



**CITY OF PATASKALA  
LICKING COUNTY**

**REGULAR AUDIT**

**YEAR ENDED DECEMBER 31, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF PATASKALA  
LICKING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups .....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types .....	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types .....	6
Statement of Revenues, Expenses, and Changes in Retained Earnings Proprietary Fund Type .....	8
Statement of Cash Flows - Proprietary Fund Type .....	9
Notes to the Financial Statements .....	11
Report on Compliance and Internal Control as Required By <i>Government Auditing Standards</i> .....	35
Schedule of Findings .....	37

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth St., 2nd Flr.  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

City Council  
City of Pataskala  
Licking County  
430 South Main Street  
Pataskala, Ohio 43062

We have audited the accompanying general-purpose financial statements of the City of Pataskala, Licking County, Ohio, (the City) as of and for the year ended December 31, 2000. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

As discussed in Note 2 (G), the City did not report its governmental fund land values at historical cost. The land, as presented, is reported at the assessed value as reported by the Licking County auditor at May 25, 1999. The land represents 51% or \$1,903,520, of the total general fixed asset account group assets.

In our opinion, except for the effect of valuing land at assessed value, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Pataskala, Licking County, Ohio, as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**JIM PETRO**  
Auditor of State

August 14, 2001

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CITY OF PATASKALA, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>								
<b>ASSETS:</b>								
Equity in pooled cash and cash equivalents . . .	\$221,680	\$370,080	\$30,744	\$1,600,258	\$159,195	\$0	\$0	\$2,381,957
Cash in segregated accounts . . . . .	0	0	0	0	7,594	0	0	7,594
Investments. . . . .	0	20,000	0	0	0	0	0	20,000
Receivables (net of allowances for uncollectibles):								
Taxes . . . . .	543,120	1,199,817	0	0	0	0	0	1,742,937
Accounts . . . . .	23,091	11	0	161,140	0	0	0	184,242
Accrued interest. . . . .	83	0	0	0	0	0	0	83
Special assessments. . . . .	0	27	0	0	0	0	0	27
Due from other funds. . . . .	5,964	530	0	0	0	0	0	6,494
Due from other governments. . . . .	32,456	30,033	0	0	0	0	0	62,489
Prepayments . . . . .	7,809	4,894	0	3,101	0	0	0	15,804
Materials and supplies inventory. . . . .	0	22,714	0	4,930	0	0	0	27,644
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	0	0	0	5,372,510	0	3,717,227	0	9,089,737
<b>OTHER DEBITS:</b>								
Amount available in debt service fund. . . . .	0	0	0	0	0	0	30,744	30,744
Amount to be provided for retirement of general long-term obligations. . . . .	0	0	0	0	0	0	17,853	17,853
<b>Total assets and other debits. . . . .</b>	<b>\$834,203</b>	<b>\$1,648,106</b>	<b>\$30,744</b>	<b>\$7,141,939</b>	<b>\$166,789</b>	<b>\$3,717,227</b>	<b>\$48,597</b>	<b>\$13,587,605</b>

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

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CITY OF PATASKALA, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 DECEMBER 31, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>								
<b>LIABILITIES:</b>								
Accounts payable . . . . .	\$24,881	\$36,233	\$0	\$23,467	\$0	\$0	\$0	\$84,581
Accrued wages and benefits . . . . .	20,494	28,364	0	10,522	0	0	0	59,380
Compensated absences payable . . . . .	0	0	0	10,606	0	0	40,597	51,203
Pension obligation payable . . . . .	7,649	40,958	0	5,031	0	0	0	53,638
Deferred revenue . . . . .	543,120	1,199,844	0	0	0	0	0	1,742,964
Notes payable . . . . .	0	20,000	0	1,426,000	0	0	0	1,446,000
Due to other funds . . . . .	0	0	0	0	6,494	0	0	6,494
Accrued interest payable . . . . .	0	0	0	22,991	0	0	0	22,991
Deposits held and due to others . . . . .	0	0	0	0	160,295	0	0	160,295
General obligation bonds payable . . . . .	0	0	0	850,000	0	0	0	850,000
Special assessment bonds payable . . . . .	0	0	0	0	0	0	8,000	8,000
OWDA loans payable . . . . .	0	0	0	2,570,182	0	0	0	2,570,182
<b>Total liabilities . . . . .</b>	<b>596,144</b>	<b>1,325,399</b>	<b>0</b>	<b>4,918,799</b>	<b>166,789</b>	<b>0</b>	<b>48,597</b>	<b>7,055,728</b>
<b>EQUITY AND OTHER CREDITS:</b>								
Investment in general fixed assets . . . . .	0	0	0	0	0	3,717,227	0	3,717,227
Retained earnings - unreserved . . . . .	0	0	0	2,223,140	0	0	0	2,223,140
Fund balances:								
Reserved for materials and supplies								
inventory . . . . .	0	22,714	0	0	0	0	0	22,714
Reserved for prepayments . . . . .	7,809	4,894	0	0	0	0	0	12,703
Reserved for debt service . . . . .	0	0	30,744	0	0	0	0	30,744
Unreserved-undesignated . . . . .	230,250	295,099	0	0	0	0	0	525,349
<b>Total equity and other credits . . . . .</b>	<b>238,059</b>	<b>322,707</b>	<b>30,744</b>	<b>2,223,140</b>	<b>0</b>	<b>3,717,227</b>	<b>0</b>	<b>6,531,877</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$834,203</b>	<b>\$1,648,106</b>	<b>\$30,744</b>	<b>\$7,141,939</b>	<b>\$166,789</b>	<b>\$3,717,227</b>	<b>\$48,597</b>	<b>\$13,587,605</b>

