operating Transfers - In	444,342	416,120	(28,222)
Operating Transfers - Out	(93,284)	(93,284)	0
<i>Total Other Financing Sources (Uses)</i>	351,058	322,836	(28,222)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,458,138)	(707,661)	750,477
Fund Balances (Deficit) at Beginning of Year	1,182,875	1,182,875	0
Prior Year Encumbrances Appropriated	322,275	322,275	0
Fund Balances (Deficit) at End of Year	\$47,012	\$797,489	\$750,477

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)
\$2,239,377	\$2,218,926	(\$20,451)	\$0	\$0	\$0
601,050	581,194	(19,856)	0	0	0
79,500	74,196	(5,304)	0	0	0
194,200	191,574	(2,626)	0	0	0
824,011	756,757	(67,254)	0	0	0
0	0	0	17,000	17,594	594
65,321	70,811	5,490	600	547	(53)
322,851	358,470	35,619	0	0	0
<u>4,326,310</u>	<u>4,251,928</u>	<u>(74,382)</u>	<u>17,600</u>	<u>18,141</u>	<u>541</u>
737,072	330,036	407,036	0	0	0
38,635	6,235	32,400	0	0	0
2,138,306	1,975,909	162,397	0	0	0
509,688	276,423	233,265	0	0	0
1,319,552	1,242,977	76,575	0	0	0
0	0	0	0	0	0
0	0	0	15,000	15,000	0
0	0	0	2,662	2,662	0
<u>4,743,253</u>	<u>3,831,580</u>	<u>911,673</u>	<u>17,662</u>	<u>17,662</u>	<u>0</u>
(416,943)	420,348	837,291	(62)	479	541
0	0	0	0	0	0
30,000	30,000	0	0	0	0
(1,784,694)	(1,758,533)	26,161	0	0	0
<u>(1,754,694)</u>	<u>(1,728,533)</u>	<u>26,161</u>	<u>0</u>	<u>0</u>	<u>0</u>
(2,171,637)	(1,308,185)	863,452	(62)	479	541
3,931,721	3,931,721	0	16,543	16,543	0
179,787	179,787	0	0	0	0
<u>\$1,939,871</u>	<u>\$2,803,323</u>	<u>\$863,452</u>	<u>\$16,481</u>	<u>\$17,022</u>	<u>\$541</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, 2002

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$1,914,579	\$1,891,722	(\$22,857)
Charges for Services	5,000	2,805	(2,195)
Licenses and Permits	0	0	0
Fines and Forfeitures	52,000	57,131	5,131
Intergovernmental	1,439,714	1,012,296	(427,418)
Special Assessments	9,000	5,451	(3,549)
Interest Earnings	111,203	142,590	31,387
Other Revenue	0	52,500	52,500
<i>Total Revenues</i>	3,531,496	3,164,495	(367,001)
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	9,420,066	9,246,260	173,806
<i>Debt Service:</i>			
Principal Retirement	200,000	200,000	0
Interest and Fiscal Charges	303,339	303,339	0
<i>Total Expenditures</i>	9,923,405	9,749,599	173,806
Excess of Revenues Over (Under) Expenditures	(6,391,909)	(6,585,104)	(193,195)
Other Financing Sources (Uses):			
Proceeds of Notes	4,100,000	4,100,000	0
Operating Transfers - In	2,469,226	2,469,226	0
Operating Transfers - Out	(928,770)	(928,770)	0
<i>Total Other Financing Sources (Uses)</i>	5,640,456	5,640,456	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(751,453)	(944,648)	(193,195)
Fund Balances (Deficit) at Beginning of Year	2,193,579	2,193,579	0
Prior Year Encumbrances Appropriated	744,772	744,772	0
Fund Balances (Deficit) at End of Year	\$2,186,898	\$1,993,703	(\$193,195)

See accompanying notes to the general purpose financial statements.

