

**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

*General Purpose
Financial Statements*
(Audited)

For The Year Ended
December 31, 2001

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, Franklin County
200 South Hamilton Road
Gahanna, OH 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, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

JIM PETRO
Auditor of State

July 9, 2002

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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, Ohio as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City 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 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 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.

As disclosed in Note 2 to the general purpose financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33.

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, 2001, and the results of its operations and the 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 a report dated June 19, 2002, 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 19, 2002

CITY OF GAHANNA, OHIO
 Combined Balance Sheet - All Fund Types and Account Groups
 As of December 31, 2001

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Assets And Other Debits</u>				
<u>Assets</u>				
Equity In Pooled Cash And Cash Equivalents	\$17,952,627	\$3,657,535	\$1,276,876	\$3,688,318
Cash And Cash Equivalents In Segregated Accounts	470,377	0	0	0
Receivables:				
Taxes	4,316,511	208,223	198,295	0
Accounts	392,746	1,031	0	0
Due From Other Governments	1,176,743	521,155	0	0
Special Assessments	9,085	0	0	0
Accrued Interest	59,928	0	0	0
Materials And Supplies				
Inventory	183,543	0	0	0
Prepaid Items	43,602	2,149	0	0
Fixed Assets (Net, Where Applicable, Of Accumulated Depreciation)	0	0	0	0
 <u>Other Debits</u>				
Amount Available In General Fund				
For Compensated Absences	0	0	0	0
Amount Available In Debt Service Fund	0	0	0	0
Amount To Be Provided From General Government Resources	0	0	0	0
 <u>Total Assets And Other Debits</u>	 <u>\$24,605,162</u>	 <u>\$4,390,093</u>	 <u>\$1,475,171</u>	 <u>\$3,688,318</u>

See Accompanying Notes to the General Purpose Financial Statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		<i>TOTALS (MEMORANDUM ONLY)</i>
		<i>GENERAL FIXED ASSETS</i>	<i>GENERAL LONG-TERM DEBT</i>	
<i>ENTERPRISE</i>	<i>AGENCY</i>			
\$10,898,737	\$0	\$0	\$0	\$37,474,093
0	632,726	0	0	1,103,103
0	0	0	0	4,723,029
1,598,557	5,593	0	0	1,997,927
0	0	0	0	1,697,898
0	0	0	0	9,085
0	0	0	0	59,928
32,362	0	0	0	215,905
3,932	0	0	0	49,683
26,300,414	0	26,510,833	0	52,811,247
	0	0	948,346	948,346
	0	0	1,276,876	1,276,876
0	0	0	4,026,438	4,026,438
<u>\$38,834,002</u>	<u>\$638,319</u>	<u>\$26,510,833</u>	<u>\$6,251,660</u>	<u>\$106,393,558</u>

CITY OF GAHANNA, OHIO
 Combined Balance Sheet - All Fund Types and Account Groups
 As of December 31, 2001
 (continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Liabilities, Fund Equity, And Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$296,409	\$33,178	\$0	\$0
Contracts Payable	355,997	1,720	0	24,865
Accrued Wages	130,514	8,553	0	0
Compensated Absences Payable	59,337	4,379	0	0
Contracts Retainage Payable	54,444	1,720	0	0
Due To Other Governments	115,589	18,070	0	441
Deferred Revenue	4,203,500	645,010	198,295	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes 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
Total Liabilities	5,215,790	712,630	198,295	25,306
<u>Fund Equity And Other Credits</u>				
Investment In General Fixed Assets	0	0	0	0
Contributed Capital				
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved For Encumbrances	4,818,437	369,325	0	7,110
Reserved For Inventory	183,543	0	0	0
Unreserved:				
Designated:				
Designated For ODOT Highway Improvement	470,377	0	0	0
Designated For Sick Leave/Vacation	948,346	0	0	0
Undesignated	12,968,669	3,308,138	1,276,876	3,655,902
Total Fund Equity And Other Credits	19,389,372	3,677,463	1,276,876	3,663,012
Total Liabilities, Fund Equity And Other Credits	\$24,605,162	\$4,390,093	\$1,475,171	\$3,688,318