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



CITY OF PATASKALA, OHIO  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
Property and other taxes . . . . .	\$518,433	\$739,313	\$0	\$0	\$1,257,746
Charges for services . . . . .	0	235,357	0	0	235,357
Licenses, permits and fees . . . . .	92,979	1,505	0	0	94,484
Fines and forfeitures . . . . .	106,660	530	0	0	107,190
Special assessments . . . . .	0	9,050	2,243	0	11,293
Intergovernmental . . . . .	194,239	660,050	0	241,920	1,096,209
Investment income . . . . .	107,754	0	0	0	107,754
Other . . . . .	46,524	47,262	0	0	93,786
<b>Total revenue . . . . .</b>	<b>1,066,589</b>	<b>1,693,067</b>	<b>2,243</b>	<b>241,920</b>	<b>3,003,819</b>
<b>Expenditures:</b>					
<b>Current Operations:</b>					
General government . . . . .	599,708	0	0	0	599,708
Security of persons and property . . . . .	377,858	679,736	0	0	1,057,594
Public health and welfare . . . . .	25,243	0	0	0	25,243
Transportation . . . . .	0	636,550	0	0	636,550
Community environment . . . . .	74,912	0	0	0	74,912
Leisure time activity . . . . .	0	239,765	0	0	239,765
Capital outlay . . . . .	0	187,408	0	241,920	429,328
<b>Debt service:</b>					
Principal retirement . . . . .	907	0	4,000	0	4,907
Interest and fiscal charges . . . . .	9	1,932	1,500	0	3,441
<b>Total expenditures . . . . .</b>	<b>1,078,637</b>	<b>1,745,391</b>	<b>5,500</b>	<b>241,920</b>	<b>3,071,448</b>
Deficiency of revenues under expenditures . . . . .	(12,048)	(52,324)	(3,257)	0	(67,629)
<b>Other financing uses:</b>					
Operating transfers out . . . . .	(41,822)	0	0	0	(41,822)
<b>Total other financing uses . . . . .</b>	<b>(41,822)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(41,822)</b>
Deficiency of revenues under expenditures and other financing uses . . . . .	(53,870)	(52,324)	(3,257)	0	(109,451)
Fund balances, January 1 . . . . .	291,929	383,283	34,001	0	709,213
Decrease in reserve for inventory . . . . .	0	(8,252)	0	0	(8,252)
<b>Fund balances, December 31 . . . . .</b>	<b>\$238,059</b>	<b>\$322,707</b>	<b>\$30,744</b>	<b>\$0</b>	<b>\$591,510</b>

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

**CITY OF PATASKALA, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

	General			Special Revenue		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>Revenues:</b>						
Property and other taxes . . . . .	\$488,670	\$518,433	\$29,763	\$789,920	\$737,284	(\$52,636)
Charges for services. . . . .	0	0	0	241,257	235,358	(5,899)
Licenses, permits and fees . . . . .	89,005	92,979	3,974	500	1,505	1,005
Fines and forfeitures . . . . .	102,304	106,873	4,569	0	0	0
Intergovernmental. . . . .	144,577	151,033	6,456	534,649	660,029	125,380
Special assessments. . . . .	0	0	0	14,647	14,251	(396)
Investment income . . . . .	63,448	66,281	2,833			0
Other. . . . .	40,666	42,482	1,816	21,447	42,026	20,579
Total revenues . . . . .	928,670	978,081	49,411	1,602,420	1,690,453	88,033
<b>Expenditures:</b>						
Current:						
General Government	707,868	582,365	125,503	0	0	0
Security of persons and property . . . . .	426,023	436,755	(10,732)	678,475	661,324	17,151
Public health and welfare . . . . .	25,275	25,275	0	0	0	0
Transportation . . . . .	0	0	0	712,871	653,330	59,541
Community environment . . . . .	99,716	73,241	26,475	0	0	0
Leisure time activity . . . . .	0	0	0	423,048	238,113	184,935
Utility services . . . . .	0	0	0	0	0	0
Capital outlay. . . . .	0	0	0	284,744	186,410	98,334
Debt service:						
Principal retirement. . . . .	0	0	0	0	0	0
Interest and fiscal charges . . . . .	0	0	0	0	0	0
Total expenditures . . . . .	1,258,882	1,117,636	141,246	2,099,138	1,739,177	359,961
Excess (deficiency) of revenues over (under) expenditures . . . . .	(330,212)	(139,555)	190,657	(496,718)	(48,724)	447,994
Fund balances, January 1 . . . . .	361,235	361,235	0	438,804	438,804	0
Fund balances, December 31 . . . . .	\$31,023	\$221,680	\$190,657	(\$57,914)	\$390,080	\$447,994

