

CITY OF ASHLAND
ASHLAND COUNTY

AUDITED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Honorable Mayor
and City Council
City of Ashland
206 Claremont Avenue
Ashland, Ohio 44805

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

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

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

JIM PETRO
Auditor of State

July 22, 2002

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CITY OF ASHLAND
ASHLAND COUNTY

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CITY OF ASHLAND
ASHLAND COUNTY

ELECTED OFFICIALS
AS OF DECEMBER 31, 2001

<u>Elected Officials</u>	<u>Title</u>	<u>Term Of Office</u>
Douglas E. Cellar	Mayor	1/1/98 - 12/31/01
William E. Strine	Director of Finance	1/1/00 - 12/31/03
Richard P. Wolfe II	Director of Law	1/1/00 - 12/31/03
Jacob Fridline	Judge	1/1/00 - 12/31/05
J. Hugh Metcalf	Council President	1/1/98 - 12/31/01
James Heichel	Council Member	1/1/00 - 12/31/03
Lowell Bender	Council Member	1/1/00 - 12/31/03
James Molnar	Council Member	1/1/98 - 12/31/01
Paul E. Wertz	Council Member	1/1/98 - 12/31/01

Surety

Amount

Period Covered

Spreng - Smith Agency

\$ 250,000

12/31/99 - 12/31/01

CITY OF ASHLAND
ASHLAND COUNTY

ADMINISTRATIVE PERSONNEL
AS OF DECEMBER 31, 2001

<u>Personnel</u>	<u>Title</u>
Elaine Hootman	Clerk of Council
William Miracle	Police Chief
Mark Burgess	Fire Chief
Cheryl Helterbridle	Personnel / Labor Relations
Roger Gordon	Building and Zoning Director
Warren D. Strine	Water Distribution Director
James Greener	City Engineer
Larry Rose	Income Tax Administrator
Jerry Mack	Street Superintendent
Nancy Boyd	Director of Accounting
Al Sanders	Health Administration
Dr. Daniel Daugherty, MD	Health Commissioner
Jill Welch	Clerk of Courts
Robert Swinehart	Wastewater Treatment Manager
Tim Clingan	Park Superintendent and Golf Course Director

CITY OF ASHLAND
ASHLAND COUNTY
INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

General Fund

Special Revenue Fund Types:

Street Construction, Maintenance and Repair Fund
State Highway Improvement Fund
Permissive Tax Fund
City Permissive Tax Fund
Park and Recreation Fund
Fire and Emergency Squad Equipment Fund
Fire and Emergency Squad Training Fund
Community Development Block Grant Fund
Kate Myers Fund
Police Pension Fund
Firemen's Pension Fund
Bandshell Improvements Fund
Drug Law Enforcement Fund
Ohio Elderly and Handicap Transit Fare Assistance Program Fund
DARE Fund
Municipal Court Computer
Indigent Drivers
Municipal Probation
Police Donations
Home Arrest Fund
Law Enforcement Block Grant
Community Corrections
Municipal Court Special Projects
Ohio Housing Grant
Enforcement and Education
Timken Foundation
Workers' Compensation Grant

Debt Service Fund Type:

General Obligation Bond Retirement Fund
Special Assessment Debt Retirement Fund
Note Retirement

Capital Projects Fund Types:

Capital Improvement Investment Fund
Reserve for Expansion

CITY OF ASHLAND
ASHLAND COUNTY
INDEX OF FUNDS
(Continued)

Capital Projects Fund Types: (Continued)

- Downtown Beautification
- Police/Court Facility
- George Road Improvement
- Sidewalk Program
- Hillcrest Reconstruction
- 250 East Intersection
- Tornado Damage

PROPRIETARY FUND TYPES:

Enterprise Fund Types:

- Water and Water Treatment Fund
- Water Development Income Tax Fund
- Sewer Revenue Fund
- Brookside Pool Fund
- Brookside Golf Course Fund
- Sanitation Fund
- 1990 Bond Sewerage System Reserve Fund
- 1990 Bond, Bond Reserve & Rebate Fund
- 1990 Replacement and Improvement Fund
- Storm Drainage

Internal Service Fund Class:

- City Maintenance Division Fund
- City Income Tax Administration Fund
- Health Care Insurance Fund
- Section 125 Fund

FIDUCIARY FUND TYPES:

Agency Fund Class:

- Ashland Municipal Court Fund
- Municipal Income Tax Transfer
- Performance Bond Fund
- State Patrol Transfer Fund

ACCOUNT GROUPS:

- General Fixed Assets
- General Long Term Obligations

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Guillan & Company

Independent Auditor's Report

**Honorable City Council
City of Ashland**

We have audited the accompanying general-purpose financial statements of the City of Ashland, Ohio as of and for the year ended December 31, 2001. These general-purpose financial statements are the responsibility of the management of the City of Ashland. 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 Ashland, Ohio as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2002 on our consideration of the City of Ashland's internal control structure over financial reporting and our tests of its compliance with certain provision 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.

**City of Ashland
Ashland County**

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City of Ashland, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

June 27, 2002

Guillan & Company

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CITY OF ASHLAND
ASHLAND COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2001

	<u>GOVERNMENTAL FUND TYPES</u>			
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
<u>ASSETS AND OTHER DEBITS</u>				
Equity in pooled cash and cash equivalents	\$ 1,001,306	\$ 2,042,438	\$ 197,100	\$ 2,640,435
Cash with fiscal agent	-	-	7,400	-
Receivable:				
Accounts	133,722	44,070	-	-
Taxes-property	881,827	274,910	-	-
Taxes-income	512,126	209,177	-	-
Accrued interest	-	-	-	43,323
Due from other governments	60,513	321,682	-	2,733
Inventories	-	105,118	-	-
Prepaid expenses	50,920	35,512	-	-
Due from other funds	-	-	-	536,026
Property, plant, and equipment (net of accumulated depreciation)	-	-	-	-
Amount available for retirement of general long-term obligations	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
<u>TOTAL ASSETS AND OTHER DEBITS</u>	<u>\$ 2,640,414</u>	<u>\$ 3,032,907</u>	<u>\$ 204,500</u>	<u>\$ 3,222,517</u>

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND	ACCOUNT GROUPS		TOTALS (MEMO-RANDUM ONLY)
ENTERPRISE	INTERNAL SERVICE	AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$ 8,536,411	\$ 367,711	\$ 530,641	\$ -	\$ -	\$ 15,316,042
-	-	-	-	-	7,400
500,424	11,615	-	-	-	689,831
-	-	-	-	-	1,156,737
-	-	-	-	-	721,303
-	-	-	-	-	43,323
2,625	1,355	12,956	-	-	401,864
137,622	-	-	-	-	242,740
32,835	659	-	-	-	119,926
-	-	-	-	-	536,026
27,508,917	82,762	-	18,384,774	-	45,976,453
-	-	-	-	177,284	177,284
-	-	-	-	5,171,716	5,171,716
\$ 36,718,834	\$ 464,102	\$ 543,597	\$ 18,384,774	\$ 5,349,000	\$ 70,560,645