See Accompanying Notes to the General Purpose Financial Statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		<i>TOTALS (MEMORANDUM ONLY)</i>
		<i>GENERAL FIXED ASSETS</i>	<i>GENERAL LONG-TERM DEBT</i>	
<i>ENTERPRISE</i>	<i>AGENCY</i>			
\$72,322	\$0	\$0	\$0	\$401,909
276,028	0	0	0	658,610
8,996	0	0	0	148,063
65,054	0	0	1,267,220	1,395,990
78,413	0	0	0	134,577
91,249	328,562	0	244,786	798,697
3,079	0	0	0	5,049,884
0	309,757	0	0	309,757
9,165	0	0	0	9,165
0	0	0	1,611,760	1,611,760
38,459	0	0	77,894	116,353
119,144	0	0	0	119,144
1,755,000	0	0	3,050,000	4,805,000
<u>2,516,909</u>	<u>638,319</u>	<u>0</u>	<u>6,251,660</u>	<u>15,558,909</u>
0	0	26,510,833	0	26,510,833
36,317,093	0	0	0	36,317,093
0	0	0	0	5,194,872
0	0	0	0	183,543
0	0	0	0	470,377
0	0	0	0	948,346
0	0	0	0	21,209,585
<u>36,317,093</u>	<u>0</u>	<u>26,510,833</u>	<u>0</u>	<u>90,834,649</u>
<u>\$38,834,002</u>	<u>\$638,319</u>	<u>\$26,510,833</u>	<u>\$6,251,660</u>	<u>\$106,393,558</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, 2001

	<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	\$808,044	\$191,954	\$187,980	\$0	\$1,187,978
Municipal Income Tax	12,272,753	0	0	0	12,272,753
Other Local Taxes	495,895	34,743	0	0	530,638
Intergovernmental	3,332,393	2,327,178	21,114	0	5,680,685
Charges For Services	601,586	0	0	0	601,586
Licenses And Permits	1,054,601	8,600	0	82,425	1,145,626
Fines And Forfeitures	405,442	0	0	0	405,442
Interest	1,473,713	0	0	0	1,473,713
Rent	0	273,614	0	0	273,614
Miscellaneous	190,378	17,754	0	0	208,132
Total Revenues	<u>20,634,805</u>	<u>2,853,843</u>	<u>209,094</u>	<u>82,425</u>	<u>23,780,167</u>
<u>Expenditures:</u>					
Current Operations And Maintenance:					
Security Of Persons And Property	4,235,185	1,132,932	0	0	5,368,117
Public Health	155,294	0	0	0	155,294
Leisure Time Activities	1,147,260	0	0	0	1,147,260
Community Development	1,542,807	186,466	0	0	1,729,273
Basic Utility Services	19,869	191,706	0	0	211,575
Transportation	1,139,183	633,446	0	0	1,772,629
General Government	2,672,193	99,078	0	0	2,771,271
Capital Outlay	5,027,644	831,424	0	265,560	6,124,628
Debt Service:					
Principal Retirement	129,918	0	596,347	0	726,265
Interest And Fiscal Charges	106,765	0	181,077	0	287,842
Total Expenditures	<u>16,176,118</u>	<u>3,075,052</u>	<u>777,424</u>	<u>265,560</u>	<u>20,294,154</u>
Excess Of Revenues Over (under) Expenditures	<u>4,458,687</u>	<u>(221,209)</u>	<u>(568,330)</u>	<u>(183,135)</u>	<u>3,486,013</u>
<u>Other Financing Sources (Uses):</u>					
Proceeds From Sale Of Fixed Assets	145,000	0	0	0	145,000
Inception Of Capital Lease	86,570	0	0	0	86,570
Operating Transfers - In	681,000	758,140	562,847	717,000	2,718,987
Operating Transfers - Out	(2,128,375)	(75,765)	0	0	(2,204,140)
Total Other Financing Sources (Uses)	<u>(1,215,805)</u>	<u>682,375</u>	<u>562,847</u>	<u>717,000</u>	<u>746,417</u>
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	<u>3,242,882</u>	<u>461,166</u>	<u>(5,483)</u>	<u>533,865</u>	<u>4,232,430</u>
Fund Balances At Beginning Of Year -					
Restated (Note 2)	16,130,216	3,216,297	1,282,359	3,129,147	23,758,019
Increase in Reserve For Inventory	16,274	0	0	0	16,274
Fund Balances At End Of Year	<u>\$19,389,372</u>	<u>\$3,677,463</u>	<u>\$1,276,876</u>	<u>\$3,663,012</u>	<u>\$28,006,723</u>