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

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Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$1,278,590	\$1,255,717	(\$22,873)
0	0	0	0	0	0	241,257	235,358	(5,899)
0	0	0	0	0	0	89,505	94,484	4,979
0	0	0	0	0	0	102,304	106,873	4,569
0	0	0	241,920	241,920	0	921,146	1,052,982	131,836
3,000	5,481	2,481	0	0	0	17,647	19,732	2,085
0	0	0	0	0	0	63,448	66,281	2,833
0	0	0	0	0	0	62,113	84,508	22,395
<u>3,000</u>	<u>5,481</u>	<u>2,481</u>	<u>241,920</u>	<u>241,920</u>	<u>0</u>	<u>2,776,010</u>	<u>2,915,935</u>	<u>139,925</u>
0	0	0	0	0	0	707,868	582,365	125,503
0	0	0	0	0	0	1,104,498	1,098,079	6,419
0	0	0	0	0	0	25,275	25,275	0
0	0	0	0	0	0	712,871	653,330	59,541
0	0	0	0	0	0	99,716	73,241	26,475
0	0	0	0	0	0	423,048	238,113	184,935
0	0	0	0	0	0	0	0	0
0	0	0	241,920	241,920	0	526,664	428,330	98,334
43,686	4,000	39,686	0	0	0	43,686	4,000	39,686
1,500	1,500	0	0	0	0	1,500	1,500	0
<u>45,186</u>	<u>5,500</u>	<u>39,686</u>	<u>241,920</u>	<u>241,920</u>	<u>0</u>	<u>3,645,126</u>	<u>3,104,233</u>	<u>540,893</u>
(42,186)	(19)	42,167	0	0	0	(869,116)	(188,298)	680,818
30,763	30,763	0	0	0	0	830,802	830,802	0
<u>(\$11,423)</u>	<u>\$30,744</u>	<u>\$42,167</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$38,314)</u>	<u>\$642,504</u>	<u>\$680,818</u>

CITY OF PATASKALA, OHIO  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services . . . . .	\$1,639,833
 Total operating revenues . . . . .	 1,639,833
Operating expenses:	
Personal services . . . . .	318,160
Contract services . . . . .	157,815
Materials and supplies . . . . .	63,625
Depreciation . . . . .	181,740
Other operating expense . . . . .	78,179
 Total operating expenses . . . . .	 799,519
 Operating income . . . . .	 840,314
Nonoperating revenues (expenses):	
Interest expense and fiscal charges. . . . .	(351,881)
Loss on sale of fixed assets. . . . .	(221)
Other nonoperating revenues. . . . .	21
 Total nonoperating expenses . . . . .	 (352,081)
 Net income before operating transfers . . . . .	 488,233
 Operating transfers in . . . . .	 41,822
 Net income . . . . .	 530,055
Retained earnings, January 1 . . . . .	1,693,085
Retained earnings, December 31 . . . . .	\$2,223,140

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

CITY OF PATASKALA, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from charges for services . . . . .	\$1,605,091
Cash payments for personal services . . . . .	(317,362)
Cash payments for contract services . . . . .	(201,686)
Cash payments for materials and supplies . . . . .	(62,972)
Cash payments for other expenses . . . . .	(79,478)
	943,593
Net cash provided by operating activities . . . . .	943,593
Cash flows from noncapital financing activities:	
Cash received from nonoperating activities . . . . .	21
Transfers in from other funds . . . . .	41,822
	41,843
Net cash provided by noncapital financing activities . . . . .	41,843
Cash flows from capital and related financing activities:	
Acquisition of capital assets . . . . .	(924,052)
Proceeds from issuance of notes . . . . .	1,426,000
Principal retirement . . . . .	(1,689,772)
Interest paid . . . . .	(340,053)
	(1,527,877)
Net cash used in capital and related financing activities . . . . .	(1,527,877)
Net cash provided by investing activities . . . . .	0
Net decrease in cash and cash equivalents . . . . .	(542,441)
Cash and cash equivalents at January 1 . . . . .	2,142,699
Cash and cash equivalents at December 31 . . . . .	\$1,600,258
Reconciliation of operating income to net cash provided by operating activities:	
Operating income . . . . .	\$840,314
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation . . . . .	181,740
Changes in assets and liabilities:	
Increase in accounts receivable . . . . .	(34,742)
Decrease in materials and supplies inventory . . . . .	320
Decrease in prepayments . . . . .	401
Decrease in accounts payable . . . . .	(42,817)
Increase in accrued wages and benefits . . . . .	4,539
Increase in compensated absences payable . . . . .	294
Decrease in pension obligation payable . . . . .	(4,436)
Decrease in due to other governments . . . . .	(2,020)
	(2,020)
Net cash provided by operating activities . . . . .	\$943,593