Totals
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$9,014,119	\$8,933,834	(\$80,285)
1,021,125	1,039,347	18,222
445,600	430,186	(15,414)
1,181,200	1,220,329	39,129
3,680,611	3,158,371	(522,240)
26,750	23,045	(3,705)
226,624	250,966	24,342
360,686	501,225	140,539
15,956,715	15,557,303	(399,412)
4,937,841	4,104,264	833,577
4,803,342	4,532,832	270,510
2,535,702	2,339,294	196,408
1,037,321	765,449	271,872
1,319,552	1,242,977	76,575
9,420,066	9,246,260	173,806
215,000	215,000	0
306,001	306,001	0
24,574,825	22,752,077	1,822,748
(8,618,110)	(7,194,774)	1,423,336
4,100,000	4,100,000	0
2,943,568	2,915,346	(28,222)
(2,806,748)	(2,780,587)	26,161
4,236,820	4,234,759	(2,061)
(4,381,290)	(2,960,015)	1,421,275
7,324,718	7,324,718	0
1,246,834	1,246,834	0
\$4,190,262	\$5,611,537	\$1,421,275

CITY OF ATHENS, OHIO
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended December 31, 2002

	<u>PROPRIETARY FUND TYPES</u>		Totals	
	Enterprise	Internal Service	(Memorandum Only)	
			2002	2001
Operating Revenues:				
Charges for Services	\$5,857,735	\$1,466,534	\$7,324,269	\$6,913,883
Other Operating Revenues	12,038	0	12,038	15,744
<i>Total Operating Revenues</i>	<u>5,869,773</u>	<u>1,466,534</u>	<u>7,336,307</u>	<u>6,929,627</u>
Operating Expenses:				
Personal Services	1,585,733	139,447	1,725,180	1,668,104
Fringe Benefits	588,929	55,677	644,606	555,018
Contractual Services	1,511,444	284,708	1,796,152	1,124,885
Claims and Judgements	0	1,265,525	1,265,525	1,121,800
Materials and Supplies	563,558	16,136	579,694	288,167
Utilities	411,222	2,900	414,122	382,171
Depreciation	759,600	2,992	762,592	773,842
Other Operating Expense	51,691	0	51,691	0
<i>Total Operating Expenses</i>	<u>5,472,177</u>	<u>1,767,385</u>	<u>7,239,562</u>	<u>5,913,987</u>
Operating Income (Loss)	397,596	(300,851)	96,745	1,015,640
Nonoperating Revenues (Expenses):				
Interest Income	38,945	4,265	43,210	119,030
Loss on Disposal of Fixed Assets	(8,771)	0	(8,771)	(15,280)
Intergovernmental Grants	2,500	0	2,500	2,500
Interest and Fiscal Charges	(292,954)	0	(292,954)	(308,317)
Other Nonoperating Revenues	21,932	20,805	42,737	84,737
Other Nonoperating Expenses	(520)	(4,263)	(4,783)	(114,634)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(238,868)</u>	<u>20,807</u>	<u>(218,061)</u>	<u>(231,964)</u>
Income (Loss) Before Operating Transfers	158,728	(280,044)	(121,316)	783,676
Operating Transfers - In	36,000	246,011	282,011	338,274
Operating Transfers - Out	(379,421)	(37,349)	(416,770)	(493,057)
Net Income (Loss)	(184,693)	(71,382)	(256,075)	628,893
Retained Earnings at Beginning of Year	13,354,075	112,845	13,466,920	12,838,027
Retained Earnings at End of Year	13,169,382	41,463	13,210,845	13,466,920
Contributed Capital at End of Year	3,644,528	0	3,644,528	3,631,259
Total Fund Equity at End of Year	<u>\$16,813,910</u>	<u>\$41,463</u>	<u>\$16,855,373</u>	<u>\$17,098,179</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, 2002

