

**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

*General Purpose
Financial Statements*
(Audited)

For The Year Ended
December 31, 2000

JERRY ISLER, DIRECTOR OF FINANCE



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council and Mayor
City of Gahanna
200 South Hamilton Road
Gahanna, Ohio 43230

We have reviewed the independent auditor's report of the City of Gahanna, Franklin County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2000 through December 31, 2000. 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 Gahanna is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 10, 2001

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**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

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Independent Auditor's Report

Members of Council and Mayor
City of Gahanna, Franklin County
200 South Hamilton Road
Gahanna, OH 43230

We have audited the accompanying general purpose financial statements of the City of Gahanna, Franklin County, as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Gahanna'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 generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Gahanna, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2001, on our consideration of the City of Gahanna'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.

Trimble, Julian & Grube, Inc.
June 15, 2001

CITY OF GAHANNA, OHIO
 Combined Balance Sheet - All Fund Types and Account Groups
 As of December 31, 2000

	GOVERNMENTAL FUND TYPES			
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
<u>Assets And Other Debits</u>				
<u>Assets</u>				
Equity In Pooled Cash And Cash Equivalents	\$15,190,400	\$2,929,560	\$1,281,488	\$3,143,365
Cash And Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Taxes	2,092,980	198,636	192,029	0
Accounts	319,362	164,044	0	0
Due From Other Governments	449,099	491,483	871	0
Special Assessments	10,649	0	2,405	0
Accrued Interest	115,393	0	0	0
Due From Other Funds	24,722	0	0	0
Materials And Supplies				
Inventory	167,269	0	0	0
Prepaid Items	27,707	3,257	0	0
Restricted Assets:				
Cash And Cash Equivalents In Segregated Accounts	335,293	0	0	0
Fixed Assets (Net, Where Applicable, Of Accumulated Depreciation)	0	0	0	0
<u>Other Debits</u>				
Amount Available In Debt Service Fund	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
Total Assets And Other Debits	\$18,732,874	\$3,786,980	\$1,476,793	\$3,143,365

<i><u>PROPRIETARY FUND TYPE</u></i>	<i><u>FIDUCIARY FUND TYPE</u></i>	<i><u>ACCOUNT GROUPS</u></i>		<i><u>TOTALS (MEMORANDUM ONLY)</u></i>
		<i><u>GENERAL FIXED ASSETS</u></i>	<i><u>GENERAL LONG-TERM DEBT</u></i>	
<i><u>ENTERPRISE</u></i>	<i><u>AGENCY</u></i>			
\$11,044,771	\$0	\$0	\$0	\$33,589,584
0	607,848	0	0	607,848
0	0	0	0	2,483,645
1,167,420	36,030	0	0	1,686,856
3,036	0	0	0	944,489
0	0	0	0	13,054
0	0	0	0	115,393
0	0	0	0	24,722
33,366	0	0	0	200,635
6,898	0	0	0	37,862
0	0	0	0	335,293
23,786,329	0	25,371,444	0	49,157,773
0	0	0	1,282,359	1,282,359
0	0	0	5,175,467	5,175,467
0	0	0	9,000	9,000
<u>\$36,041,820</u>	<u>\$643,878</u>	<u>\$25,371,444</u>	<u>\$6,466,826</u>	<u>\$95,663,980</u>

CITY OF GAHANNA, OHIO
 Combined Balance Sheet - All Fund Types and Account Groups
 As of December 31, 2000
 (Continued)

	GOVERNMENTAL FUND TYPES			
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
<u>Liabilities, Fund Equity, And Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$570,310	\$165,349	\$0	\$7,735
Contracts Payable	415,233	500	0	6,483
Due To Other Funds	0	0	0	0
Accrued Wages	97,148	17,926	0	0
Compensated Absences Payable	43,574	4,503	0	0
Contracts Retainage Payable	145,865	3,375	0	0
Due To Other Governments	78,485	21,791	0	0
Deferred Revenue	1,209,072	198,636	194,434	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Loans Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Special Assessment Debt With Governmental Commitment	0	0	0	0
Total Liabilities	2,559,687	412,080	194,434	14,218
<u>Fund Equity And Other Credits</u>				
Investment In General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved For Encumbrances	3,431,198	359,902	0	4,957
Reserved For Inventory	167,269	0	0	0
See Accompanying Notes to the General Purpose Finar	335,293	0	0	0
Unreserved:				
Designated:				
Designated For Sick Leave/Vacation	774,346	0	0	0
Undesignated	11,465,081	3,014,998	1,282,359	3,124,190
Total Fund Equity And Other Credits	16,173,187	3,374,900	1,282,359	3,129,147
Total Liabilities, Fund Equity And Other Credits	\$18,732,874	\$3,786,980	\$1,476,793	\$3,143,365

See Accompanying Notes to the General Purpose Financial Statements.

<i><u>PROPRIETARY FUND TYPE</u></i>	<i><u>FIDUCIARY FUND TYPE</u></i>	<i><u>ACCOUNT GROUPS</u></i>		<i><u>TOTALS (MEMORANDUM ONLY)</u></i>
		<i><u>GENERAL FIXED ASSETS</u></i>	<i><u>GENERAL LONG-TERM DEBT</u></i>	
<i><u>ENTERPRISE</u></i>	<i><u>AGENCY</u></i>			
\$91,792	\$0	\$0	\$0	\$835,186
402,339	0	0	0	824,555
0	24,722	0	0	24,722
8,476	0	0	0	123,550
59,942	0	0	898,328	1,006,347
49,495	0	0	0	198,735
2,195,653	78,303	0	186,125	2,560,357
0	0	0	0	1,602,142
0	540,853	0	0	540,853
10,771	0	0	0	10,771
0	0	0	1,722,906	1,722,906
0	0	0	237,347	237,347
58,627	0	0	13,120	71,747
127,430	0	0	0	127,430
2,055,000	0	0	3,400,000	5,455,000
0	0	0	9,000	9,000
<u>5,059,525</u>	<u>643,878</u>	<u>0</u>	<u>6,466,826</u>	<u>15,350,648</u>
0	0	25,371,444	0	25,371,444
30,982,295	0	0	0	30,982,295
0	0	0	0	3,796,057
0	0	0	0	167,269
0	0	0	0	335,293
0	0	0	0	774,346
0	0	0	0	18,886,628
<u>30,982,295</u>	<u>0</u>	<u>25,371,444</u>	<u>0</u>	<u>80,313,332</u>
<u>\$36,041,820</u>	<u>\$643,878</u>	<u>\$25,371,444</u>	<u>\$6,466,826</u>	<u>\$95,663,980</u>