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

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**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The City of Pataskala, Licking County, Ohio (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a government that is directed by a publicly-elected seven-member Council, and a Mayor. The city administrator is the chief executive officer, and the finance director is the chief fiscal officer. The City provides the following services: general government, including water and sewer utilities, police protection, parks and recreation, public health, street maintenance and community development.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Pataskala have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. REPORTING ENTITY**

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading consistent with GASB Statement No. 14, The Financial Reporting Entity. Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU's cooperative power, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City and for which the City is accountable. The primary government includes the City departments and agencies that provide the following services: police protection, street maintenance and repairs, building inspection, parks and recreation, and water and sewer services. The preceding financial statements include all funds and account groups of the City (the primary government). The City has no component units, but is a member of two insurance purchasing pools, described in Note 17. The following organization is described due to its relationship with the City.

*JOINTLY GOVERNED ORGANIZATION*

West Licking Joint Fire District - The West Licking Joint Fire District, a jointly governed organization, is a political subdivision governed by a board of trustees which possesses its own contracting and budgeting authority. The board of trustees consists of one representative from each of the participating governments; the City of Pataskala, the Village of Kirkersville, Harrison Township, Etna Township, City of Reynoldsburg, Jersey Township and Southwest Licking County Water and Sewer District. The City made no contributions during 2000 for the operation of the District.

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Southwest Licking Community Water and Sewer District - The Southwest Licking Community Water and Sewer District, a jointly governed organization, is a political subdivision governed by a board of trustees which possesses its own contracting and budgeting authority. The board of trustees are appointed by majority vote of the City Council. The City made no contributions during 1999 for the operation of the District.

**B. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate.

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

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

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

**GOVERNMENTAL FUNDS:**

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balance of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types.

General Fund - The general fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.



**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**PROPRIETARY FUNDS:**

Enterprise Funds- The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**FIDUCIARY FUNDS:**

Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds have no measurement focus (i.e., assets equal liabilities), and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

**ACCOUNT GROUPS:**

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

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

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

**C. BASIS OF ACCOUNTING**

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

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

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

The modified accrual basis of accounting is utilized for reporting purposes by the governmental funds. Under this method of accounting, the City recognizes revenue and other financing sources when they become both measurable and available (i.e., collectible within the current period or within 60 days thereafter) to finance current City operations. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues considered susceptible to accrual at the end of the year include income taxes, interest on investments, state-levied locally shared taxes (including motor vehicle license fees, gasoline taxes, and local government assistance), and reimbursements due from federally funded projects for which corresponding expenditures have been made. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Delinquent special assessments and property taxes, as well as special assessment installments not due in the current year, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2000 but not intended to finance 2000 activities have also been recorded as deferred revenue. 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. 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**

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

**TAX BUDGET**

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

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**ESTIMATED RESOURCES**

The County Budget Commission determines if the budget justifies the need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the finance director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

**APPROPRIATIONS**

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

**LAPSING OF APPROPRIATIONS**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances outstanding at year-end are canceled and the resulting unencumbered funds may be reappropriated in the subsequent fiscal year.

**ENCUMBRANCES**

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

The Ohio Revised Code prohibits expenditures plus encumbrances (if any) at year end from exceeding appropriations. On the GAAP basis encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 15 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting.

**CITY OF PATASKALA, OHIO**  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. CASH AND CASH EQUIVALENTS**

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

During fiscal year 2000, investments were limited to certificates of deposit and a money market mutual fund. 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 and money market mutual funds are reported at cost.

Following Ohio statutes and other legal provisions, the City Council has specified the funds to receive an allocation of interest earnings. The General fund was credited with more interest revenue than would have been received based upon its share of the City's internal investment pool during 2000 as follows:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Cash Fund Balance</u>	<u>Interest Assigned from Other Funds</u>
General	\$107,754	\$11,467	\$96,287

The City has a segregated bank account for monies held separate from the City's central bank account. This interest bearing depository account is presented on the combined balance sheet as "cash in segregated accounts" since it is not required to be deposited into the City treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent they are purchased from a specific fund.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. PREPAID ITEMS**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**CITY OF PATASKALA, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. FIXED ASSETS**

Using a threshold of \$500, the City has capitalized fixed assets as follows:

Assets reported in the General Fixed Assets Account Group are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year; however, land has been capitalized at the Licking County Auditor's "assessed" value as of May 25, 1998. This valuation is a departure from generally accepted accounting principles. No depreciation is recognized for assets in the General Fixed Assets Account Group. Although optional by current reporting standards, the City has elected to include infrastructure in the General Fixed Assets Account Group, in the amount of \$28,000.