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2001
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 112,437	\$ 71,298	\$ -	\$ 1,430
Accrued wages and benefits	272,915	89,581	-	-
Claims payable	-	-	-	-
Compensated absences payable	-	-	-	-
Due to other governments	66,792	-	-	-
Due to others	-	124,163	-	349,614
Accrued interest payable	-	-	-	-
Deferred revenue	881,827	358,954	-	-
Due to other funds	-	-	-	-
Notes payable	-	-	-	-
Matured bonds / interest	-	-	7,400	-
Ohio water development authority loan payable	-	-	-	-
General obligation bonds payable	-	-	-	-
TOTAL LIABILITIES	1,333,971	643,996	7,400	351,044
<u>EQUITY AND OTHER CREDITS:</u>				
Contributed capital	-	-	-	-
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balances:				
Reserved for debt service	-	-	177,284	-
Reserved for encumbrances	34,614	268,382	-	465,076
Reserved for inventory	-	105,118	-	-
Reserved for prepaid items	50,920	35,512	-	-
Unreserved - undesignated	1,220,909	1,979,899	19,816	2,406,397
TOTAL EQUITY AND OTHER CREDITS	1,306,443	2,388,911	197,100	2,871,473
TOTAL LIABILITIES AND EQUITY	\$ 2,640,414	\$ 3,032,907	\$ 204,500	\$ 3,222,517

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUND	ACCOUNT GROUPS		TOTALS (MEMO-RANDUM ONLY)
ENTERPRISE	INTERNAL SERVICE	AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$ 239,843	\$ 50,248	\$ -	\$ -	\$ -	\$ 475,256
105,487	10,754	-	-	-	478,737
-	289,370	-	-	-	289,370
201,377	19,979	-	-	629,000	850,356
309	40	12,956	-	-	80,097
-	-	-	-	-	473,777
1,096	-	-	-	-	1,096
-	-	-	-	-	1,240,781
62,249	-	44,149	-	-	106,398
1,250,000	-	-	-	4,525,000	5,775,000
-	-	-	-	-	7,400
2,395,927	-	-	-	-	2,395,927
190,000	-	-	-	195,000	385,000
4,446,288	370,391	57,105	-	5,349,000	12,559,195
18,366,588	83,795	-	-	-	18,450,383
-	-	-	18,384,774	-	18,384,774
13,905,958	9,916	-	-	-	13,915,874
-	-	-	-	-	177,284
-	-	-	-	-	768,072
-	-	-	-	-	105,118
-	-	-	-	-	86,432
-	-	486,492	-	-	6,113,513
32,272,546	93,711	486,492	18,384,774	-	58,001,450
\$ 36,718,834	\$ 464,102	\$ 543,597	\$ 18,384,774	\$ 5,349,000	\$ 70,560,645

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>REVENUES</u>				
Local taxes	\$ 5,196,770	\$ 2,213,044	\$ -	\$ 146,111
Intergovernmental	1,169,414	1,511,046	-	249,458
Charges for services	483,955	339,022	-	955
Fees, licenses, permits	70,389	-	-	-
Investment income	-	1,169	-	794,669
Fines and forfeitures	428,315	333,714	-	-
Other	261,678	91,801	74,816	28,251
	-			
TOTAL REVENUES	7,610,521	4,489,796	74,816	1,219,444
<u>EXPENSES</u>				
Public safety	4,896,406	1,395,890	-	-
Health	245,139	-	-	-
Leisure time activities	-	1,276,602	-	-
Community development	106,691	358,105	-	-
Transportation	-	2,132,175	-	-
General government	2,688,235	515,646	-	-
Capital outlay	-	-	-	617,455
Debt services:				
Principal retirement	-	10,000	6,340,000	4,328
Interest and fiscal charges	-	4,695	251,268	500
TOTAL EXPENSES	\$ 7,936,471	\$ 5,693,113	\$ 6,591,268	\$ 622,283

The notes to the financial statements are an integral part of this statement.

TOTALS
(MEMORANDUM
ONLY)

\$ 7,555,925
2,929,918
823,932
70,389
795,838
762,029
456,546

13,394,577

6,292,296
245,139
1,276,602
464,796
2,132,175
3,203,881
617,455

6,354,328
256,463

\$ 20,843,135

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (325,950)	\$ (1,203,317)	\$ (6,516,452)	\$ 597,161
<u>OTHER FINANCING SOURCES/(USES):</u>				
Operating transfers in	5,623	653,676	1,012,551	196,374
Operating transfers out	(591,915)	(258,297)	-	(1,303,066)
Proceeds from sale of notes	-	285,000	5,490,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(586,292)	680,379	6,502,551	(1,106,692)
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(912,242)	(522,938)	(13,901)	(509,531)
FUND BALANCES-JANUARY 1, 2001	2,218,685	2,911,849	211,001	3,381,004
FUND BALANCES-DECEMBER 31, 2001	\$ 1,306,443	\$ 2,388,911	\$ 197,100	\$ 2,871,473

The notes to the financial statements are an integral part of this statement.

TOTALS
(MEMORANDUM
ONLY)

\$ (7,448,558)

1,868,224
(2,153,278)
5,775,000

5,489,946

(1,958,612)

8,722,539

\$ 6,763,927

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>REVENUES:</u>			
Local taxes	\$ 5,271,011	\$ 5,207,417	\$ (63,594)
Intergovernmental	808,200	1,162,719	354,519
Charges for services	465,750	515,234	49,484
Fees, licenses, and permits	32,875	67,654	34,779
Investment income	-	-	-
Fines and forfeitures	394,000	422,107	28,107
Other	42,800	242,517	199,717
	7,014,636	7,617,648	603,012
TOTAL REVENUES			
 <u>EXPENDITURES:</u>			
Public safety	4,982,888	4,922,176	60,712
Health	242,027	240,759	1,268
Leisure time activities	-	-	-
Community development	138,726	107,433	31,293
Transportation	-	-	-
General government	3,409,850	3,234,453	175,397
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	\$ 8,773,491	\$ 8,504,821	\$ 268,670
TOTAL EXPENDITURES			

The notes to the financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ 2,255,207	\$ 2,247,028	\$ (8,179)	\$ -	\$ -	\$ -
1,834,787	1,572,605	(262,182)	-	-	-
301,585	346,097	44,512	-	-	-
-	-	-	-	-	-
1,350	1,272	(78)	-	-	-
285,545	337,251	51,706	-	-	-
29,675	74,561	44,886	58,300	71,000	12,700
4,708,149	4,578,814	(129,335)	58,300	71,000	12,700
1,672,117	1,525,774	146,343	-	-	-
-	-	-	-	-	-
1,582,639	1,361,329	221,310	-	-	-
459,779	444,987	14,792	-	-	-
3,185,175	2,572,728	612,447	-	-	-
542,485	516,600	25,885	-	-	-
-	-	-	-	-	-
10,000	10,000	-	6,590,000	6,590,000	-
4,695	4,695	-	318,831	317,982	849
\$ 7,456,890	\$ 6,436,113	\$ 1,020,777	\$ 6,908,831	\$ 6,907,982	\$ 849