CITY OF GAHANNA, OHIO
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2000

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<u>Revenues:</u>					
Property Taxes	\$1,103,617	\$182,920	\$180,332	\$0	\$1,466,869
Municipal Income Tax	11,369,844	0	0	0	11,369,844
Other Local Taxes	421,627	21,260	0	0	442,887
Intergovernmental	2,529,004	1,858,985	21,443	0	4,409,432
Charges For Services	740,559	0	0	0	740,559
Licenses And Permits	470,021	4,000	0	21,697	495,718
Fines And Forfeitures	356,666	25,935	0	0	382,601
Interest	2,315,540	0	0	0	2,315,540
Miscellaneous	236,643	160,251	0	0	396,894
Total Revenues	19,543,521	2,253,351	201,775	21,697	22,020,344
<u>Expenditures:</u>					
Current Operations And Maintenance:					
Security Of Persons And Property	3,995,328	1,105,242	0	0	5,100,570
Public Health	133,985	0	0	0	133,985
Leisure Time Activities	952,816	0	0	0	952,816
Community Development	1,671,421	160,303	0	0	1,831,724
Basic Utility Services	195,172	69,524	0	0	264,696
Transportation	1,074,224	992,843	0	0	2,067,067
General Government	4,166,410	86,185	0	0	4,252,595
Capital Outlay	5,083,818	694,547	0	558,674	6,337,039
Debt Service:					
Principal Retirement	129,458	3,649	339,000	0	472,107
Interest And Fiscal Charges	107,591	103	202,412	0	310,106
Total Expenditures	17,510,223	3,112,396	541,412	558,674	21,722,705
Excess Of Revenues Over (Under) Expenditures	2,033,298	(859,045)	(339,637)	(536,977)	297,639
<u>Other Financing Sources (Uses):</u>					
Sale Of Fixed Assets	6,000	0	0	0	6,000
Operating Transfers - In	614,450	1,164,586	334,583	524,550	2,638,169
Operating Transfers - Out	(2,105,566)	(56,820)	0	0	(2,162,386)
Total Other Financing Sources (Uses)	(1,485,116)	1,107,766	334,583	524,550	481,783
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	548,182	248,721	(5,054)	(12,427)	779,422
Fund Balances At Beginning Of Year	15,497,432	3,126,179	1,287,413	3,141,574	23,052,598
Increase in Reserve For Inventory	127,573	0	0	0	127,573
Fund Balances At End Of Year	\$16,173,187	\$3,374,900	\$1,282,359	\$3,129,147	\$23,959,593

See Accompanying Notes to the General Purpose Financial Statements.

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CITY OF GAHANNA, 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, 2000

	GENERAL			SPECIAL REVENUE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property Taxes	\$ 1,103,000	\$ 1,103,617	\$ 617	\$ 165,300	\$ 182,920	\$ 17,620
Municipal Income Tax	11,397,000	11,397,975	975	0	0	0
Other Local Taxes	407,000	407,281	281	34,900	21,260	(13,640)
Intergovernmental	2,339,900	2,329,173	(10,727)	2,079,333	1,858,954	(220,379)
Charges for Services	1,545,800	750,450	(795,350)	0	0	0
Licenses and Permits	445,160	470,188	25,028	4,000	4,000	0
Fines and Forfeitures	356,000	356,666	666	0	0	0
Interest	2,146,190	2,178,853	32,663	0	0	0
Miscellaneous	195,930	199,494	3,564	18,965	25,965	7,000
Total Revenues	19,935,980	19,193,697	(742,283)	2,302,498	2,093,099	(209,399)
Expenditures:						
Current Operations and Maintenance:						
Security of Persons and Property	4,496,481	4,072,113	424,368	1,334,545	1,241,825	92,720
Public Health	135,000	133,985	1,015	0	0	0
Leisure Time Activities	1,150,921	1,004,635	146,286	1,500	0	1,500
Community Development	2,378,764	2,173,357	205,407	253,217	209,338	43,879
Basic Utility Services	1,171,592	216,076	955,516	121,421	72,994	48,427
Transportation	1,102,690	1,029,917	72,773	1,822,723	1,624,285	198,438
General Government	5,724,855	5,294,920	429,935	141,060	110,554	30,506
Capital Outlay	8,082,793	7,696,997	385,796	214,734	166,868	47,866
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	24,243,096	21,622,000	2,621,096	3,889,200	3,425,864	463,336
Excess of Revenues Over (Under) Expenditures	(4,307,116)	(2,428,303)	1,878,813	(1,586,702)	(1,332,765)	253,937
Other Financing Sources (Uses):						
Proceeds From Disposition of Fixed Assets	0	6,000	6,000	0	0	0
Operating Transfers - In	572,000	614,450	42,450	1,172,491	1,164,586	(7,905)
Operating Transfers - Out	(2,154,896)	(2,105,566)	49,330	(67,860)	(56,820)	11,040
Total Other Financing Sources (Uses)	(1,582,896)	(1,485,116)	97,780	1,104,631	1,107,766	3,135
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,890,012)	(3,913,419)	1,976,593	(482,071)	(224,999)	257,072
Fund Balances at Beginning of Year	11,482,001	11,482,001	0	2,402,752	2,402,752	0
Prior Year Encumbrances Carried Over	3,360,286	3,360,286	0	304,788	304,788	0
Fund Balances at End of Year	\$ 8,952,275	\$ 10,928,868	\$ 1,976,593	\$ 2,225,469	\$ 2,482,541	\$ 257,072

See Accompanying Notes to the General Purpose Financial Statements.