	<u>PROPRIETARY FUND TYPES</u>		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
<i>Cash Flows from Operating Activities:</i>				
Cash Received from Customers	\$5,800,349	\$1,466,534	\$7,266,883	\$6,927,551
Cash from Other Receipts	12,038	0	12,038	15,744
Cash Payments to Employees	(2,123,301)	(189,624)	(2,312,925)	(2,253,635)
Cash Payments for Contractual Services	(1,672,111)	(295,502)	(1,967,613)	(1,356,422)
Cash Payments for Insurance Claims	0	(1,293,506)	(1,293,506)	(1,096,596)
Cash Payments for Supplies and Materials	(561,769)	(18,873)	(580,642)	(306,591)
Cash Payments for Other Expenses	(406,422)	(3,446)	(409,868)	(386,166)
Other Nonoperating Receipts	21,932	20,790	42,722	87,567
Other Nonoperating Payments	(520)	(4,263)	(4,783)	(114,634)
<i>Net Cash from Operating Activities</i>	<u>1,070,196</u>	<u>(317,890)</u>	<u>752,306</u>	<u>1,516,818</u>
<i>Cash Flows from Noncapital Financing Activities:</i>				
Advances - In from Other Funds	0	0	0	65,000
Transfers - In from Other Funds	36,000	246,011	282,011	338,274
Transfers - Out to Other Funds	(379,421)	(37,349)	(416,770)	(493,057)
Cash Received from Operating Grants	2,500	0	2,500	0
<i>Net Cash from Noncapital Financing Activities</i>	<u>(340,921)</u>	<u>208,662</u>	<u>(132,259)</u>	<u>(89,783)</u>
<i>Cash Flows from Capital and Related Financing Activities:</i>				
Proceeds Received from Notes	1,324,741	0	1,324,741	1,764,215
Interest Paid on Notes and Loans	(286,868)	0	(286,868)	(324,561)
Principal Paid on Notes and Loans	(2,103,936)	0	(2,103,936)	(2,130,557)
Cash Paid to Acquire/Construct Capital Assets	(793,686)	0	(793,686)	(1,643,912)
Cash Received from Special Assessments	5,031	0	5,031	15,093
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(1,854,718)</u>	<u>0</u>	<u>(1,854,718)</u>	<u>(2,319,722)</u>
<i>Cash Flows from Investing Activities:</i>				
Interest Received on Investments	43,248	4,702	47,950	133,385
<i>Net Cash from Investing Activities</i>	<u>43,248</u>	<u>4,702</u>	<u>47,950</u>	<u>133,385</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,082,195)	(104,526)	(1,186,721)	(759,302)
Cash and Cash Equivalents at Beginning of Year	<u>2,516,525</u>	<u>308,881</u>	<u>2,825,406</u>	<u>3,584,708</u>
Cash and Cash Equivalents at End of Year	<u>\$1,434,330</u>	<u>\$204,355</u>	<u>\$1,638,685</u>	<u>\$2,825,406</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, 2002

	PROPRIETARY FUND TYPES		Totals (Memorandum Only)	
	Enterprise	Internal Service	2002	2001
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:				
Operating Income (Loss)	\$397,596	(\$300,851)	\$96,745	\$1,015,640
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Depreciation Expense	759,600	2,992	762,592	773,842
Nonoperating Cash Receipts	21,932	20,790	42,722	87,567
Nonoperating Cash Payments	(520)	(4,263)	(4,783)	(114,634)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(57,106)	0	(57,106)	17,723
(Increase) Decrease in Material and Supply Inventory	16,101	0	16,101	(56,248)
(Increase) Decrease in Prepaid Items	(13,514)	(2,867)	(16,381)	7,612
Increase (Decrease) in Accounts Payable	(24,340)	(3,274)	(27,614)	24,906
Increase (Decrease) in Contracts Payable	(9,007)	(7,936)	(16,943)	(116,640)
Increase (Decrease) in Accrued Wages and Benefits	9,943	1,919	11,862	3,254
Increase (Decrease) in Compensated Absences	26,782	2,890	29,672	(2,877)
Increase (Decrease) in Due to Other Funds	(65,000)	0	(65,000)	0
Increase (Decrease) in Due to Other Governments	8,009	691	8,700	(17,675)
Increase (Decrease) in Deferred Revenue	(280)	0	(280)	(18,919)
Increase (Decrease) in Claims and Judgements Payable	0	(27,981)	(27,981)	(86,733)
Net Cash from Operating Activities	\$1,070,196	(\$317,890)	\$752,306	\$1,516,818

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, 2002

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, 2002

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, 2002

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, 2002

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, 2002, but which were levied to finance fiscal year 2003 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, 2002

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. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. 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, 2002

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

Material and 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, 2002, 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 2002, 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". In 2002, \$13,269 in capital contributions were received from Governmental Funds.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

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, 2002

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 \$1,717,560 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.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