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction and engineering fees where applicable. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (Years)
Machinery, equipment, furniture and fixtures	5 - 20
Buildings	40 - 60
Improvements other than buildings	20 - 50

The City's fixed assets are described in Note 8.

**H. 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 are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Special assessment bonds and capital leases are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

**I. COMPENSATED ABSENCES**

The liability for compensated absences is based on 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 employer will compensate the employees for the benefits through paid time off or some other means.

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The total liability for vacation payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by city ordinance and/or policy, plus applicable additional salary related payments.

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

**J. FUND EQUITY**

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, inventories, prepaids and available debt service equity are recorded as reservations of fund balance.

**K. INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.
5. Non-recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

**CITY OF PATASKALA, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. INVENTORY**

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

**M. ESTIMATES**

The preparation of financial statements in conformity with GAAP 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.

**N. FINANCIAL REPORTING FOR PROPRIETARY AND SIMILAR FUND TYPES**

The City's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**O. MEMORANDUM ONLY - TOTAL COLUMNS**

The "total" columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. BUDGETARY NON-COMPLIANCE**

- i The following fund accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Fund/Account</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Permissive Tax Fund	\$ 1,440
Police Levy Fund	33,772

**CITY OF PATASKALA, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

- ii. The following funds had appropriations in excess of estimated revenues plus available balances for the fiscal year ended December 31, 2000:

<u>Fund Type/Fund</u>	<u>Excess</u>
General Fund	\$19,000
 <u>Special Revenue Funds</u>	
Street Fund	45,000
State Highway	2,552
Park Use	500
COPSPast	49,815
 <u>Debt Service Fund</u>	
Street Bond	11,423

**B. DEFICIT BALANCES**

The following fund reported a deficit fund balance as of December 31, 2000:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Police Levy	\$34,830

This fund deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

**A. LEGAL REQUIREMENTS**

Moneys held by the City are classified by State statute into two categories. Active moneys are public moneys determined to be necessary to meet current demand upon the City treasury. Active moneys 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.

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 moneys deposited with the institution.

Moneys held by the City which are not considered active are classified as inactive. Inactive moneys may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;



**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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;
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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash in Segregated Accounts* - At year end, \$7,594 was on deposit in a segregated account for the Mayor's Court, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**B. DEPOSITS**

At year-end, the carrying amount of the City's deposits was \$1,876,189 and the bank balance was \$1,976,717. Both amounts include non-negotiable certificates of deposit and deposits in segregated accounts. Of the bank balance:

1. \$266,987 was covered by federal depository insurance; and
2. \$1,709,730 was uninsured and uncollateralized. Although 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.

**C. INVESTMENTS**

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

	Fair Value
Investments Not Subject to Categorization:	
Money Market Mutual Funds	\$533,362
Total Investments	\$533,362

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

A reconciliation between the classifications of pooled cash, cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
Per GASB Statement No. 9	\$2,381,957	\$ 20,000
Combined Balance Sheet Reclassifications:		
Money Market Mutual Funds	(533,362)	533,562
Certificates of Deposit	20,000	<u>(20,000)</u>
Total GASB Statement No. 3 Investments		<u>\$ 533,562</u>
Cash in Segregated Accounts	7,594	
Total Carrying Amount of Deposits Per GASB Statement No. 3	\$1,876,189	

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized reconciliation of the City's operating transfers for 2000:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$0	\$(41,822)
<u>Enterprise Funds</u>		
Water	\$22,638	
Sewer	<u>19,184</u>	<u>0</u>
Totals	<u>\$41,822</u>	<u>\$(41,822)</u>

B. Interfund balances at December 31, 2000 which relate to quasi-external transactions, consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$5,964	\$0
<u>Special Revenue Fund</u>		
Mayor's Court Computer	530	0
<u>Agency Fund</u>		
Mayor's Court	<u>0</u>	<u>6,494</u>
Total All Funds	<u>\$6,494</u>	<u>\$6,494</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts 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 by September 20.

**CITY OF PATASKALA, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE 6 - PROPERTY TAXES - (Continued)**

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Pataskala. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2000 was \$12.40 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:

Real Property	\$151,899,520
Public Utility	9,978,970
Tangible Personal Property	<u>6,094,130</u>
Total Valuation	<u>\$167,972,620</u>

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2000 primarily consisted of taxes, accounts, intergovernmental receivables and interest on investments. All receivables are considered fully collectible.