<i>DEBT SERVICE</i>			<i>CAPITAL PROJECTS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
<i>BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE FAVORABLE (UNFAVORABLE)</i>	<i>BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE FAVORABLE (UNFAVORABLE)</i>	<i>BUDGET</i>	<i>ACTUAL</i>	<i>VARIANCE FAVORABLE (UNFAVORABLE)</i>
\$ 163,209	\$ 180,332	\$ 17,123	\$ 0	\$ 0	\$ 0	\$ 1,431,509	\$ 1,466,869	\$ 35,360
0	0	0	0	0	0	11,397,000	11,397,975	975
0	0	0	0	0	0	441,900	428,541	(13,359)
19,300	21,407	2,107	0	0	0	4,438,533	4,209,534	(228,999)
0	0	0	0	0	0	1,545,800	750,450	(795,350)
0	0	0	22,497	21,697	(800)	471,657	495,885	24,228
0	0	0	0	0	0	356,000	356,666	666
0	0	0	0	0	0	2,146,190	2,178,853	32,663
0	0	0	0	0	0	214,895	225,459	10,564
182,509	201,739	19,230	22,497	21,697	(800)	22,443,484	21,510,232	(933,252)
0	0	0	0	0	0	5,831,026	5,313,938	517,088
0	0	0	0	0	0	135,000	133,985	1,015
0	0	0	0	0	0	1,152,421	1,004,635	147,786
0	0	0	0	0	0	2,631,981	2,382,695	249,286
0	0	0	0	0	0	1,293,013	289,070	1,003,943
0	0	0	0	0	0	2,925,413	2,654,202	271,211
0	0	0	0	0	0	5,865,915	5,405,474	460,441
0	0	0	533,300	558,481	(25,181)	8,830,827	8,422,346	408,481
628,319	627,003	1,316	0	0	0	628,319	627,003	1,316
337,806	336,576	1,230	0	0	0	337,806	336,576	1,230
966,125	963,579	2,546	533,300	558,481	(25,181)	29,631,721	26,569,924	3,061,797
(783,616)	(761,840)	21,776	(510,803)	(536,784)	(25,981)	(7,188,237)	(5,059,692)	2,128,545
0	0	0	0	0	0	0	6,000	6,000
775,900	756,750	(19,150)	153,300	524,550	371,250	2,673,691	3,060,336	386,645
0	0	0	0	0	0	(2,222,756)	(2,162,386)	60,370
775,900	756,750	(19,150)	153,300	524,550	371,250	450,935	903,950	453,015
(7,716)	(5,090)	2,626	(357,503)	(12,234)	345,269	(6,737,302)	(4,155,742)	2,581,560
1,286,578	1,286,578	0	3,150,642	3,150,642	0	18,321,973	18,321,973	0
0	0	0	0	0	0	3,665,074	3,665,074	0
\$ 1,278,862	\$ 1,281,488	\$ 2,626	\$ 2,793,139	\$ 3,138,408	\$ 345,269	\$ 15,249,745	\$ 17,831,305	\$ 2,581,560

CITY OF GAHANNA, OHIO
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 2000

	<u>ENTERPRISE</u>
<u>Operating Revenues:</u>	
Charges for Services	\$7,325,261
Miscellaneous	79,033
Total Operating Revenues	<u>7,404,294</u>
<u>Operating Expenses:</u>	
Personal Services	576,518
Supplies and Materials	4,055,842
Contractual Services	1,150,893
Other Operating Charges	236,719
Depreciation	564,533
Total Operating Expenses	<u>6,584,505</u>
Operating Income	<u>819,789</u>
<u>Non-Operating Expenses:</u>	
Loss on Disposal of Fixed Assets	(4,414)
Interest and Fiscal Charges	(132,001)
Total Non-Operating Revenues (Expenses)	<u>(136,415)</u>
Income Before Operating Transfers	683,374
Operating Transfers - Out	<u>(475,783)</u>
Net Income	207,591
Retained Earnings at Beginning of Year	<u>30,774,704</u>
Retained Earnings at End of Year	<u><u>\$30,982,295</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

CITY OF GAHANNA, OHIO
 Combined Statement of Revenues, Expenses, and Changes in
 Fund Balances - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For The Year Ended December 31, 2000

	<i>ENTERPRISE</i>		<i>VARIANCE</i>
	<i>BUDGET</i>	<i>ACTUAL</i>	<i>FAVORABLE</i> <i>(UNFAVORABLE)</i>
<i>Revenues:</i>			
Charges for Services	\$7,837,900	\$7,294,074	(\$543,826)
Miscellaneous	81,500	75,997	(5,503)
<i>Total Revenues</i>	7,919,400	7,370,071	(549,329)
<i>Expenses:</i>			
Personal Services	639,790	554,006	85,784
Supplies and Materials	8,373,355	7,393,171	980,184
Contractual Services	90,322	62,757	27,565
Capital Outlay	4,260,624	3,326,616	934,008
Other Operating Expenses	978,782	461,352	517,430
<i>Total Expenses</i>	14,342,873	11,797,902	2,544,971
Excess of Revenues Over (Under) Expenses	(6,423,473)	(4,427,831)	1,995,642
Operating Transfers - Out	(1,032,000)	(897,950)	134,050
Excess of Revenues Over (Under) Expenses and Transfers	(7,455,473)	(5,325,781)	2,129,692
Fund Balances at Beginning of Year	7,463,784	7,463,784	0
Prior Year Encumbrances Carried Over	4,328,783	4,328,783	0
Fund Balances at End of Year	\$4,337,094	\$6,466,786	\$2,129,692

See Accompanying Notes to the General Purpose Financial Statements.