A reconciliation of the results of operations for the year ended December 31, 2002 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	(\$707,661)	(\$1,308,185)	\$479	(\$944,648)
<i>Increases (Decreases) - Due to Revenues:</i>				
Taxes	33,709	41,330	0	57,487
Licenses and Permits	329	329	0	0
Fines and Forfeitures	14,490	1,976	0	1,377
Intergovernmental	73,469	(48,431)	0	24,652
Special Assessments	0	0	(395)	0
Interest Earnings	(2,405)	(61)	(3)	16,644
Other Revenues	(5,593)	(85,324)	0	0
<i>Due to Expenditures:</i>				
General Government	8,763	8,631	0	0
Security of Persons and Property	44,178	3,600	0	0
Transportation	(1,645)	65,737	0	0
Community Environment	(3,020)	62,044	0	0
Leisure Time Activities	0	62,967	0	0
Capital Outlay	0	0	0	5,157,607
Interest	0	0	0	(26,665)
Other Sources (Uses)	0	0	0	(4,100,000)
GAAP Basis	<u>(\$545,386)</u>	<u>(\$1,195,387)</u>	<u>\$81</u>	<u>\$186,454</u>

NOTE 4 - 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, 2002

NOTE 4 - 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, 2002

NOTE 4 - 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)	\$13,035,616
* Cash and Cash Equivalents in Segregated Accounts (Carrying Amount)	222,961
* Reconciling Items (Net) to Arrive at Bank Balances of Deposits	<u>722,773</u>
Total Available for Deposit and Investment (Bank Balance of Deposits/Carrying Amount of Investments)	<u><u>\$13,981,350</u></u>

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, 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, 2002

NOTE 4 - 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, 2002 are classified as follows:

	Category		Bank Balance	Carrying Amount
	1	3		
<u>Deposits:</u>				
Demand Deposits	\$550,986	\$11,430,364	\$11,981,350	\$11,258,577
Certificates of Deposit	100,000	1,900,000	2,000,000	2,000,000
Total Deposits	<u>\$650,986</u>	<u>\$13,330,364</u>	<u>\$13,981,350</u>	<u>\$13,258,577</u>

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this Note 4 is based on criteria set forth in GASB Statement No. 3. For the City, there are no differences between the classification of cash and cash equivalents on the combined financial statements and the classification of deposits in GASB Statement No. 3.

NOTE 5 - FIXED ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2002 follows:

	Balance January 1, 2002	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2002
Land	\$2,102,215	\$7,001	\$0	\$2,109,216
Buildings	5,304,549	94,791	0	5,399,340
Machinery, Equipment and Vehicles	6,295,794	560,678	133,422	6,723,050
Construction in Progress	6,822,453	10,566	0	6,833,019
Totals	<u>\$20,525,011</u>	<u>\$673,036</u>	<u>\$133,422</u>	<u>\$21,064,625</u>

The total additions/transfers of \$673,036 and deletions/transfers of \$133,422 includes fixed asset transfers between asset classes and departments.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 5 - FIXED ASSETS (Continued)

A summary of the Proprietary Fund fixed assets as of December 31, 2002 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	1,768,897	0	0	9,167,272
Machinery, Equipment and Vehicles	1,118,923	1,111,236	29,904	116,817	11,837	2,388,717
Infrastructure	9,690,796	11,000,005	0	0	0	20,690,801
Construction in Progress	1,412,174	424,696	1,548,830	0	0	3,385,700
Total	14,527,421	17,769,604	3,643,405	131,492	11,837	36,083,759
Less: Accumulated Depreciation	6,986,880	6,941,269	1,227,381	82,708	6,337	15,244,575
Net Total Assets	\$7,540,541	\$10,828,335	\$2,416,024	\$48,784	\$5,500	\$20,839,184

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 6 - 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, 2002:

Purpose/Description	Maturity Date	Interest Rate	Balance January 1, 2002	Issued	Retired	Balance December 31, 2002
<u>Capital Projects Funds:</u>						
East State Street	7/17/03	1.96%	\$0	\$4,100,000	\$0	\$4,100,000
Total Capital Projects Funds			\$0	\$4,100,000	\$0	\$4,100,000
<u>Enterprise Funds:</u>						
Parking Garage	7/18/02	3.05%	\$1,200,000	\$0	\$1,200,000	\$0
Parking Garage	7/17/03	1.96%	0	900,000	0	900,000
EPA Litigation - Water	2/1/02	2.30%	364,215	0	364,215	0
EPA Litigation - Water	1/30/03	1.45%	0	424,741	0	424,741
Water Treatment Plant Improvement	10/17/02	3.25%	200,000	0	200,000	0
Total Enterprise Funds			\$1,764,215	\$1,324,741	\$1,764,215	\$1,324,741