A summary of principal receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Real and Other Taxes	\$ 543,130
Due From Other Governments	32,456
Accounts	23,091
<u>Special Revenue Funds</u>	
Real and Other Taxes	1,199,817
Due from other Governments	30,033
<u>Enterprise Funds</u>	
Water	
Accounts	79,524
Sewer	
Accounts	81,616

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 8 - FIXED ASSETS**

A. A summary by class of the changes in general fixed assets during the fiscal year is as follows:

	Balance <u>1/1/01</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/00</u>
Land	\$1,903,520			\$1,903,520
Land Improvements	61,660			61,660
Buildings	645,935			645,935
Machinery & Equipment	368,974	\$ 900		369,874
Vehicles	<u>658,282</u>	<u>77,956</u>		<u>736,238</u>
<b>Total General Fixed Assets</b>	<b><u>\$3,638,371</u></b>	<b><u>\$78,856</u></b>	<b><u>\$ 0</u></b>	<b><u>\$3,717,227</u></b>

B. A summary of the proprietary fund property, plant, and equipment at December 31, 2000 is as follows:

	Balance <u>12/31/00</u>
Land	\$ 22,000
Land Improvements	131,716
Buildings	3,627,136
Vehicles	113,663
Machinery and Equipment	1,038,517
Sewer/Water Mains	1,616,745
Construction in Progress	<u>807,726</u>
Total Gross Assets	7,357,503
Less: Accumulated Depreciation	<u>(1,984,993)</u>
<b>Total Net Assets</b>	<b><u>\$ 5,372,510</u></b>

**NOTE 9 - LONG TERM OBLIGATIONS**

A. Long-term debt obligations of the City at December 31, 2000 were as follows:

	<u>Maturity Date</u>	Balance January 1, 2000	<u>(Retired)</u>	Balance December 31, 2000
<b>General Long-Term Obligations:</b>				
Special Assessment Bonds 12.50%	2002	\$ 12,000	\$ (4,000)	\$ 8,000
<b>Total General Long-Term Obligations</b>		<b><u>\$ 12,000</u></b>	<b><u>\$ (4,000)</u></b>	<b><u>\$ 8,000</u></b>
<b>Enterprise Fund Obligations:</b>				
Sewer Bond 5.50% - 6.125%	2019	\$ 875,000	\$ (25,000)	\$ 850,000
Water OWDA Loan 10.57%	2011	937,842	(48,562)	889,280
Sewer OWDA Loan 7.55%	2009	<u>1,791,112</u>	<u>(110,210)</u>	<u>1,680,902</u>
<b>Total Enterprise Fund Obligations</b>		<b><u>\$3,603,954</u></b>	<b><u>\$(183,772)</u></b>	<b><u>\$3,420,182</u></b>

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 9 - LONG TERM OBLIGATIONS - (Continued)**

Special assessment bonds will be paid from the proceeds of special assessments levied against the property owners who are primarily benefitted from the project. In the event that property owners fail to make their payments, the City is responsible for providing the resources to meet annual principal and interest payments.

The sewer bonds are general obligation revenue bonds, which are supported by the full faith and credit of the City. The bonds will be retired with operating revenues of the sewer fund to the extent such revenues are available, or from the general operating revenues of the City.

The OWDA loans are general obligations of the City, expected to be repaid from operating revenues of the water and sewer funds, respectively.

- B. The following is a summary of the City's future annual debt service requirements to maturity for long-term debt obligations:

Years	Special Assessment Bonds		Enterprise General Obligation Bonds		Enterprise OWDA Loans		Total Long-Term Obligations
	Principal	Interest	Principal	Interest	Principal	Interest	
2001	\$4,000	\$1,000	\$ 25,000	\$ 51,552	\$ 171,698	\$ 211,212	\$ 464,462
2002	4,000	500	25,000	50,114	185,686	197,222	462,522
2003	0	0	30,000	48,640	200,830	182,080	461,550
2004	0	0	30,000	46,870	217,221	165,597	459,688
2005	0	0	30,000	45,100	234,968	147,941	458,009
2006 - 2010	0	0	190,000	194,600	1,496,976	417,612	2,299,188
2011 - 2015	0	0	255,000	129,544	62,803	5,931	453,278
2116 - 2119	0	0	265,000	41,651	0	0	306,651
<b>Total</b>	<b>\$8,000</b>	<b>\$1,500</b>	<b>\$850,000</b>	<b>\$608,071</b>	<b>\$2,570,182</b>	<b>\$1,327,595</b>	<b>\$5,365,348</b>

- C. Changes in other long-term obligations of the City during 2000 were as follows:

	Outstanding 1/1/00	Additions	(Reductions)	Outstanding 12/31/00
Other General Long-Term Obligations:				
Compensated Absences	\$46,459	\$0	\$(5,862)	\$40,597
Capital Lease Obligation	907	0	(907)	0
<b>Total Other General Long-Term Obligations</b>	<b>\$47,366</b>	<b>\$ 0</b>	<b>\$(6,769)</b>	<b>\$40,597</b>

**CITY OF PATASKALA, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE 9 - LONG TERM OBLIGATIONS - (Continued)**

Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. The capital lease obligation will be paid from operating revenues of the General fund.