CITY OF GAHANNA, OHIO
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended December 31, 2000

	<u>ENTERPRISE</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$7,294,074
Cash Payments for Personal Services	(532,676)
Cash Payments for Contractual Services	(37,326)
Cash Payments to Vendors for Materials and Supplies	(5,468,966)
Other Operating Revenues	75,997
Other Operating Expenses	(261,945)
Net Cash Provided By Operating Activities	<u>1,069,158</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Transfers-Out	(475,783)
Net Cash Used for Noncapital Financing Activities	<u>(475,783)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Capital Assets	(800,011)
Principal Paid on Capital Leases	(4,850)
Interest Paid on Capital Leases	(994)
Principal Paid on General Obligation Bonds	(280,000)
Principal Paid on OPWC Loans	(8,003)
Interest Paid on General Obligation Bonds	(129,493)
Interest Paid on OPWC Loans	(4,671)
Net Cash Provided By Capital and Related Financing Activities	<u>(1,228,022)</u>
Net Decrease in Cash and Cash Equivalents	(634,647)
Cash and Cash Equivalents Beginning of Year	<u>11,679,418</u>
Cash and Cash Equivalents End of Year	<u><u>\$11,044,771</u></u>
<u>Reconciliation of Operating Income to Net</u>	
<u>Cash Provided By Operating Activities:</u>	
Operating Income	\$819,789
<u>Adjustments to Reconcile Operating Income to</u>	
<u>Net Cash Provided By Operating Activities:</u>	
Depreciation	564,533
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(31,187)
Increase in Due From Other Governments	(3,036)
Increase in Materials and Supplies Inventory	(12,286)
Increase in Prepaid Items	(1,906)
Decrease in Accounts Payable	(987,744)
Increase in Contracts Payable	282,540
Increase in Contracts Retainage Payable	49,495
Increase in Due to Other Governments	355,876
Increase in Accrued Wages	1,204
Increase in Compensated Absences Payable	31,880
Net Cash Provided By Operating Activities	<u><u>\$1,069,158</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements

For The Year Ended December 31, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Gahanna (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standard Board Statements and Interpretations issued before November 30, 1989, to its proprietary activities unless they conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. THE REPORTING ENTITY

The City of Gahanna is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council-administrator form of government, was adopted by the electorate June 27, 1961, and was completely renumbered by the Clerk of Council in January, 1992.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They comprise the City's legal entity which provide various services including a public safety department, a public service department, a street maintenance department, a parks and recreation department, a senior center, and an engineering department. The City of Gahanna is also responsible for the construction, maintenance and repairs associated with the water and sewer lines, while the City of Columbus provides water and sewer treatment services. Council and the Mayor have direct responsibility for these activities.

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

The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are the entities fiscally dependent on the City:

- ▶ Mifflin Township Fire Department
- ▶ Gahanna City School District

The Gahanna Mayor's Court has been included in the City's financial statements as an agency fund. The Mayor is an elected City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City is a member of the Central Ohio Health Care Consortium (the "Pool"), a risk sharing pool which provides health insurance. The Pool, which commenced business on January 1, 1992, has thirteen members consisting of various cities, villages and townships. The members originally entered into an irrevocable agreement to remain a member of the Pool for a minimum of three years. This agreement was renewed for an additional three years on January 1, 1998. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City has no ongoing financial responsibility other than the three year minimum membership. See Note 9.

The Franklin County General Health District, a jointly governed organization, provides health services within the County. The Board of Health, with representatives from throughout the County, oversees the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers. See Note 16.

The City has an undivided interest in a fixed asset with the Gahanna Jefferson City School District. These organizations have agreed to construct and operate a maintenance facility and fueling station. See Note 17.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The following categories and fund types are used by the City:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GENERAL FUND

The general fund 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. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Gahanna and/or the general laws of Ohio.

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

CAPITAL PROJECTS FUNDS

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

PROPRIETARY FUND TYPE

The proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The following is the City's proprietary fund type:

ENTERPRISE FUNDS

The enterprise funds are used to account for the City's water and sewer operations. They are financed and operated in a manner similar to private sector business enterprises where the intent 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.

FIDUCIARY FUND TYPE

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNT GROUPS

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

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure, but are items for which financial resources have been used and for which the City maintains accountability. They are not assets of any fund, but of the City as a whole.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

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

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a 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.

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. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types and agency funds. Under this basis of accounting, the City recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 31 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term and special assessment debt are recognized as expenditures when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues accrued at the end of the year included income taxes withheld by employers, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), grants, fines and forfeitures, and reimbursements due from federal and state funded projects for which corresponding expenditures have been made.

Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessment installments to be received in governmental funds are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue as further described in Note 4.

The proprietary funds use the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

D. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

TAX BUDGET

A tax budget of estimated revenue and expenditures for each fund is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted.

ESTIMATED RESOURCES

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates, and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued during 2000.

ANNUAL ESTIMATE

The Mayor, with the assistance of the Director of Finance, is required by charter to submit to Council, on or before December 7 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

APPROPRIATIONS

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds, except agency funds, must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. One-hundred and two supplemental appropriation measures were legally enacted during 2000 by Council.

BUDGETED LEVEL OF EXPENDITURE

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made to personal services, contractual services, supplies and materials, capital outlay, debt service, operating transfers, and other operating charges within each function. The appropriations set by Council remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

ENCUMBRANCES

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

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances outstanding at year end are carried forward to the subsequent year and are not reappropriated.

E. CASH AND CASH EQUIVALENTS

Cash received by the City is deposited in a central bank account. Monies for all funds are maintained in the account or temporarily used to purchase investments. Individual fund integrity is maintained through the City's records. Each funds' interest in the pool is presented as "Equity In Pooled Cash And Cash Equivalents" on the balance sheet.