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 7 - 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, 2002:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2002	Issued	Retired	Balance December 31, 2002
<i><u>OWDA Loans Payable from Enterprise Revenues:</u></i>						
Loan No. 751	2006	8.97%	\$138,959	\$0	\$26,488	\$112,471
Loan No. 813	2007	7.86%	167,764	0	25,602	142,162
Loan No. 129	2011	5.00%	2,449,215	0	194,151	2,255,064
Loan No. 146	2013	5.20%	918,752	0	56,833	861,919
Loan No. 324	2016	4.16%	744,523	0	36,647	707,876
Total OWDA Loans Payable			<u>\$4,419,213</u>	<u>\$0</u>	<u>\$339,721</u>	<u>\$4,079,492</u>
<i><u>Special Assessment Bonds Payable from Special Assessment Revenues:</u></i>						
S.R. 56 Improvement	2003	8.875%	\$30,000	\$0	\$15,000	\$15,000
Total Special Assessment Bonds Payable			<u>\$30,000</u>	<u>\$0</u>	<u>\$15,000</u>	<u>\$15,000</u>
<i><u>General Obligation Bonds Payable from General Government Revenues:</u></i>						
Community Center	2016	4.40%	\$5,910,000	\$0	\$200,000	\$5,710,000
Total General Obligation Bonds Payable			<u>\$5,910,000</u>	<u>\$0</u>	<u>\$200,000</u>	<u>\$5,710,000</u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 7 - 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, 2002 follows.

Enterprise Funds	
Year Ended December 31	OWDA Loans
2003	\$563,018
2004	563,018
2005	563,018
2006	543,542
2007	504,672
2008-2012	2,112,173
2013-2016	372,614
Totals	5,222,055
Less: Interest Requirements	1,142,563
Principal Due	<u>\$4,079,492</u>

General Long-Term Obligations Account Group		
Year Ended December 31	Special Assessment Bonds	General Obligation Bonds
2003	\$16,331	\$508,925
2004	0	523,913
2005	0	537,662
2006	0	550,150
2007	0	561,350
2008-2012	0	2,998,800
2013-2016	0	2,562,780
Totals	16,331	8,243,580
Less: Interest Requirements	1,331	2,533,580
Principal Due	<u>\$15,000</u>	<u>\$5,710,000</u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 7 - 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 First Star Bank, Cincinnati, Ohio and as of December 31, 2002 there was \$1,510,347 held in trust with the Bank.

The amount of debt considered to be defeased for the Sewer Mortgage Revenue Bonds at December 31, 2002 is \$1,505,000. 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, 2002	Additions	Deductions	December 31, 2002
Compensated Absences	\$657,824	\$41,678	\$0	\$699,502
Due to Other Governments	211,154	47,782	0	258,936
Landfill Postclosure Care	41,670	0	2,778	38,892
Totals	\$910,648	\$89,460	\$2,778	\$997,330

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, 2002

NOTE 7 - 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, 2002 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 8 - PENSION OBLIGATIONS

Public Employee Retirement System

Plan Description: The City contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. OPERS 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 OPERS 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 the Ohio 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 2002, House Bill 416 divided the OPERS 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 OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The City's required contributions to OPERS for the years ending December 31, 2002, 2001 and 2000 were \$464,416, \$490,299, and \$209,264, respectively; 91.4 % has been contributed for 2002 and 100 percent for years 2001 and 2000. Of the 2002 amount, \$39,991 was unpaid at December 31, 2002 and is recorded as a liability within the respective funds.

Postemployment Benefits: The Ohio Public Employees Retirement System 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 OPERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2002 employer contribution rate for local government employer units was 13.55% of covered payroll; 5% was the portion that was used to fund health care for the year 2002. The 2002 employer rate was 16.7% and 5% 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 2002, \$271,588 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, 2001. 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 2001 was 8%. An annual increase of 4% 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% base increase, were assumed

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 8 - PENSION OBLIGATIONS (Continued)

to range from 0.50% to 6.3%. Health care costs were assumed to increase 4% annually.