- D. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2000, the City's total debt margin was \$14,247,687, and the unvoted debt margin was \$5,818,312. Both amounts include available funds of \$30,744.

**NOTE 10 - NOTES PAYABLE**

The City had the following general obligation notes outstanding at December 31, 2000:

	<u>Issue Date</u>	<u>Balance 1/1/00</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/00</u>	<u>Maturity Date</u>
<u>General Obligation Notes</u>						
<u>Special Revenue Fund:</u>						
Capital Improvements						
- Infrastructure - 5.50%	12/27/00	\$ 35,000	\$ 20,000	\$ (35,000)	\$ 20,000	12/27/01
<u>Enterprise Fund:</u>						
Sewer System Expansion - 5.58%	08/05/00	123,000	93,000	(123,000)	93,000	8/4/01
Water Tower Construction - 4.74%	03/03/00	503,000	453,000	(503,000)	453,000	3/2/01
Water System Expansion - 5.05%	10/28/00	880,000	880,000	(880,000)	880,000	3/1/01
Total General Obligation Notes		<u>\$1,541,000</u>	<u>\$1,446,000</u>	<u>\$(1,541,000)</u>	<u>\$1,446,000</u>	

A general obligation note, with an interest rate of 5.5%, was issued in 1999 to cover the City's share of the costs for a capital improvements project for the City's infrastructure. The project was largely financed with State of Ohio funds. The City renewed \$20,000 of this note at an interest rate of 5.50% in 2000. General obligation notes are the direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

The City issued a note with an interest rate of 4.29% in 1999 for sewer system expansion. The City renewed \$93,000 of this note at an interest rate of 5.58% in 2000. Property and revenue of the municipal sanitary sewer system has been pledged to repay this debt.

The City issued a note with an interest rate of 3.68% in 1999 for construction of a water tower. The City renewed \$453,000 of this note at an interest rate of 4.74% in 2000, for the purpose of acquiring, constructing and equipping the City's waterworks and water supply. Property and revenue of the municipal water system has been pledged to repay this debt.

A \$880,000 bond anticipation note with an interest rate of 4.46% was issued in 1999 for water system expansion. The City renewed \$880,000 at an interest rate of 5.05% in 2000. Property and revenue of the municipal water system has been pledged to repay this debt.

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In 1997, the City entered into a capitalized lease agreement for the acquisition of a copier, which was accounted for as a capital outlay expenditure and other financing source - proceeds of capital lease in the General fund.

The terms of the lease agreement provide an option to purchase the equipment. This lease meets the criteria of a capital lease as defined by FASB No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental fund Types and Expendable Trust Fund. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$5,789, which is equal to the present value of the future minimum lease payments as of the date of lease inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$907, which retired the City's capital lease obligation. This amount is reflected as debt service principal retirement in the General fund.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All Pataskala City full-time employees, other than uniformed employees, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2000 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The PERS Retirement Board instituted a temporary employer rate rollback for calendar year 2000. The rate rollback was 20% for local government subdivisions and 6% for law enforcement divisions. The employer contribution rate for employees other than law enforcement was 10.84 percent of covered payroll; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for law enforcement employees was 15.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2000. The City's contributions for pension obligations to PERS for the years ended December 31, 2000, 1999, and 1998 were \$84,231, \$102,548 and \$102,184, respectively; 82 percent has been contributed for 2000 and 100 percent for 1999 and 1998. \$15,028, representing the unpaid contribution for 2000, is recorded as a liability within the respective funds.



**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND**

Full-time uniformed employees of the City participate in the Police and Firemen's Disability and Pension Fund of Ohio (PFDPF), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. This is a single retirement system with one administration that provides retirement benefits to two classes of employees. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. PFDPF issues a stand-alone financial report which may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24 percent for police officers and firefighters, respectively. The City's contributions for pension obligations to the PFDPF for the years ended December 31, 2000, 1999, and 1998 were \$118,784, \$111,717, and \$104,744, respectively; 71 percent has been contributed for 2000 and 100 percent for the years 1999 and 1998. \$34,763, representing the unpaid contributions for 2000, is recorded as a liability within the respective funds.

**NOTE 13 - POSTRETIREMENT BENEFIT PLANS**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employers was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The City's contribution actually made to fund post employment benefits was \$33,452.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

During 2000, the PERS Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based upon a December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

**B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND**

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

The health care coverage provided by the retirement system is considered another Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 1999 was 12,467 for police and 9,807 for firefighters. The City's actual contributions for 2000 that were used to fund postemployment benefits were \$31,815 for police and \$10,045 for fire. The Fund's total health care expense for the year ended December 31, 1999 (the latest information available) were \$95 million.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**COMPENSATED ABSENCES**

Employees earn vacation at different rates which are also affected by length of service. Vacation cannot be carried over, however, all employees get a full year's accrual of vacation on January 1 of the following year.