The City maintains an escrow bank account to provide for the receipts and disbursements of Ohio Department of Transportation (ODOT) monies used for highway improvements. The balance held in the escrow account is presented as "Restricted Assets: Cash and Cash Equivalents in Segregated Accounts" on the balance sheet. The City also maintains a separate fund to provide for future termination benefits. This fund is combined with the general fund for GAAP reporting purposes.

During the year, investments were limited to certificates of deposit, U.S. Treasury Notes, U. S. Government Securities, Money Market Mutual Funds, and Star Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. Open-end mutual funds are reported at fair value which is determined by the mutual funds current share price.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000.

For presentation on the Combined Balance Sheet, investments with original maturities of three months or less, and investments from the City's cash management pool are considered to be cash equivalents.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$2,315,540, which includes \$1,255,062 assigned from other funds.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. MATERIALS AND SUPPLIES INVENTORY

Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased and an expense in the proprietary funds when used. Reported materials and supplies inventory are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2000, 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 or expense is reported in the year in which services are consumed.

H. FIXED ASSETS

The fixed asset values were initially determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated. The City has established \$500 or a useful life of one year or greater, as the threshold for which fixed assets are to be reported.

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

GENERAL FIXED ASSETS

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Assets in the General Fixed Assets Account Group are not depreciated.

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

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND FIXED ASSETS

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the estimated useful life of each asset. The assets of the enterprise funds are depreciated on the following basis:

	<u>YEARS</u>
Buildings	50
Machinery And Equipment	30
Sewer and Water Lines	65

CAPITALIZATION OF INTEREST

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2000, there was no capitalized interest costs incurred on enterprise fund construction projects.

I. COMPENSATED ABSENCES

The City accrues a liability for compensated absences in accordance with the provisions of *GASB Statement No. 16, "Accounting for Compensated Absences."* Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Debt Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the General Long-Term Debt Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year end are generally considered not to have been paid with current available financial resources. Bonds, capital leases and long-term loans and notes are recognized as a liability of the General Long-Term Debt Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. RESERVES OF FUND EQUITY

Reserves of fund equity indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances, inventory of supplies and materials, and ODOT highway improvements. A designation of fund balance has been made for future termination benefits.

L. INTERFUND TRANSACTIONS

During the course of normal operations, the City has transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the enterprise funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the general fund, general capital improvement capital projects fund, or debt service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

M. INTERFUND ASSETS/LIABILITIES

Receivables and payables arising between funds for goods provided or services rendered are classified as "Due From Other Funds" or "Due To Other Funds" on the balance sheet.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. INTERGOVERNMENTAL REVENUES

In governmental funds, federal and state grants awarded on a non-reimbursement basis, state shared revenues, and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

O. 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.

P. MEMORANDUM ONLY - TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the Combined Statements Overview 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. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At year end, the carrying amount of the City's deposits was \$1,136,670, and the bank balance was \$3,276,850. Of the bank balance, \$338,617 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

Investment Type:	Category	Fair
	Two	Value
U.S. Treasury Notes	\$358,047	\$358,047
U.S. Government Securities	6,527,482	6,527,482
Money Market Mutual Funds	6,592,325	6,592,325
Star Ohio	0	19,918,201
Total Investments	\$13,477,854	\$33,396,055

Investments in Star Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in *GASB Statement No. 9*. Cash equivalents are defined to include investments with original maturities of three months or less, and the City's cash management pool.

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

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash	
	<u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$34,532,725	\$0
Investments:		
U.S. Treasury Notes	(358,047)	358,047
U.S. Government Securities	(6,527,482)	6,527,482
Money Market Mutual Funds	(6,592,325)	6,592,325
Star Ohio	(19,918,201)	19,918,201
GASB Statement No. 3	<u>\$1,136,670</u>	<u>\$33,396,055</u>

NOTE 3 - MUNICIPAL INCOME TAX

The City levies and collects an income tax of one and one half percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of eighty three and one third percent of the tax paid to another municipality that has a tax rate of one and one half percent or less, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 4 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2000 for real and public utility property taxes represents collections of 1999 taxes. Property tax payments received during 2000 for tangible personal property (other than public utility property) is for 2000 taxes.

2000 real property taxes are levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2000 real property taxes are collected in and intended to finance 2001.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after October 1, 2000, and are collected in 2001 with real property taxes.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 4 - PROPERTY TAX (Continued)

2000 tangible personal property taxes are levied after October 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2000, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$645,139,690
Public Utility Property	17,206,370
Tangible Personal Property	48,920,139
Total Property Taxes	<u><u>\$711,266,199</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Gahanna. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2000. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2000 operations. The receivable is offset by deferred revenue.

NOTE 5 - RECEIVABLES

Receivables at December 31, 2000, consisted of taxes, intergovernmental receivables arising from grants, entitlements or shared revenues, special assessments, interfund, charges for services and interest on investments. All receivables are considered fully collectible.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 5 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Fund Type/Fund</u>	<u>Amount</u>
General Fund	
Local Government	\$110,342
Local Government Revenue Assistance	10,370
Liquor Permits	295
Estate Taxes	280,429
Municipal Court Fines and Forfeitures	663
Workers' Compensation Rebate	41,562
Personal Property Exemption	5,438
Total General Fund	<u>449,099</u>
Special Revenue Funds	
Street Maintenance Fund	
Workers' Compensation Rebate	2,441
Gasoline Tax	47,703
Permissive Tax	17,802
Motor Vehicle License Tax	13,721
Total Street Maintenance Fund	<u>81,667</u>
State Highway Fund	
Workers' Compensation Rebate	100
Gasoline Tax	3,868
Motor Vehicle License Tax	1,112
Total State Highway Fund	<u>\$5,080</u>

(Continued)

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 5 - RECEIVABLES (Continued)

COPS Fast Grant Fund	
Grants	\$401,881
Court Computer Fund	
Municipal Court Fines and Forfeitures	1,650
Storm Sewer Management	
Workers; Compensation Rebate	304
Police Pension Fund	
Personal Property Exemption	901
Total Special Revenue Funds	491,483
Debt Service Fund	
Personal Property Exemption	871
Enterprise Fund	
Workers' Compensation Rebate	3,036
Total Intergovernmental Receivables	\$944,489