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (1,758,855)	\$ (887,173)	\$ 871,682
<u>OTHER FINANCING SOURCES / (USES) :</u>			
Proceeds from sale of notes	-	-	-
Transfers in	541,418	533,909	(7,509)
Transfers out	(581,877)	(525,955)	55,922
TOTAL OTHER FINANCING SOURCES / (USES)	(40,459)	7,954	48,413
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,799,314)	(879,219)	920,095
FUND BALANCES - January 1, 2001	1,750,859	1,750,859	-
PRIOR YEAR ENCUMBRANCES APPROPRIATED	59,383	59,383	-
FUND BALANCES - December 31, 2001	\$ 10,928	\$ 931,023	\$ 920,095

The notes to the financial statements are an integral part of this statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (2,748,741)	\$ (1,857,299)	\$ 891,442	\$ (6,850,531)	\$ (6,836,982)	\$ 13,549
282,000	285,000	3,000	5,490,000	5,493,816	3,816
910,194	934,937	24,743	1,330,113	1,329,265	(848)
(276,467)	(265,712)	10,755	-	-	-
915,727	954,225	38,498	6,820,113	6,823,081	2,968
(1,833,014)	(903,074)	929,940	(30,418)	(13,901)	16,517
2,207,120	2,207,120	-	211,001	211,001	-
465,587	465,587	-	-	-	-
\$ 839,693	\$ 1,769,633	\$ 929,940	\$ 180,583	\$ 197,100	\$ 16,517

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>REVENUES:</u>			
Local taxes	\$ 166,375	\$ 166,375	\$ -
Intergovernmental	708,691	361,159	(347,532)
Charges for services	955	955	-
Fees, licenses, and permits	-	-	-
Investment income	590,000	907,478	317,478
Fines and forfeitures	-	-	-
Other	-	28,251	28,251
TOTAL REVENUES	1,466,021	1,464,218	(1,803)
 <u>EXPENDITURES:</u>			
Public safety	-	-	-
Health	-	-	-
Leisure time activities	-	-	-
Community development	-	-	-
Transportation	-	-	-
General government	-	-	-
Capital outlay	1,695,096	1,186,926	508,170
Debt service:			
Principal retirement	4,328	4,328	-
Interest and fiscal charges	500	500	-
TOTAL EXPENDITURES	\$ 1,699,924	\$ 1,191,754	\$ 508,170

The notes to the financial statements are an integral part of this statement.

TOTALS (MEMORANDUM ONLY)

REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ 7,692,593	\$ 7,620,820	\$ (71,773)
3,351,678	3,096,483	(255,195)
768,290	862,286	93,996
32,875	67,654	34,779
591,350	908,750	317,400
679,545	759,358	79,813
130,775	416,329	285,554
13,247,106	13,731,680	484,574
6,655,005	6,447,950	207,055
242,027	240,759	1,268
1,582,639	1,361,329	221,310
598,505	552,420	46,085
3,185,175	2,572,728	612,447
3,952,335	3,751,053	201,282
1,695,096	1,186,926	508,170
6,604,328	6,604,328	-
324,026	323,177	849
\$ 24,839,136	\$ 23,040,670	\$ 1,798,466

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (233,903)	\$ 272,464	\$ 506,367
<u>OTHER FINANCING SOURCES / (USES) :</u>			
Proceeds from sale of notes	-	-	-
Transfers in	871,649	1,002,188	130,539
Transfers out	(1,660,649)	(1,959,845)	(299,196)
TOTAL OTHER FINANCING SOURCES / (USES)	(789,000)	(957,657)	(168,657)
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,022,903)	(685,193)	337,710
FUND BALANCES - January 1, 2001	2,545,124	2,545,124	-
PRIOR YEAR ENCUMBRANCES APPROPRIATED	296,927	296,927	-
FUND BALANCES - December 31, 2001	\$ 1,819,148	\$ 2,156,858	\$ 337,710

The notes to the financial statements are an integral part of this statement.

TOTALS (MEMORANDUM ONLY)

REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (11,592,030)	\$ (9,308,990)	\$ 2,283,040
5,772,000	5,778,816	6,816
3,653,374	3,800,299	146,925
(2,518,993)	(2,751,512)	(232,519)
6,906,381	6,827,603	(78,778)
(4,685,649)	(2,481,387)	2,204,262
6,714,104	6,714,104	-
821,897	821,897	-
\$ 2,850,352	\$ 5,054,614	\$ 2,204,262

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	ENTERPRISE FUND	INTERNAL SERVICE FUND	TOTALS (MEMORANDUM ONLY)
<u>OPERATING REVENUES:</u>			
Charges for services	\$ 6,119,127	\$ 1,936,608	\$ 8,055,735
Total Operating Revenues	6,119,127	1,936,608	8,055,735
<u>OPERATING EXPENSES:</u>			
Personal services	3,213,681	309,220	3,522,901
Utilities	455,537	4,792	460,329
Contractual services	380,630	7,008	387,638
Materials and supplies	1,469,072	39,355	1,508,427
Claims	-	1,303,051	1,303,051
Depreciation and amortization	1,002,734	5,968	1,008,702
Others	145,182	290,771	435,953
Total Operating Expenses	6,666,836	1,960,165	8,627,001
Operating Loss	(547,709)	(23,557)	(571,266)
<u>NONOPERATING REVENUES/ (EXPENSES):</u>			
Interest	(237,377)	-	(237,377)
Investment income	29,894	7,155	37,049
(Loss) on sale of assets	(672)	-	(672)
Other nonoperating revenues	224,657	5,982	230,639
Total Non-Operating Revenues/ (Expenses)	\$ 16,502	\$ 13,137	\$ 29,639

The notes to the financial statements are an integral part of this statement.

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

(Continued)

	ENTERPRISE FUND	INTERNAL SERVICE FUND	TOTALS (MEMORANDUM ONLY)
Excess of Revenues Over/(Under) Expenses Before Interfund Transfers	\$ (531,207)	\$ (10,420)	\$ (541,627)
Transfers in	2,012,196	-	2,012,196
Transfers out	(1,720,872)	-	(1,720,872)
Net Loss	(239,883)	(10,420)	(250,303)
Retained Earnings - January 1, 2001	14,145,841	20,336	14,166,177
Retained Earnings - December 31, 2001	13,905,958	9,916	13,915,874
Contributed Capital - January 1, 2001	17,009,502	83,795	17,093,297
Contributions	1,357,086	-	1,357,086
Contributed Capital - December 31, 2001	18,366,588	83,795	18,450,383
TOTAL FUND EQUITY - December 31, 2001	\$ 32,272,546	\$ 93,711	\$ 32,366,257

The notes to the financial statements are an integral part of this statement.