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, 2001

	GENERAL			SPECIAL REVENUE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,158,125	\$885,787	(\$272,338)	\$187,600	\$191,954	\$4,354
Municipal Income Tax	12,121,384	12,111,384	(10,000)	0	0	0
Other Local Taxes	476,919	476,919	0	0	34,743	34,743
Intergovernmental	3,280,068	3,495,115	215,047	2,557,767	2,731,856	174,089
Charges for Services	1,601,738	544,238	(1,057,500)	0	0	0
Licenses and Permits	749,690	1,012,028	262,338	8,600	8,600	0
Fines and Forfeitures	376,480	367,331	(9,149)	0	0	0
Interest	1,704,769	1,674,769	(30,000)	0	0	0
Miscellaneous	476,639	223,178	(253,461)	316,225	298,215	(18,010)
Total Revenues	21,945,812	20,790,749	(1,155,063)	3,070,192	3,265,368	195,176
Expenditures:						
Current Operations and Maintenance:						
Security of Persons and Property	4,827,026	4,479,028	347,998	1,445,632	1,362,385	83,247
Public Health	156,000	155,294	706	0	0	0
Leisure Time Activities	1,308,794	1,206,877	101,917	0	0	0
Community Development	3,346,786	3,251,975	94,811	273,992	245,015	28,977
Basic Utility Services	1,278,002	198,794	1,079,208	246,740	227,600	19,140
Transportation	1,316,945	1,158,299	158,646	923,570	805,989	117,581
General Government	3,818,841	3,275,135	543,706	156,599	118,358	38,241
Capital Outlay	8,214,578	7,877,525	337,053	957,664	863,883	93,781
Debt Service:						
Principal Retirement	111,146	111,146	0	0	0	0
Interest and Fiscal Charges	99,963	99,963	0	0	0	0
Total Expenditures	24,478,081	21,814,036	2,664,045	4,004,197	3,623,230	380,967
Excess of Revenues Over (Under) Expenditures	(2,532,269)	(1,023,287)	1,508,982	(934,005)	(357,862)	576,143
Other Financing Sources (Uses):						
Proceeds From Sale of Fixed Assets	100	145,000	144,900	0	0	0
Operating Transfers - In	677,000	681,000	4,000	1,042,128	758,140	(283,988)
Operating Transfers - Out	(2,129,694)	(2,128,375)	1,319	(86,890)	(75,765)	11,125
Total Other Financing Sources (Uses)	(1,452,594)	(1,302,375)	150,219	955,238	682,375	(272,863)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,984,863)	(2,325,662)	1,659,201	21,233	324,513	303,280
Fund Balances at Beginning of Year	10,928,868	10,928,868	0	2,482,541	2,482,541	0
Prior Year Encumbrances Carried Over	4,380,498	4,380,498	0	447,019	447,019	0
Fund Balances at End of Year	\$11,324,503	\$12,983,704	\$1,659,201	\$2,950,793	\$3,254,073	\$303,280