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 6 - FIXED ASSETS

A. GENERAL FIXED ASSETS

Changes in general fixed assets during 2000 were as follows:

Fixed Asset Type	Balance 12/31/99	Additions	Deletions	Balance 12/31/00
Land	\$8,377,521	\$1,256,494	\$0	\$9,634,015
Buildings	8,933,699	0	0	8,933,699
Improvements Other Than Buildings	1,642,582	302,179	0	1,944,761
Machinery and Equipment	2,647,556	679,182	212,006	3,114,732
Vehicles	1,532,034	241,745	29,542	1,744,237
Total General Fixed Assets	<u>\$23,133,392</u>	<u>\$2,479,600</u>	<u>\$241,548</u>	<u>\$25,371,444</u>

B. FUND FIXED ASSETS

All fund fixed assets relate to the water and sewer enterprise funds. The balances as of December 31, 2000, were as follows:

Fixed Asset Type	Water	Sewer	Balance 12/31/00
Buildings	\$994,158	\$5,578	\$999,736
Machinery and Equipment	171,094	164,297	335,391
Sewer and Water Lines	14,005,559	17,568,057	31,573,616
Construction in Progress	224,672	224,672	449,344
Total Fund Fixed Assets	<u>15,395,483</u>	<u>17,962,604</u>	<u>33,358,087</u>
Less: Accumulated Depreciation	<u>(4,171,314)</u>	<u>(5,400,444)</u>	<u>(9,571,758)</u>
Total Fund Fixed Assets (net of accumulated depreciation)	<u>\$11,224,169</u>	<u>\$12,562,160</u>	<u>\$23,786,329</u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. The contribution rates are determined actuarially. The City's contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$180,272, \$292,490, and \$256,178, respectively. The full amount has been contributed for 1999 and 1998. 82.60 percent has been contributed for 2000 with the remainder being reported as a fund liability and within the general long-term debt account group.

B. OHIO POLICE AND FIRE PENSION FUND

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police. The City has no Firefighters. For 1999, the City contributions were 12.5 percent for Police. Contributions are authorized by State statute. The City's contributions to the OP&F for police for the years ending December 31, 2000, 1999, and 1998 were \$337,713, \$329,205, and \$319,021, respectively. The full amount has been contributed for 1999 and 1998. 76.04 percent has been contributed for 2000 with the remainder being reported as a liability within the General Long-Term Debt Account Group.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually

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

The number of active contributing participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$118,528. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

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

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2000. For 1999, the percentage used to fund health care was 7 percent. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Gahanna has no fire personnel; therefore OP&F covers police personnel only.

The City's actual contributions for 2000 that were used to fund postemployment benefits was \$199,871 for police. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

NOTE 9 - EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date and allows the unused balance to be accrued at levels which depend upon years of service. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at variable rates based on years of service worked and can be accumulated without limit. Each employee with the City is paid according to their contract, the employee's earned unused sick leave upon termination from the City, or the full balance may be transferred to another governmental agency. In the event that an employee dies as the result of injuries sustained on the job, his or her estate will be paid the total allowable amount of all earned unused sick leave.

Unpaid compensated absences of \$48,077 at December 31, 2000, were reported as an accrued liability in the governmental fund types. The balance of the governmental liability is reported in the General Long-Term Debt Account Group in the amount of \$898,328. The liability for compensated absences in the proprietary funds at December 31, 2000, was \$59,942.

B. DEFERRED COMPENSATION PLAN

Employees of the City may elect to participate in the AETNA Life Insurance and Annuity Company, or the Ohio Public Employees Deferred Compensation plans created in accordance with Internal Revenue Code Section 457. Under these programs, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and state income taxation until actually received by the employee. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 9 - EMPLOYEE BENEFITS (Continued)

C. HEALTH CARE BENEFITS

On January 1, 1992, the City joined the Central Ohio Health Care Consortium, a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of thirteen political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The City pays monthly contributions to the Consortium, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the plan. The Consortium has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Plan for medical claims paid for an individual in excess of \$150,000, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Plan for aggregate claims paid in excess of \$6,789,057 to a maximum of \$1,000,000 annually. In the event that the losses of the Consortium in any year exceeds amounts paid to the Consortium, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made.

Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Sun Life Insurance Companies, respectively.

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2000, and in prior years, the City has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental and enterprise funds.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the General Fixed Assets Account Group and in the Enterprise Fund in the amount of \$88,581 and 63,477. This amount represents the present value of the minimum lease payments at the time of acquisition. The current undepreciated amount for this leased item is \$47,607 in the Enterprise Fund. A corresponding liability was recorded in the General Long-Term Debt Account Group and the Enterprise Fund. Principal payments in fiscal year 2000 totaled \$22,167 in the governmental funds and \$4,850 in the proprietary funds.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2000.

<u>Fiscal Year Ending December 31,</u>	<u>GLTDAG</u>
2001	\$13,430
Less: Amount Representing Interest	(310)
Present Value of Net Minimum Lease Payments	<u>\$13,120</u>
<u>Fiscal Year Ending December 31,</u>	<u>Enterprise</u>
2001	\$23,376
2002	23,376
2003	17,531
Total	64,283
Less: Amount Representing Interest	(5,656)
Present Value of Minimum Lease Payments	<u>\$58,627</u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 11- OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

A. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2000, was as follows:

<u>Types/Issues</u>	<u>Balance 12/31/99</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/00</u>
Enterprise Fund Obligations				
General Obligation Bonds				
Water Fund				
1991 - Star Bank Series 6.10%	\$565,000	\$0	\$150,000	\$415,000
1994 - Star Bank Series 4.90%	1,315,000	0	50,000	1,265,000
Total Water Fund	1,880,000	0	200,000	1,680,000
Sewer Fund				
1991 - Star Bank Series 6.10%	455,000	0	80,000	375,000
Total General Obligation Bonds	2,335,000	0	280,000	2,055,000
Other Long-Term Obligations				
Capital Lease	0	63,477	4,850	58,627
OPWC Loan 3.50%	135,433	0	8,003	127,430
Total Enterprise Fund Obligations	<u>\$2,470,433</u>	<u>\$63,477</u>	<u>\$292,853</u>	<u>\$2,241,057</u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 11- OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Types/Issues	Balance		Balance	
	12/31/99	Issued	Retired	12/31/00
General Long-Term Obligations				
General Obligation Bonds				
1991 - Star Bank Series 5.90%	\$290,000	\$0	\$140,000	\$150,000
1994 - Star Bank Series 4.60%	3,440,000	0	190,000	3,250,000
Total General Obligation Bonds	3,730,000	0	330,000	3,400,000
Special Assessment Bonds				
1995 - Research Road 10.88%	18,000	0	9,000	9,000
Long-Term Notes				
1999 - McCorkle Park Note variable	538,000	0	107,600	430,400
1998 - Post Office Building Notes 6.00%	1,295,846	0	3,340	1,292,506
Total Long-Term Notes	1,833,846	0	110,940	1,722,906
Long-Term Loans				
Year 2000 Loan 0.00%	237,347	0	0	237,347
Other Long-Term Obligations				
Pension Obligation	240,729	186,125	240,729	186,125
Compensated Absences	962,863	0	64,535	898,328
Capital Lease	35,287	0	22,167	13,120
Total Other Long-Term Obligations	1,238,879	186,125	327,431	1,097,573
Total All General Long-Term Obligations	\$7,058,072	\$186,125	\$777,371	\$6,466,826

The McCorkle Park has a variable interest rate that is calculated at the 90 day U.S. Treasury Bill rate in effect on January 1st of the year the payment is due. Due to the nature of the interest calculation, the interest payments will not be disclosed.

The City's overall legal debt margin was \$70,605,057 at December 31, 2000.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 11- OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity for general long-term obligations including interest of \$1,071,041 are:

Year	General Obligation	Special Assessments	Long-Term Notes	Long-Term Loans	Total
2001	\$529,845	\$9,979	\$188,600	\$237,347	\$965,771
2002	525,388	0	188,600	0	713,988
2003	525,509	0	188,600	0	714,109
2004	529,038	0	1,401,609	0	1,930,647
2005	525,933	0	0	0	525,933
2006 - 2008	1,589,846	0	0	0	1,589,846
Total	\$4,225,559	\$9,979	\$1,967,409	\$237,347	\$6,440,294

Annual debt service requirements to maturity for Enterprise Fund Obligations including interest of \$452,212 are:

Year	Water Revenue Bonds	Sewer Revenue Bonds	Sewer OPWC Loan	Total
2001	\$305,436	\$106,543	\$12,674	\$424,653
2002	307,483	105,985	12,674	426,142
2003	304,077	105,018	12,674	421,769
2004	299,837	108,465	12,674	420,976
2005	212,651	0	12,674	225,325
2006 - 2010	620,722	0	63,370	684,092
2011 - 2013	0	0	31,685	31,685
Total	\$2,050,206	\$426,011	\$158,425	\$2,634,642

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 11- OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

B. GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and refinancing of bond anticipation notes. General obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 20 year serial bonds with equal amounts of principal maturing each year. The general obligation bonds are paid with property tax revenue from the Debt Service Fund. The Enterprise general obligation bonds are paid with revenue derived from customer usage fees.

C. SPECIAL ASSESSMENT BONDS

Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefit from the project. Special assessment monies will be received in and the debt will be retired from the Debt Service Fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

D. LONG-TERM NOTE

On August 31, 1998, the City entered into an agreement to pay a promissory note in the amount of \$1,300,000 at 6.00% interest in exchange for value received of property at 109 Mill Street, Gahanna, Ohio, 43230. The notes are payable from resources from the General Fund and will be paid in full on February 28, 2004.

On June 17, 1999, the City entered into an agreement to pay a promissory note in the amount of \$538,000 at variable interest rates in exchange for value of 12.596 acres of land located within the corporation limits. The notes are payable from resources from the General Fund and will be paid in full on June 17, 2004.

E. OHIO PUBLIC WORKS COMMISSION (OPWC) LOANS

The OPWC loans consist of money owed to the Ohio Public Works Commission for various construction projects within the City. These consist of 15 or 20 year loans payable from gross revenues of the Sewer Enterprise Fund.

F. COMPENSATED ABSENCES / PENSION OBLIGATIONS

Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

G. INDUSTRIAL REVENUE BONDS

The City has two outstanding issues of industrial development revenue bonds in the amounts of \$775,000 and \$2,050,000 at December 31, 2000 for facilities used by private corporations or other entities. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bonds or the related financing instruments.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 11- OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

H. YEAR 2000 LOAN

During 1999, the City entered into a loan agreement with Franklin County as part of the Local Government Y2K Loan Program. The loan was in the amount of \$237,347 and will be paid from the General Fund in one payment in fiscal year 2001. This is an interest free loan. The proceeds were used to purchase generators for the police station and the maintenance facilities building.