As of December 31, 2001, the actuarial value of net assets available for other postemployment benefits payments was \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The number of active contributing participants at December 31, 2001 was 402,041.

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, 2002, 2001 and 2000 were \$164,260, \$161,489, and \$171,461, for police; \$201,988, \$197,952, and \$190,897, for firemen, respectively; 66.9% has been contributed for 2002 and 100 percent for years 2001 and 2000 for police; and 71.2% has been contributed for 2002 and 100 percent for years 2001 and 2000 for firemen. Of the 2002 amount, \$54,407 for police and \$58,133 for firemen was unpaid at December 31, 2002 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 7.5% and 7.75% of covered payroll in 2001 and 2002, respectively. The portion of the 2002 covered payroll that was used to fund postemployment health care benefits was \$108,342 for police and \$96,333 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 payment. As of December 31, 2001 the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 for firemen. The Fund's total health care expenses for the year ended December 31, 2001 were \$122,298,771.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 9 - 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 10 - 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 11 - 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 2002 tax levy was based follows:

	<u>Assessed Values</u>
Real Property	\$182,670,780
Tangible Personal Property	19,910,028
Public Utility Property	<u>8,916,140</u>
Total Assessed Valuation	<u><u>\$211,496,948</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 2002. 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, 2002

NOTE 11 - 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, 2002. 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 12 - 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 2002, the income tax generated a total of \$8,382,996 in income tax revenue.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 13 - INTERGOVERNMENTAL REVENUE

The following is a summary of major intergovernmental revenue:

General Fund:

Local Government Distributions	\$871,078
Estate Tax Distributions	300,355
Other Distributions	291,354
Total General Fund	<u><u>\$1,462,787</u></u>

Special Revenue Funds:

Transportation Assistance Grants	\$232,406
Motor Vehicle and Gasoline Tax Distributions	171,618
Permissive Wheel Tax Distributions	108,350
Community Corrections Grants	77,796
Community Development Grants	95,425
Other Grants and Distributions	22,731
Total Special Revenue Funds	<u><u>\$708,326</u></u>

Capital Projects Funds:

Community Center Grant	\$35,714
Issue II Grant	114,895
Small Cities Grant	886,339
Total Capital Projects Funds	<u><u>\$1,036,948</u></u>

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 14 - INTERFUND TRANSFERS

A summary of operating transfers by fund type follows:

Fund	Transfers In	Transfers Out
<u>General Fund:</u>	\$416,120	\$93,284
 <u>Special Revenue Funds:</u>		
Transportation Assistance Fund	30,000	0
Street Fund	0	101,850
State Highway Fund	0	74,009
Permissive Wheel Tax Fund	0	191,348
University Mall Fund	0	1,275,100
Recreation Fund	0	116,226
Total Special Revenue Funds	30,000	1,758,533
 <u>Capital Project Funds</u>		
Street Rehabilitation Fund	0	928,770
East State Street/ARC Grant Fund	2,469,226	0
Total Special Revenue Funds	2,469,226	928,770
 <u>Enterprise Funds:</u>		
Parking Garage Fund	21,000	13,787
Water Fund	15,000	184,197
Sewer Fund	0	181,437
Total Enterprise Funds	36,000	379,421
 <u>Internal Service Funds:</u>		
Internal Service Fund	246,011	37,349
Total Internal Service Funds	246,011	37,349
Total - All Funds	\$3,197,357	\$3,197,357

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 15 - 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, 2002 follows:

	Parking Garage	Water	Sewer	Garbage	Totals
Operating Revenues	\$243,737	\$2,532,386	\$2,495,613	\$598,037	\$5,869,773
Operating Expenses Before Depreciation	84,990	2,279,764	1,777,435	570,388	4,712,577
Depreciation Expense	42,246	310,303	391,186	15,865	759,600
Operating Income	116,501	(57,681)	326,992	11,784	397,596
Operating Transfers-In	21,000	15,000	0	0	36,000
Operating Transfers-Out	(13,787)	(184,197)	(181,437)	0	(379,421)
Net Income (Loss)	79,086	(249,414)	(28,732)	14,367	(184,693)
Fixed Assets:					
Additions	1,125	611,821	69,156	6,580	688,682
Disposals	1,090	1,400	2,399	80,735	85,624
Net Working Capital	(854,522)	57,681	258,893	222,711	(315,237)
Total Assets	2,526,265	8,469,290	11,636,294	316,360	22,948,209
Bonds and Other Long-Term Obligations Payable From Operating Revenues (Net of Current Portion)	0	198,152	3,550,068	0	3,748,220
Total Equity	1,561,502	7,443,753	7,537,160	271,495	16,813,910