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	ENTERPRISE FUND	INTERNAL SERVICE FUND	TOTALS (MEMORANDUM ONLY)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating Loss	\$ (547,709)	\$ (23,557)	\$ (571,266)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
(Gain) loss on disposal of asset	672	-	672
Depreciation and amortization	1,002,734	5,968	1,008,702
Change in assets and liabilities:			
(Increase) decrease in:			
Taxes receivable	24,317	-	24,317
Accounts receivable	24,313	(11,498)	12,815
Inventories	11,879	-	11,879
Prepaid expenses	(6,835)	(445)	(7,280)
Due from other governments	(1,918)	(1,355)	(3,273)
Increase (decrease) in:			
Accounts payable	37,444	15,205	52,649
Claims payable	-	112,092	112,092
Accrued interest payable	(23,529)	-	(23,529)
Compensated absences payable	(9,572)	3,608	(5,964)
Accrued wages and benefits	19,570	504	20,074
Due to other governments	(10,863)	(41)	(10,904)
Total Adjustments	\$ 1,068,212	\$ 124,038	\$ 1,192,250

The notes to the financial statements are an integral part of this statement.

CITY OF ASHLAND
ASHLAND COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

	<u>ENTERPRISE FUND</u>	<u>INTERNAL SERVICE FUND</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
Net cash provided by operating activities	\$ 520,503	\$ 100,481	\$ 620,984
Net nonoperating revenues including operating transfers	307,826	13,137	320,963
Net cash provided by operating activities, net nonoperating revenues, and operating transfers	828,329	113,618	941,947
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition of capital assets	(1,957,084)	(19,123)	(1,976,207)
Contributed capital	1,357,086	-	1,357,086
Principal paid on bonds and notes	(2,466,279)	-	(2,466,279)
Net cash provided by (used in) capital and related financing activities	(3,066,277)	(19,123)	(3,085,400)
Net increase (decrease) in cash and cash equivalents	(2,237,948)	94,495	(2,143,453)
Cash and cash equivalents - January 1, 2001	10,774,359	273,216	11,047,575
Cash and cash equivalents - December 31, 2001	\$ 8,536,411	\$ 367,711	\$ 8,904,122

The notes to the financial statements are an integral part of this statement.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

For financial reporting purposes, the City of Ashland, Ohio (the "City"), includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by the City's executive or legislative branches (the Mayor or the Council, respectively). Control by the City was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligations of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

On this basis, the "reporting entity" of the City includes police and fire protection, street maintenance, parks and recreation, health and certain social services and general administration services. In addition, the City owns and operates several enterprise activities, including a waste collection, a golf course, a swimming pool, a water system, and a local sewer system.

The Ashland County Municipal Court is also included in the reporting entity within the agency funds. The Court's jurisdiction includes the City and certain other local governments and agencies within Ashland County. The Court is included since its operations are financed primarily through the budget of the City's General Fund.

The Samaritan Hospital and the Community Improvement Corporation, which are associated with the City are excluded from the accompanying general purpose financial statements. Although they perform activities within the City's boundaries and for the benefit of the City and/or its residents, they are excluded from the accompanying general purpose financial statements because the City does not exercise significant control over their operations.

B. BASIS OF PRESENTATION

Fund Accounting: The accounting policies of the City conform to generally accepted accounting principles applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB). Following is a summary of the more significant policies.

The financial transactions of the City are recorded in individual funds and account groups. The various funds and account groups are recorded by type in the general purpose financial statements. Amounts in the "total - memorandum only" columns in the general purpose financial statements represents a summation of the combined financial statement line items of the fund types and account groups and are presented

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

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Accounting: (Continued)

only for analytical purposes. The summation includes fund types and account groups that use different bases of accounting, both restricted and unrestricted amounts, interfund transactions that have not been eliminated, and the caption "amounts to be provided", which is not an asset in the usual sense. Consequently, amounts shown in the "total-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 various funds of the City are grouped into the following generic funds under the broad fund type categories governmental, proprietary, and fiduciary for financial statement presentation purposes:

GOVERNMENTAL FUNDS - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund: To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related cost.

Capital Projects Fund: This fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS: These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds and Internal Service Funds.

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS: (Continued)

Enterprise Funds: These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund: To account for the financing of goods and services provided by one department to other departments of the City on a cost reimbursement basis.

Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the City has elected not to apply Financial Accounting Standard Board Statements and Interpretations issued after November 30, 1989 to proprietary activities. The adoption of this approach to accounting for proprietary activities by the City required no change from prior years.

FIDUCIARY FUNDS: These funds account for assets held by the City as a trustee or agent for individuals, private organizations, and other units of governments. These funds are as follows.

Agency Funds: Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

General Fixed Assets Account Group: This group is used to account for all fixed assets required for general City purposes, excluding fixed assets of proprietary or trust funds.

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

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

ACCOUNT GROUPS (Continued)

General Long-Term Obligations Account Group: This group is used to account for all long-term obligations of the City, except those accounted for in proprietary or trust funds.

C. BASIS OF ACCOUNTING

Governmental and fiduciary fund types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. Revenue items, which are recognized before the related cash is received and are recorded as receivable, include income taxes arising from payroll tax withholding during the year. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation and the principal and interest of general long-term obligations, which are reported when due in conformity with generally accepted accounting principles.

Proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the accounting period earned and expenses are recognized in the period incurred.

D. BUDGETARY ACCOUNTING

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable.

The major documents prepared are the budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the departmental level or by projects.

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

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY ACCOUNTING (Continued)

- (1) The City must submit a budget of estimated cash receipts and disbursements to the County Auditor, as a Secretary of the County Budget Commission, by July 20 of each year for the following calendar year.
- (2) The County Budget Commission certifies its actions by September 1, and issues a "Certificate of Resources" limiting the maximum amount the City may expend from a given fund during the year.
- (3) About January 1, this Certificate is amended to include any unencumbered balances from the preceding year. The City must prepare its appropriations so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Resources.
- (4) A temporary appropriation measure may be passed for the period January 1 through March 31. If a temporary appropriation is made, a permanent appropriation measure must be passed before April 1, for the period January 1 through December 31. The permanent appropriations may not exceed estimated resources certified by the County Budget Commission.
- (5) Unused appropriations lapse at year-end and encumbrances are added to the ensuing year's appropriations.
- (6) All funds have annual budgets legally adopted by City Council.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end in governmental fund types are reported as a reservation of fund balances.