NOTE 12 - CONSTRUCTION COMMITMENTS

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2000, the significant outstanding construction commitments are:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance 12/31/00</u>
Avatar	\$123,683	\$110,217	\$13,466
Clyde E. Williams	191,500	141,985	49,515
Cody Ziegler	66,600	50,600	16,000
Donald R, Kenny	675,000	450,000	225,000
E.M.H. & T.	545,940	356,508	189,432
Holt Company of Ohio	60,243	0	60,243
Jess Howard	1,021,675	262,652	759,023
Loadmaster Corp.	53,600	0	53,600
M. S. Consultants	208,094	111,632	96,462
Nickolas Savko & Sons	1,058,031	796,848	261,183
Pizzuti Land Company	1,893,021	1,778,650	114,371
Planet Ford	80,364	0	80,364
Reynolds, Inc.	1,533,222	337,711	1,195,511
Shaw & Holter, Inc.	100,000	75,775	24,225
Stonehenge	110,000	85,842	24,158
Tricar Ltd.	54,522	19,358	35,164
Total	<u>\$7,775,495</u>	<u>\$4,577,778</u>	<u>\$3,197,717</u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 13 - RISK MANAGEMENT

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance and police professional liability insurance. The City also carries Public Officials liability insurance. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The City maintains two enterprise funds which are intended to be self-supporting through user fees charged for services to the public. The water and sewer funds account for the City's water and sewer services provided to its residents. Financial segment information as of and for the year ended December 31, 2000, is presented below:

	Water Fund	Sewer Fund	Total
Operating Revenues	\$3,069,947	\$4,334,347	\$7,404,294
Depreciation Expense	246,544	317,989	564,533
Operating Income	164,480	655,309	819,789
Non-Operating Expenses	(103,337)	(33,078)	(136,415)
Operating Transfers Out	(188,957)	(286,826)	(475,783)
Net Income (Loss)	(127,814)	335,405	207,591
Net Working Capital	6,321,735	3,171,096	9,492,831
Property, Plant and Equipment Additions	426,667	373,344	800,011
Total Assets	18,908,600	17,133,220	36,041,820
Bonds and Other Long-Term			
Liabilities Payable from Revenues	1,680,000	502,430	2,182,430
Total Fund Equity	15,808,687	15,173,608	30,982,295
Encumbrances Outstanding			
At December 31, 2000	\$2,774,121	\$1,803,864	\$4,577,985

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds and note disclosure for proprietary funds (GAAP basis).
- (d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis.)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and proprietary funds are as follows:

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues And Other Financing Sources
Over (Under) Expenditures And Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$548,182	\$248,721	(\$5,054)	(\$12,427)
<u>Increases (decreases) Due To:</u>				
Revenue Accruals	(230,859)	(160,252)	(36)	0
Expenditure Accruals	31,672	159,799	0	5,150
Encumbrances Outstanding				
At Year End (Budget Basis)	(4,380,498)	(477,019)	0	(4,957)
Loss on Investments	(118,965)	0	0	0
Debt Principal Retirements	129,458	3,649	(288,003)	0
Interest Payments	107,591	103	(134,164)	
Operating Transfers	0	0	422,167	0
Budget Basis	(\$3,913,419)	(\$224,999)	(\$5,090)	(\$12,234)

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income/Excess of Revenues Under Expenses and Transfers Proprietary Fund Type	
	Enterprise
Net Income	\$207,591
<u>Increases (decreases) Due To:</u>	
Revenue Accruals	(34,223)
Expense Accruals	(267,933)
Depreciation Expense	564,533
Loss on Disposal of Fixed Asset	4,414
Acquisition of Fixed Assets	(800,011)
Encumbrances Outstanding At Year End (Budget Basis)	(4,577,985)
Operating Transfers	(422,167)
Budget Basis	<u><u>(\$5,325,781)</u></u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

FRANKLIN COUNTY GENERAL HEALTH DISTRICT

The Franklin County General Health District, a jointly governed organization, provides health services to citizens within the County. The Board of Health, with representatives from throughout the County, oversees the operation of the District. The City contributed \$133,985 during 2000 for the operation of the District. The City does not have any financial interest in or responsibility for the District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers.

NOTE 17 - UNDIVIDED INTEREST

On February 21, 1996, a contract was entered into between the Gahanna Jefferson City School District (District) and the City of Gahanna, to construct and operate a vehicle maintenance facility and fueling station. Based on the terms of the agreement, the entities will equally bear the cost related to the construction and maintenance of the facility. In addition, the City will receive a credit of \$93,980 on the construction and maintenance of this facility, representing the fair value of the 4.699 acres of land that the City deeded to the District for this project. Both entities own and maintain their respective halves of the vehicle maintenance facility, therefore, the city's undivided interest in this facility is being shown as a fixed asset in the General Fixed Asset Account Group.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 18 - OPERATING LEASES - LESSOR DISCLOSURE

The City has entered into a lease for land with the United States Postal Service. The City receives monthly payments in the amount of \$6,750. During 2000, the City received lease payments totaling \$81,000. The City will receive lease payments of \$6,750 a month until the end of the lease in February 2004.

NOTE 19 - PRIOR YEAR RESTATEMENTS

In prior years, the City did not record the full value of the assets acquired, which resulted in an understatement of fixed assets. The City also has not recorded the full value of the outstanding promissory notes and a capital lease. These corrections resulted in the following restatement of account group balances:

	<u>Amount at 12/31/99</u>	<u>Restated Amount</u>
General Fixed Assets Account Group	\$22,512,526	\$23,133,392
General Long-Term Debt Account Group	6,514,505	7,058,072

NOTE 20 - CONTINGENT LIABILITIES

A. LITIGATION

The City of Gahanna is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. Currently, the City is a defendant in a civil action filed in U.S. District Court concerning fair housing that occurred in March 1997. The City is also a defendant in a civil action filed in the Franklin County Court of Common Pleas concerning compensation for a sewer line installed by the City. The ultimate disposition of these cases, or any other such proceedings, is not presently determinable, but will not, in the opinion of the City Law Director, have a material adverse effect on the financial condition of the City.

B. FEDERAL AND STATE GRANTS

For the period January 1, 2000, to December 31, 2000, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and Mayor
City of Gahanna
200 South Hamilton Road
Gahanna, OH 43230

We have audited the financial statements of the City of Gahanna as of and for the year ended December 31, 2000, and have issued our report thereon dated June 15, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 Gahanna'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*.

Members of Council and Mayor
City of Gahanna

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gahanna's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Gahanna in a separate letter dated June 15, 2001.

This report is intended for the information of the City of Gahanna and its management and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.
June 15, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF GAHANNA

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 31, 2001**