NOTE 16 - 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 \$66,754,081. Other property insurance includes the following: \$677,033 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, 2002

NOTE 16 - RISK MANAGEMENT (Continued)

Insurance deductibles on any of the above coverages do not exceed \$10,000.

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 \$1,717,560 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 2001 and 2002 were as follows:

	Beginning Year Balance	Current Year Claims	Claim Payments	Ending Year Balance
2001	\$136,343	\$1,121,800	\$1,096,596	\$161,547
2002	161,547	1,254,872	1,282,853	133,566

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 \$36,637 for 2002, 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 17 - 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.

CITY OF ATHENS, OHIO
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2002

NOTE 17 - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS (Continued)

The sampling costs for 2003 are expected to be \$2,200. The City has projected costs, with built-in inflation, for the remaining 15 years.

The City has recorded a liability of \$38,892 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 18 - 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.

NOTE 19 - ACCOUNTABILITY

The Medical Internal Service Fund had a deficit in retained earnings of \$77,395 as of December 31, 2002. This deficit is the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The City anticipates that this deficit will be eliminated through future increases in medical premium contributions. This deficit does not exist on the cash basis.

NOTE 20 - SUBSEQUENT EVENT

On June 16, 2003, the Athens City Council passed the final ordinance to renew the \$4,100,000 East State Street and \$900,000 Parking Garage combined general obligation bond anticipation note which matures on July 17, 2003. The City will pay a portion of the principal on each obligation and renew \$3,600,000 and \$800,000, respectively, on the combined note.

CITY OF ATHENS, OHIO
Schedule of Changes in General Fixed Assets
By Function and Activity
For the Year Ended December 31, 2002

Function and Activity	Balance 1-1-02	Additions/ Transfers	Deletions/ Transfers	Balance 12-31-02
General Government				
Mayor	\$368,767	\$1,129	\$6,058	\$363,838
Auditor	75,816	2,497	0	78,313
Treasurer	6,030	1,438	0	7,468
Law Director	80,547	26,101	11,071	95,577
City Council	8,570	2,155	0	10,725
Municipal Court	185,751	35,353	60,307	160,797
Animal Control	1,500	0	0	1,500
Land and Buildings	5,350,456	88,512	0	5,438,968
General Administration	182,860	21,034	0	203,894
Income Tax	5,921	540	0	6,461
Cable Access	141,103	8,241	5,240	144,104
<i>Total General Government</i>	<u>6,407,321</u>	<u>187,000</u>	<u>82,676</u>	<u>6,511,645</u>
Security of Persons and Property				
Police Department	884,533	84,536	33,655	935,414
Fire Department	2,177,892	149,770	13,269	2,314,393
<i>Total Security of Persons and Property</i>	<u>3,062,425</u>	<u>234,306</u>	<u>46,924</u>	<u>3,249,807</u>
Transportation				
Streets, Meters and Transportation	2,221,502	144,545	650	2,365,397
<i>Total Transportation</i>	<u>2,221,502</u>	<u>144,545</u>	<u>650</u>	<u>2,365,397</u>
Community Development				
Code Enforcement	130,640	2,980	3,172	130,448
<i>Total Community Development</i>	<u>130,640</u>	<u>2,980</u>	<u>3,172</u>	<u>130,448</u>
Leisure Time Activities				
Parks and Recreation	8,474,030	104,205	0	8,578,235
Community Center Operations	229,093	0	0	229,093
<i>Total Leisure Time Activities</i>	<u>8,703,123</u>	<u>104,205</u>	<u>0</u>	<u>8,807,328</u>
Total General Fixed Assets	<u><u>\$20,525,011</u></u>	<u><u>\$673,036</u></u>	<u><u>\$133,422</u></u>	<u><u>\$21,064,625</u></u>