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>
\$183,924	\$187,980	\$4,056	\$0	\$0	\$0	\$1,529,649	\$1,265,721	(\$263,928)
0	0	0	0	0	0	12,121,384	12,111,384	(10,000)
0	0	0	0	0	0	476,919	511,662	34,743
22,400	21,985	(415)	0	0	0	5,860,235	6,248,956	388,721
0	0	0	0	0	0	1,601,738	544,238	(1,057,500)
0	0	0	32,375	82,425	50,050	790,665	1,103,053	312,388
0	0	0	0	0	0	376,480	367,331	(9,149)
0	0	0	0	0	0	1,704,769	1,674,769	(30,000)
0	0	0	0	0	0	792,864	521,393	(271,471)
<u>206,324</u>	<u>209,965</u>	<u>3,641</u>	<u>32,375</u>	<u>82,425</u>	<u>50,050</u>	<u>25,254,703</u>	<u>24,348,507</u>	<u>(906,196)</u>
0	0	0	0	0	0	6,272,658	5,841,413	431,245
0	0	0	0	0	0	156,000	155,294	706
0	0	0	0	0	0	1,308,794	1,206,877	101,917
0	0	0	0	0	0	3,620,778	3,496,990	123,788
0	0	0	0	0	0	1,524,742	426,394	1,098,348
0	0	0	0	0	0	2,240,515	1,964,288	276,227
0	0	0	0	0	0	3,975,440	3,393,493	581,947
0	0	0	272,067	286,447	(14,380)	9,444,309	9,027,855	416,454
904,826	904,633	193	0	0	0	1,015,972	1,015,779	193
300,321	297,444	2,877	0	0	0	400,284	397,407	2,877
<u>1,205,147</u>	<u>1,202,077</u>	<u>3,070</u>	<u>272,067</u>	<u>286,447</u>	<u>(14,380)</u>	<u>29,959,492</u>	<u>26,925,790</u>	<u>3,033,702</u>
<u>(998,823)</u>	<u>(992,112)</u>	<u>6,711</u>	<u>(239,692)</u>	<u>(204,022)</u>	<u>35,670</u>	<u>(4,704,789)</u>	<u>(2,577,283)</u>	<u>2,127,506</u>
0	0	0	0	0	0	100	145,000	144,900
991,800	987,500	(4,300)	600,000	717,000	117,000	3,310,928	3,143,640	(167,288)
0	0	0	0	0	0	(2,216,584)	(2,204,140)	12,444
<u>991,800</u>	<u>987,500</u>	<u>(4,300)</u>	<u>600,000</u>	<u>717,000</u>	<u>117,000</u>	<u>1,094,444</u>	<u>1,084,500</u>	<u>(9,944)</u>
(7,023)	(4,612)	2,411	360,308	512,978	152,670	(3,610,345)	(1,492,783)	2,117,562
1,281,488	1,281,488	0	3,138,408	3,138,408	0	17,831,305	17,831,305	0
0	0	0	4,957	4,957	0	4,832,474	4,832,474	0
<u>\$1,274,465</u>	<u>\$1,276,876</u>	<u>\$2,411</u>	<u>\$3,503,673</u>	<u>\$3,656,343</u>	<u>\$152,670</u>	<u>\$19,053,434</u>	<u>\$21,170,996</u>	<u>\$2,117,562</u>

CITY OF GAHANNA, OHIO
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Year Ended December 31, 2001

	<u>ENTERPRISE</u>
<u>Operating Revenues:</u>	
Charges for Services	\$8,941,823
Miscellaneous	93,244
Total Operating Revenues	<u>9,035,067</u>
<u>Operating Expenses:</u>	
Personal Services	634,054
Supplies and Materials	2,662,922
Contractual Services	114,586
Other Operating Charges	422,352
Depreciation	584,895
Total Operating Expenses	<u>4,418,809</u>
Operating Income	<u>4,616,258</u>
<u>Non-Operating Revenues (Expenses):</u>	
Loss on Disposal of Fixed Assets	(16,174)
Other Non-Operating Revenue	1,367,530
Interest and Fiscal Charges	<u>(117,969)</u>
Total Non-Operating Revenues (Expenses)	<u>1,233,387</u>
Income Before Operating Transfers	5,849,645
Operating Transfers - Out	<u>(514,847)</u>
Net Income	5,334,798
Retained Earnings at Beginning of Year	<u>30,982,295</u>
Retained Earnings at End of Year	<u><u>\$36,317,093</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