The City's budgetary process is based upon accounting for transactions on the cash (budgetary) basis. The difference between cash basis (budgetary basis) and the modified accrual (GAAP) basis are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP), and expenditures are recorded when paid in cash (budgetary) as opposed to when incurred (GAAP), and outstanding year end encumbrances are treated as expenditures (budgetary) rather than as a reservation of fund balance (GAAP).

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year ended December 31, 2001, on the GAAP basis to the budget basis are as follows:

Excess (Deficiency) of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$(912,242)	\$(522,938)	\$ (13,901)	\$(509,531)
Net Revenue Adjustments	7,127	89,016	-	328,779
Net Expenditure Adjustments	96,177	(196,578)	-	(39,365)
Encumbrances	<u>(70,281)</u>	<u>(272,574)</u>	<u>-</u>	<u>(465,076)</u>
Budget Basis	<u>\$(879,219)</u>	<u>\$(903,074)</u>	<u>\$ (13,901)</u>	<u>\$(685,193)</u>

E. Cash and Cash Equivalents

Cash balances of all City funds are pooled and invested in order to improve cash management. Investments are recorded at cost, which approximates market value. The City concedes certificates of deposit with a maturity of three months or less to be cash equivalents. Unless otherwise restricted, interest income is allocated to the Capital Improvement Investment Fund, a Capital Projects Fund.

F. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. The costs of inventory items are recognized as expenditures or expensed when used.

G. Prepaid Expenditures

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid expenditures. Additionally, bond issuance costs amortized over the life of the bonds are recorded as prepaid expenditures in the Enterprise Fund.

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets

Fixed assets include land, utilities, buildings, and machinery and equipment owned by the City. Infrastructure including streets, bridges, and sidewalks is not included.

Fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that financed the asset acquisition and capitalized in the General Fixed Assets Account Group.

Property and equipment acquired by proprietary funds are capitalized in those funds. All fixed assets are recorded at cost or estimated historical cost or at estimated fair market value at the time of donation.

I. Depreciation

Depreciation of fixed assets is calculated and recorded using the straight-line method over the estimated useful lives of the fixed assets in proprietary funds. Assets in the General Fixed Assets Account Group are not depreciated.

The estimated useful lives of the various classes of fixed assets range as follows:

<u>Class</u>	<u>Estimated useful Life</u>
Utilities	45 to 80 years
Buildings and Improvements	20 to 50 years
Machinery and Equipment	6 to 15 years

J. Encumbrances

On the GAAP basis, purchase orders, contracts, and other commitments for expenditures are encumbered and reported as reservations of fund balances for subsequent year expenditures in governmental funds.

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

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

The City records a liability for sick leave and other compensated absences when the obligation is attributable to services previously rendered, the obligation relates to rights that vest or accumulate, payment of the obligation is probable and the amount of the obligations can be reasonably determinable. For governmental funds, the portion of unpaid sick leave that is to be paid using current available financial resources is reported as an expenditure in the fund from which the individuals earning the vacation or sick leave are paid, with a corresponding liability reflected in the account "compensated absences payable". The long-term debt portion of the liability is reported in the General Long-Term Obligations Account Group.

In the proprietary funds, compensated absences are expensed when earned and the related liability reported within the fund.

L. Fund Balance Reserves

Reserves of fund balance in governmental fund types indicate a portion of fund balance is not available for current appropriation or is legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventories of supplies and materials, prepaid expenditures, debt service-principal and debt service-interest.

M. Grants and Other Intergovernmental Revenues

Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures/expenses are incurred.

N. Contributed Capital

Contributed capital was estimated as the amount of federal grant monies received by the City which were used to purchase enterprise fund fixed assets, plus the amount of net fixed assets of the enterprise funds acquired through capital contributions by the City or others.

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with Generally Accepted Accounting Principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. Revenues and Expenditures/Expenses

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Q. Proceeds of General Obligation Bonds and Notes

The proceeds of those general obligation bonds and notes which are accounted for in the General Long -Term Obligation Account Group are reported as "other financing sources" in the funds receiving the proceeds.

R. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including the expenditures and transfers of resources to provide services and service outstanding debt. Operating subsidies are recorded as operating transfers. The classification of amounts, if any, recorded as subsidies, advances, or equity contributions is based on the intent of the City at the time of the transactions.

S. Change in Accounting Principles

For fiscal year 2001, the City has implemented GASB statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." The statement established accounting and reporting guidelines for government's decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB statement No. 33 did not have a material effect on fund balance as it was previously reported as of December 31, 2000.

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. New Accounting Pronouncements

In June of 1999 GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, was issued. GASB Statement No. 34 establishes reporting standards for state and local governments and is effective, in three phases based on a governments total annual revenues, beginning with periods beginning June 15, 2001 and continuing through periods beginning after June 15, 2003. Management is currently evaluating the overall presentation required by GASB Statement No. 34 and believes the effect will be material. The City intends to adopt GASB Statement No. 34 in the 2002 financial statements.

2. POOLED CASH DEPOSITS AND INVESTMENTS

The Charter of the City of Ashland specifies that a Director of Finance has responsibility for selecting depositories and investing idle funds. The Director of Finance also has the authority to choose the types of deposits and investments made by the City.

The City’s policy is to limit deposits and investments to insured and/or collateralized demand deposit accounts, the State Treasurer’s investment pool, certificates of deposit, U.S. Treasury bills, or obligations of other U.S. Agencies for which the principal and interest is guaranteed by the U.S. Government. The City does not enter into reverse repurchase agreements.

Legal Requirements

Statutes require the classification of monies held by the City into three categories:

Category 1 consists of “active” monies, those monies required to be kept in a “cash” or “near-cash” status for immediate use by the City. Such monies must be maintained either as cash in the City’s treasury or in depository accounts payable or with drawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of “interim” monies, those monies that are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

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

(Continued)

2. POOLED CASH DEPOSITS AND INVESTMENTS (Continued)

Legal Requirements (Continued)

Interim monies may be invested in the following obligations. In general, investments must be mature or redeemable within five years from the date of purchase:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export - Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim monies;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

Deposits

At December 31, 2001, the carrying amount of the City's cash deposits was \$948,465 and the bank balance was \$1,138,835. In addition to deposits, the City had cash with fiscal agents in the amount of \$7,400 at year-end. Federal depository insurance covered \$300,000 of the bank balance, and all remaining deposits were covered by pooled collateral.

Investments

Investments are classified into three categories to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, or by its trust department or agent, but not in the City's name. The City's investments at December 31, 2001 have been classified as follows:

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

2. POOLED CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

<u>Description</u>	<u>Category 1</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Securities	\$4,122,635	\$ -	\$ 4,122,635	4,147,890
Star Ohio	<u>-</u>	<u>-</u>	<u>10,252,342</u>	<u>10,252,342</u>
Total Investments	<u>\$4,122,635</u>	<u>\$ -</u>	<u>\$14,374,977</u>	<u>\$14,400,232</u>

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

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$15,323,442	\$ -
Investments:		
U.S. securities	(4,122,635)	4,122,635
STAR Ohio	<u>(10,252,342)</u>	<u>10,252,342</u>
Carrying Amount	<u>\$ 948,465</u>	<u>\$14,374,977</u>

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2001.