As of December 31, 2000, the liability for unpaid compensated absences in governmental fund types was \$40,597, and that amount was reported in the General Long-Term Obligations Account Group. \$10,606 was the liability for non-current compensated absences reported in the Enterprise fund. The total liability for the City's compensated absences for all fund types and account groups was \$51,203.

**CITY OF PATASKALA, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- 4) Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

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

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES  
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES**

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Debt Service Fund
Budget Basis	\$(139,555)	\$(48,724)	\$ (19)
Adjustments:			
Net Adjustment for Revenue Accruals	88,508	2,614	(3,238)
Net Adjustment for Expenditure Accruals	38,999	(6,214)	0
Net adjustment for Other Financing Sources (Uses) Accruals	<u>(41,822)</u>	<u>0</u>	<u>0</u>
GAAP Basis	<u>\$ (53,870)</u>	<u>\$(52,324)</u>	<u>\$(3,257)</u>

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains three enterprise funds, two of which are intended to be self-supporting from user fees charged for services provided to consumers for water and sewer, while the other fund is used to account for operations at Highland Hills. Segment information for the year ended December 31, 2000 is as follows:

	Water Fund	Sewer Fund	Highland Hills	Total
Operating revenues	\$ 875,426	\$ 764,407	\$ 0	\$1,639,833
Depreciation	83,601	98,139	0	181,740
Operating income (loss)	365,723	477,127	(2,536)	840,314
Net income (loss)	227,478	305,113	(2,536)	530,055
Additions to property, plant and equipment	911,226	12,826	0	924,052
Net working capital	442,517	(2,104,767)	891	(1,662,250)
Total assets	3,753,144	3,387,904	891	7,141,939
Long-term liabilities payable from fund revenues	894,583	2,536,205	0	3,430,788
Total equity	1,478,982	743,267	891	2,223,140

**NOTE 17 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is part of the Ohio Government Risk Management Plan, an insurance purchasing pool, for all property, crime, liability, boiler and machinery, and public official liability. The City has transferred its risk of loss to the insurance carrier to the extent of the respective policy limitations.

The City participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald Company. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

**CITY OF PATASKALA, OHIO**  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2000

**NOTE 18 - CONTINGENT LIABILITIES**

**A. GRANTS**

The City receives financial assistance from various federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2000.

**B. LITIGATION**

The City is involved in a zoning lawsuit. The City's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the City.

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

City Council  
City of Pataskala  
Licking County  
430 South Main Street  
Pataskala, Ohio 43062

We have audited the general-purpose financial statements of the City of Pataskala, Licking County, Ohio (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated August 14, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-20645-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 14, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-20645-002 and 2000-20645-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2000-20645-002 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 14, 2001.

City Council  
City of Pataskala  
Licking County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**JIM PETRO**  
Auditor of State

August 14, 2001



**CITY OF PATASKALA  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2000-20645-001</b>
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Ohio Rev. Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification of funds was not obtained for ninety percent (90%) of the expenditures tested.

The City Auditor should certify funds before each payment is made through the issuance of a regular, blanket or super blanket purchase order. Blanket certificates should be issued for a specific line item. Blanket certificates should be canceled at the end of each fiscal year and should not exceed \$5,000 or three months in duration. A super blanket purchase order can be completed for amounts over \$5,000 from a specific line item or account, in a specific fund, for most recurring or reasonable predicable operating expenditures.

Also, as an alternative, the City Auditor can issue then and now certificates for expenses up to \$1,000. Then and now certificates allows the City Auditor to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the City Auditor without subsequent authorization from Council. However, then and now certificates issued in excess of \$1,000 must be authorized by Council within thirty days after payment.

<b>Finding Number</b>	<b>2000-20645-002</b>
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**Fixed Assets**

The City's land values, as presented in the general fixed asset account group, are reported at the assessed value as reported by the Licking County Auditor, at May, 1998. This was the City's estimate of its land historical cost. The assessed value is an extrapolated amount from the land's market value at the time of review. Thirty-five percent of the market value is said to be the assessed value. The assessed values are commonly used as the base for which tax rates are applied in the calculation of real estate taxes owed on the property.

Generally accepted accounting principles (GAAP) requires that governmental assets be valued at cost or estimated cost. The City should locate the applicable deeds for the land in order to properly value it in accordance with applicable accounting principles.

CITY OF PATASKALA  
LICKING COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

Finding Number	2000-20645-003
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**Fixed Assets**

The City's fixed assets listing is not updated with addition and deletions of fixed assets. A detailed fixed asset tracking system is necessary to assure that all fixed assets are properly accounted for and can be tracked by location.

The City should update the existing fixed asset data base to include additions/deletions to date. Periodic physical observation (yearly) of the equipment and vehicles included in the listing should be completed to aid in assuring the accuracy of the fixed asset data base.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CITY OF PATASKALA**

**LICKING 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  
SEPTEMBER 11, 2001**