CITY OF ATHENS, OHIO
Schedule of General Fixed Assets
By Function and Activity
For the Year Ended December 31, 2002

Function and Activity	Land	Buildings	Machinery, Equipment and Vehicles	Construction in Progress	Total
General Government					
Mayor	\$0	\$172,720	\$191,118	\$0	\$363,838
Auditor	0	0	78,313	0	78,313
Treasurer	0	0	7,468	0	7,468
Law Director	0	0	95,577	0	95,577
City Council	0	0	10,725	0	10,725
Municipal Court	0	0	160,797	0	160,797
Animal Control	0	0	1,500	0	1,500
Land and Buildings	1,704,612	3,616,388	111,009	6,959	5,438,968
General Administration	0	9,071	194,823	0	203,894
Income Tax	0	0	6,461	0	6,461
Cable Access	0	0	144,104	0	144,104
<i>Total General Government</i>	<u>1,704,612</u>	<u>3,798,179</u>	<u>1,001,895</u>	<u>6,959</u>	<u>6,511,645</u>
Security of Persons and Property					
Police Department	0	7,722	927,692	0	935,414
Fire Department	37,971	359,074	1,917,348	0	2,314,393
<i>Total Security of Persons and Property</i>	<u>37,971</u>	<u>366,796</u>	<u>2,845,040</u>	<u>0</u>	<u>3,249,807</u>
Transportation					
Streets, Meters and Transportation	17,568	494,964	1,852,865	0	2,365,397
<i>Total Transportation</i>	<u>17,568</u>	<u>494,964</u>	<u>1,852,865</u>	<u>0</u>	<u>2,365,397</u>
Community Development					
Code Enforcement	0	0	130,448	0	130,448
<i>Total Community Development</i>	<u>0</u>	<u>0</u>	<u>130,448</u>	<u>0</u>	<u>130,448</u>
Leisure Time Activities					
Parks and Recreation	349,065	739,401	663,709	6,826,060	8,578,235
Community Center Operations	0	0	229,093	0	229,093
<i>Total Leisure Time Activities</i>	<u>349,065</u>	<u>739,401</u>	<u>892,802</u>	<u>6,826,060</u>	<u>8,807,328</u>
Total General Fixed Assets	<u><u>\$2,109,216</u></u>	<u><u>\$5,399,340</u></u>	<u><u>\$6,723,050</u></u>	<u><u>\$6,833,019</u></u>	<u><u>\$21,064,625</u></u>

**CITY OF ATHENS
ATHENS COUNTY**

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

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>Pass through Ohio Department of Development:</i>			
Community Development Block Grants	14.228	A-W-00-086-1	\$ 10,000
		A-F-00-086-1	22,425
		A-F-01-086-1	71,775
		A-L-01-086-1	44,025
		A-L-02-086-1	14,325
Total Community Development Block Grant			162,550
Total United States Department of Housing and Urban Development			162,550
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Violence Against Women Formula Grants	16.588	00-WF-VA7-8414	13,200
		00-WF-VA7-8414A	21,017
		01-WF-VA7-8414	40,450
Total Violence Against Women Formula Grants			74,667
Total United States Department of Justice			74,667
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Pass through Ohio Department of Transportation:</i>			
Public Transportation for Nonurbanized Areas	20.509	RPT-4005-021-021	106,863
		RPT-0005-021-022	35,026
Total Public Transportation for Nonurbanized Areas			141,889
Highway Planning and Construction	20.205	N/A	865,385
Total United States Department of Transportation			1,007,274
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Pass through Ohio Department of Public Safety:</i>			
Assistance to Firefighters Grant Program	83.554	EMW-2001-FG-03780	42,750
Total Federal Emergency Management Agency			42,750
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 1,287,241

The accompanying 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, 2002**

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, 2002, the gross amount of loans outstanding under this program was \$517,923.

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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 general purpose financial statements of the City of Athens, Athens County, Ohio (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated August 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more 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 certain matters involving the internal control over financial reporting and its operation that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 15, 2003.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

August 15, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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, 2002. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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, 2002.

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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

August 15, 2003

CITY OF ATHENS
ATHENS COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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
OCTOBER 14, 2003**