3. PROPERTY TAXES

Real property taxes are levied on October 1 of the preceding calendar year on assessed values equal to 35% of appraised values as of January 1 of that preceding year, the lien date. The County Auditor re-appraises all real property every six years with a triennial update. The last appraisal was completed for tax year 2001.

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

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

3. PROPERTY TAXES (Continued)

The full tax rate applied to real property for the fiscal year ended December 31, 2001, was \$5.70 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$4.55 per \$1000 of assessed valuation for real property classified as residential / agricultural and \$4.87 per \$1000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2001 was \$5.70 per \$1000 of assessed valuation.

Real Property - 2001 Valuation:	
Residential / Agricultural	\$ 174,907,620
Other Real Property	59,223,030
Tangible Personal Property - 2001 Valuation:	
General	75,804,187
Public Utilities	<u>9,794,410</u>
Total Assessed Valuation	<u>\$ 319,729,247</u>

The Ashland County Treasurer collects property tax on behalf of all tax districts within the County. The County Auditor periodically remits to the taxing district their portion of the taxes collected.

Accrued taxes receivable includes delinquent taxes on outstanding and real property, personal property and public utility taxes, which became measurable as of December 31, 2001.

4. MUNICIPAL INCOME TAX

This locally levied tax of 1.5 percent is applied to gross salaries, wages and other personal services compensation earned by residents both in and out of the City and to earnings of non-residents (except certain transients) earned in the City. It also applies to net income of business organizations conducted within the City.

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

4. MUNICIPAL INCOME TAX (Continued)

Income tax revenues are distributed among the General Fund, Streets and Highway Fund, a Special Revenue Fund, the Park and Recreation Fund, a Special Revenue Fund, and the Water Fund, an Enterprise Fund, Storm Water Drainage, an Enterprise Fund and Building Expansion Fund, a capital improvement fund, The distribution was determined by ordinance 29-01.

5. INTERFUND RECEIVABLES AND PAYABLES

The following balances at December 31, 2001 represent individual fund interfund receivables and payables.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Capital Improvement	\$536,026	\$ -
Fire Rescue Equipment Replacement	-	83,096
Community Development Block Grant	-	8,800
Ohio Regional Development	-	16,858
Community Corrections	-	15,409
Cleveland/West Main/King Road	-	349,614
Brookside Golf Course	-	62,249
	<u>\$536,026</u>	<u>\$536,026</u>

6. ACCUMULATED UNPAID EMPLOYEE BENEFITS

City employees generally earn vacation ranging from two to five weeks per year based on length of service. Accumulated vacation leave can not be carried over from one year to another without the express written authorization of the Mayor. Sick leave is generally earned at the rate of 4.6 hours for every 80 hours worked and employees may accumulate on a continuing basis. Sick Leave is fully vested when earned. 25% of unused sick leave, up to the following maximums for employees who complete ten years of service plus any accumulated vacation leave, is paid at retirement or death. Sick leave accumulates up to a maximum of 688 hours for members of the Northern Ohio Patrolmen's Benevolent Association, 884 hours for members of The International Association of Fire Fighters Local 1386, AFL-CIO, 688 hours for all non-union City employees and 470 hours for AFSCME employees.

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

(Continued)

6. ACCUMULATED UNPAID EMPLOYEE BENEFITS (Continued)

For governmental fund types, accumulated vacation leave approximated \$87,527 and 25% of accumulated sick leave approximated \$541,473 at December 31, 2001. These amounts are recorded as liabilities in the General Long-Term Obligation Account Group. For proprietary funds, accumulated vacation leave approximated \$24,518 and 25% of accumulated sick leave approximated \$196,839 as of December 31, 2001. These amounts are recorded as liabilities in the respective enterprise funds.

7. PENSION PLANS

A. Police and Fireman's Disability and Pension Fund (PFDPF)

The City of Ashland contributes to the Police and Firemen's Disability and Pension Fund (PFDPF), a cost-sharing multiple-employer defined benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to PFDPF, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City of Ashland's contributions to PFDPF for the years ending December 31, 2001, 2000, and 1999 were \$715,278, \$679,616, and \$624,473 respectively, equal to the required contributions for each year.

The Fund provides post retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

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

(Continued)

7. PENSION PLANS (Continued)

A. Police and Fireman's Disability and Pension Fund (PFDPF) (Continued)

The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you-go basis. Currently 7.5% of covered payroll, the board defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's contribution to fund PFDPF pension benefit obligation was \$245,340 for police and \$324,199 for fire, .780 and .809 of the current year employer contributions, respectively. In addition, police employees contributed \$125,815 and fire contributed \$135,083 .780 and .809, respectively, of the current year employee contribution.

PFDPF, as of December 31, 2001, has 12,853 and 10,037 participants eligible to receive health care benefits for police and firemen, respectively. The City contribution made to fund post employment benefits under the PFDPF during 2001 was \$121,097 for police and \$125,432 for fire to post employment benefits.

B. Public Employees Retirement System (PERS)

Public Employees Retirement System of Ohio is a cost-sharing multiple-employer defined benefit plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City's contributions to the plan for the years ending 2001 and 2000 and 1999 were \$948,495 and \$789,809 and \$842,169 respectively, equal to the required contributions for the year.

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

(Continued)

7. PENSION PLANS (Continued)

B. Public Employees Retirement System (PERS) (Continued)

The Public Employees Retirement System of Ohio provides post-employment health care coverage to age and service retirants with ten or more years of qualifying Ohio service credits. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to the System is set aside for the funding of post retirement health care based on the authority granted by State statute.

Public Employees Retirement System of Ohio provides postretirement health care coverage to age and service retirants with 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 No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 16.7% of covered payroll; 4.3% was the portion that was used to fund health care for the year 2001.

OPEB is financed through employer contributions and investment earnings there on. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for OPEB during 2001 were \$523,599,349. As of December 31, 2001, the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. The number of benefits recipients eligible for OPEB at December 31, 2001 was 411,076. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.3% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

8. DEBT AND OTHER LONG-TERM OBLIGATIONS

A summary of notes payable and other long-term obligations follows:

	<u>Balance</u> <u>01/01/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/01</u>
<u>Enterprise Funds:</u>				
1991 Issue Pool	215,000	-	(25,000)	190,000
1990 Issue Sanitary Sewer	1,985,000	-	(1,985,000)	-
1990 Issue OWDA	2,602,206	-	(206,279)	2,395,927
2000-00 Issue Notes	<u>1,500,000</u>	<u>-</u>	<u>(250,000)</u>	<u>1,250,000</u>
	<u>\$6,302,206</u>	<u>\$ -</u>	<u>\$(2,466,279)</u>	<u>\$3,835,927</u>
 <u>General Long Term Obligations</u>				
<u>Account Group:</u>				
1991 Issue Municipal Bldg.	\$ 155,000	\$ -	\$ (20,000)	\$ 135,000
1991 Salt Storage Building	70,000	-	(10,000)	60,000
1978 Hospital Improvement	55,000	-	(55,000)	-
2000 Issue Notes	5,015,000	-	(5,015,000)	-
2001 Issue Notes	-	5,775,000	(1,250,000)	4,525,000
Compensated Absences	<u>623,470</u>	<u>5,530</u>	<u>-</u>	<u>629,000</u>
	<u>5,918,470</u>	<u>5,780,530</u>	<u>(6,350,000)</u>	<u>5,349,000</u>
 TOTAL DEBT	 <u>\$12,220,676</u>	 <u>\$ 5,780,530</u>	 <u>\$(8,816,279)</u>	 <u>\$ 9,184,927</u>

The City issued the 1978 hospital improvement bonds on behalf of Samaritan Hospital. The City retires these bonds through payments received from the hospital. The assets of certain hospital funds are pledged to repay these debts. The City would assume the responsibility for funding the payments to retire these bonds in the event of default by the hospital.

Notes payable are general obligation bond anticipation notes in which the full faith, credit, and general revenues of the City are irrevocably pledged. Such notes are issued by the City with one-year maturity. Ohio law permits the issuance and renewal of bond anticipation notes consecutively before such notes must be retired either from available funds of the City or from the proceeds of bonds issued to redeem the anticipation notes.

Bonds payable, except the water and sewer related bonds, are general obligation bonds in which the full faith, credit, and general revenues of the City are irrevocably pledged. Water and sewer related bonds are for sewer and water utility construction projects. Property and revenues of these utility facilities have been pledged to repay this debt.

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

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

It is the intention of the City that all enterprise fund obligations be paid from their operations.

A summary of annual requirements to pay principal and interest on debt outstanding at December 31, 2001 is as follows:

	<u>Enterprise Funds</u>		<u>General Long-Term Obligation Account Group</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 1,491,722	\$ 174,659	\$4,555,000	\$150,892
2003	257,694	117,451	30,000	11,302
2004	269,221	103,870	30,000	9,248
2005	289,331	89,704	35,000	7,192
2006	296,055	74,583	35,000	4,795
2007-2010	<u>1,231,904</u>	<u>140,900</u>	<u>35,000</u>	<u>2,398</u>
	<u>\$ 3,835,927</u>	<u>\$ 701,167</u>	<u>\$ 4,720,000</u>	<u>\$185,827</u>

9. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance 01/01/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/01</u>
Land and Land Improvements	\$ 3,684,652	\$ 367,313	\$ (18,995)	\$ 4,032,970
Buildings and Improvements	3,732,210	219,670	(201,832)	3,750,048
Machinery and Equipment	4,933,977	691,828	(180,579)	5,445,226
Construction in Progress	<u>4,978,922</u>	<u>177,608</u>	<u>-</u>	<u>5,156,530</u>
Total	<u>\$17,329,761</u>	<u>\$1,456,419</u>	<u>\$(401,406)</u>	<u>\$18,384,774</u>

A summary of proprietary fund property, plant, and equipment at December 31, 2001 by class and by individual Fund is as follows:

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

9. CHANGES IN GENERAL FIXED ASSETS (Continued)

ENTERPRISE

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
Land and Land Improvements	\$ 50,676	\$ 101,740	\$ 25,000
Buildings and Improvements	329,406	191,082	150,000
Utility Plant in Service	12,689,316	23,067,109	-
Construction-in-Progress	53,483	718,487	-
Machinery and Equipment	<u>659,624</u>	<u>977,062</u>	<u>602,211</u>
Total	13,782,505	25,055,480	777,211
Less Accumulated Depreciation	<u>(5,927,975)</u>	<u>(7,352,740)</u>	<u>(532,624)</u>
Net Fixed Assets	<u>\$ 7,854,530</u>	<u>\$17,702,740</u>	<u>\$ 244,587</u>

	<u>Swimming Pool</u>	<u>Golf Course</u>	<u>Total</u>
Land and Land Improvements	\$ 37,120	\$ 743,122	\$ 957,658
Buildings and Improvements	793,525	306,332	1,770,345
Utility Plant in Service	-	-	35,756,425
Construction in Progress	-	129,371	901,341
Machinery and Equipment	<u>19,957</u>	<u>512,383</u>	<u>2,771,237</u>
Total	850,602	1,691,208	42,157,006
Less Accumulated Depreciation	<u>(295,492)</u>	<u>(539,258)</u>	<u>(14,648,089)</u>
Net Fixed Assets	<u>\$ 555,110</u>	<u>\$ 1,151,950</u>	<u>\$27,508,917</u>

INTERNAL SERVICE

	<u>Tax</u>	<u>Maintenance</u>	<u>Total Internal Service</u>	<u>Total Proprietary</u>
Land and Land Improvements	\$ -	\$ -	\$ -	\$ 957,658
Buildings and Improvements	63,877	-	63,877	1,834,222
Utility Plant in Service	-	-	-	35,756,425
Construction in Progress	-	-	-	901,341
Machinery and Equipment	<u>14,831</u>	<u>20,354</u>	<u>35,185</u>	<u>2,806,422</u>
Total	78,708	20,354	99,062	42,256,068
Less Accumulated Depreciation	<u>(14,361)</u>	<u>(1,938)</u>	<u>(16,300)</u>	<u>(14,664,388)</u>
Net Fixed Assets	<u>\$64,347</u>	<u>\$18,416</u>	<u>\$ 82,762</u>	<u>\$ 27,591,680</u>

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

(Continued)

9. CHANGES IN GENERAL FIXED ASSETS (Continued)

The following is a summary of Proprietary fixed assets by category at December 31, 2001:

	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land and Land Improvements	\$ 957,658	\$ -	\$ 957,658
Buildings and Improvements	1,834,222	(643,850)	1,190,372
Utility Plant in Service	35,756,425	(12,181,114)	23,575,311
Construction in Progress	901,341	-	901,341
Machinery and Equipment	<u>2,806,422</u>	<u>(1,839,425)</u>	<u>966,997</u>
Total	<u>\$42,256,068</u>	<u>\$(14,664,388)</u>	<u>\$27,591,680</u>

10. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains five enterprise activities, which provide water, sewer, and sanitation and recreational services. Information for the year ended December 31, 2001 for these enterprise activities is summarized as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
Operating revenue	\$ 1,936,682	\$ 2,486,096	\$1,107,974
Depreciation expense	362,708	540,873	44,532
Operating income (loss)	(641,596)	447,930	(204,800)
Net Income (loss)	(445,625)	258,160	(212,835)
Total Assets	12,331,478	21,589,256	954,106
Net Working Capital	4,255,994	3,690,958	615,759
Property, plant, & equipment:			
Additions	674,729	1,139,572	-
Deletions	(10,058)	(7,003)	-
Bonds, notes and loans payable	-	3,645,927	-
Total Equity	12,110,524	17,747,772	860,347

	<u>Swimming Pool</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenue	\$ 75,749	\$ 513,126	\$ 6,119,127
Depreciation expense	18,971	35,650	1,002,734
Operating income (loss)	(22,259)	(126,984)	(547,709)
Net Income (loss)	4,869	155,548	(239,883)
Total Assets	564,470	1,279,524	36,718,834
Net Working Capital	7,919	28,923	8,599,553
Property, plant, & equipment:			
Additions	-	142,783	1,957,084
Deletions	-	(12,780)	(29,841)
Bonds, notes and loans payable	190,000	-	3,835,927
Total equity	373,029	1,180,874	32,272,546

CITY OF ASHLAND
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the City contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided is as follows:

Building and Contents – replacement cost (\$500 deductible) - \$37,572,270

Automobile Liability (\$250 deductible) - \$1,000,000

Uninsured Motorists - \$25,000

General Liability - \$2,000,000

Public Officials Liability (\$7,000 deductible) - \$1,000,000

Umbrella Coverage - \$10,000

Settled claims have not exceeded this commercial coverage in any of the past three years

12. CONTRIBUTED CAPITAL

Changes in contributed capital during the year were as follows:

Contributed Capital, January 1, 2001	\$17,093,297
From other funds	1,061,405
Development	<u>295,681</u>
Contributed Capital, December 31, 2001	<u>\$18,450,383</u>

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

(Continued)

13. SELF-INSURANCE

The City participates in a self - insurance plan for health care benefits with Professional Claims Management. The activity of the plan is recorded in the City's Internal Service Fund. Funds are transferred on a monthly basis to the Internal Service Fund from the other participating funds and paid monthly to Professional Claims Management. The claims liability of \$289,370 reported in the Internal Service Fund at December 31, 2001 is based on an estimate provided by the third party administrator and meets the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim cost, including estimates of cost relating to incurred but not reported claims, be reported. Changes in claims activity for the past year are as follows:

	<u>Claims Payable</u> <u>December 31,</u>	<u>Current Year</u> <u>Claims</u>	<u>Current Year</u> <u>Payments</u>	<u>Claims Payable</u> <u>December 31,</u>
2000	\$142,463	\$1,248,625	\$(1,213,810)	\$177,278
2001	177,278	1,415,143	(1,303,051)	289,370

14. DEFERRED REVENUES

Certain revenues, such as property taxes, that are measurable and available at year end but not received during the available period of sixty days after year end are recorded as a receivable and deferred revenue. The revenue is recognized in the subsequent year in which it is received.

15. CONTINGENT LIABILITIES

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the City at December 31, 2001.

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

CITY OF ASHLAND
ASHLAND COUNTY

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

<u>Federal Grantor/ Pass - Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>
<u>U.S. Department of HUD</u>		
Pass - Through Ohio Department of Development		
Community Development Block Grant	14.228	A-F-99-084-1 A-F-00-084-1
Total Community Development Block Grant		
Community Housing Improvement Program	14.239	A-C-99-084-2 A-C-01-084-2
Total Community Housing Improvement Program		
Total U.S. Department of HUD		
<u>U.S. Department of Transportation</u>		
Pass - Through Ohio Department of Transportation		
Public Transportation for Nonurbanized Areas	20.509	RPT-4003-019-011 RPT-0003-019-012
Total U.S. Department of Transportation		
<u>U.S. Department of Justice</u>		
COPS in School Grant	42.204	2000SHWX0793
Total Federal Financial Assistance (A)		

(A) Schedule is presented on the cash basis of accounting. Federal revenue is determined to be on the first-in, first-out basis.

<u>Program or Award Amount</u>	<u>Balance 1/1/01</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>	<u>Balance 12/31/01</u>
\$ 108,000	\$ 108,000	\$ 108,000	\$ -	\$ -
101,000	-	92,200	101,000	(8,800)
	<u>108,000</u>	<u>200,200</u>	<u>101,000</u>	<u>(8,800)</u>
345,000	-	86,390	86,390	-
228,000	-	-	20,375	(20,375)
	<u>-</u>	<u>86,390</u>	<u>106,765</u>	<u>(20,375)</u>
	<u>108,000</u>	<u>286,590</u>	<u>207,765</u>	<u>(29,175)</u>
73,201	-	73,201	73,201	-
52,682	-	38,977	38,977	-
	<u>-</u>	<u>112,178</u>	<u>112,178</u>	<u>-</u>
125,000	-	37,866	50,338	(12,472)
	<u>\$ 108,000</u>	<u>\$ 436,634</u>	<u>\$ 370,281</u>	<u>\$ (41,647)</u>

Guillan & Company

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Of Ashland Ashland County

We have audited the financial statements of the City Of Ashland, as of and for the year ended December 31, 2001, and have issued our report thereon dated June 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Ashland'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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level

**City Of Ashland
Ashland County**

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.

This report is intended for the information and use of the audit committee, management 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.

June 27, 2002

Guillan & Company

Guillan & Company

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

**City Of Ashland
Ashland County**

Compliance

We have audited the compliance of the City of Ashland 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 each of its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 of Ashland, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

**City of Ashland
Ashland County**

Internal Control Over Compliance

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

Our consideration of the internal control over 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 in 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.

This report is intended for the information and use of the audit committee, management 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.

June 27, 2002

Guillan & Company

CITY OF ASHLAND
ASHLAND COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Ashland.
2. No reportable conditions were disclosed during the audit of the financial statements of the City of Ashland.
3. No instances of noncompliance material to the financial statements of the City of Ashland disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Ashland expresses an unqualified opinion.
6. No audit findings relative to the major programs for the City of Ashland were disclosed during the audit.
7. The programs tested as major included: Community Development Block Grant (CFDA # 14.228)
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Ashland was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

none

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

none

CITY OF ASHLAND
ASHLAND COUNTY

GENERAL COMMENTS

The report was reviewed with and acknowledged by the following officials on June 27, 2002:

Nancy Boyd	Director of Finance
Lee Yarman	Accounting Specialist

These officials were informed that they had five working days for the Auditor of State and sixty days for the federal government from the date of the post audit conference to respond to, or contest, in writing, the report contents. No such response was received.

City personnel were cooperative and available for questions and assistance during regular working hours.



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OFFICE OF THE AUDITOR

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CITY OF ASHLAND

ASHLAND 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
AUGUST 8, 2002**