CITY OF GAHANNA, OHIO
 Combined Statement of Revenues, Expenses, and Changes in
 Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For The Year Ended December 31, 2001

	ENTERPRISE		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenues:</u>			
Charges for Services	\$8,755,020	\$8,509,947	(\$245,073)
Other Non Operating Revenue	1,074,902	1,367,530	292,628
Miscellaneous	100,098	100,098	0
Total Revenues	9,930,020	9,977,575	47,555
<u>Expenses:</u>			
Personal Services	690,836	651,570	39,266
Supplies and Materials	7,737,116	7,074,663	662,453
Contractual Services	100,191	71,516	28,675
Capital Outlay	3,645,134	3,262,905	382,229
Other Operating Expenses	1,030,546	687,245	343,301
Total Expenses	13,203,823	11,747,899	1,455,924
Excess of Revenues Over (Under) Expenses	(3,273,803)	(1,770,324)	1,503,479
Transfers:			
Operating Transfers - Out	(1,052,823)	(939,500)	113,323
Excess of Revenues Over (Under) Expenses and Transfers	(4,326,626)	(2,709,824)	1,616,802
Fund Equity at Beginning of Year	6,466,786	6,466,786	0
Prior Year Encumbrances Carried Over	4,577,985	4,577,985	0
Fund Equity at End of Year	\$6,718,145	\$8,334,947	\$1,616,802

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, 2001

	<u>ENTERPRISE</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$8,509,947
Cash Payments for Personal Services	(625,202)
Cash Payments for Contractual Services	(34,392)
Cash Payments to Vendors for Materials and Supplies	(4,949,534)
Other Operating Revenues	100,098
Other Operating Expenses	(372,359)
Net Cash Provided By Operating Activities	<u>2,628,558</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Other Non-Operating Revenues	1,367,530
Operating Transfers-Out	(514,847)
Net Cash Used for Noncapital Financing Activities	<u>852,683</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition and Construction of Capital Assets	(3,179,246)
Principal Paid on Capital Leases	(20,168)
Interest Paid on Capital Leases	(3,208)
Principal Paid on General Obligation Bonds	(300,000)
Principal Paid on OPWC Loans	(8,286)
Interest Paid on General Obligation Bonds	(111,979)
Interest Paid on OPWC Loans	(4,388)
Net Cash Used By Capital and Related Financing Activities	<u>(3,627,275)</u>
Net Decrease in Cash and Cash Equivalents	(146,034)
Cash and Cash Equivalents at Beginning of Year	<u>11,044,771</u>
Cash and Cash Equivalents at End of Year	<u>\$10,898,737</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income	\$4,616,258
<u>Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:</u>	
Depreciation	584,895
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(428,058)
Decrease in Due From Other Governments	3,036
Decrease in Materials and Supplies Inventory	1,004
Decrease in Prepaid Items	2,966
Decrease in Accounts Payable	(78,980)
Decrease in Contracts Payable	44,350
Decrease in Contracts Retainage Payable	(47,409)
Decrease in Due to Other Governments	(2,075,136)
Increase in Accrued Wages	520
Increase in Compensated Absences Payable	5,112
Net Cash Provided By Operating Activities	<u>\$2,628,558</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, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Gahanna have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America 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, 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 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 twelve 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, 2001. 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 10.

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 17.

The City is associated in a joint operation with the Gahanna Jefferson City School District. These organizations have agreed to construct and operate a maintenance facility and fueling station. See Note 18.

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:

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.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 upon determination of net income, financial position, and changes in financial positions. 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 only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

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.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes and property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: income taxes, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures, and reimbursements due from federal and state funded projects for which corresponding expenditures are made.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The accrual basis of accounting, expenses is recognized at the time liabilities are incurred.

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.

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 find the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued during 2001.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 one supplemental appropriation measures were legally enacted during 2001 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 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.

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.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - 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, except agency funds, are maintained in this pool. 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, maintained in the General Fund. The City also maintains a Designation For Sick/Vacation Leave 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 StarOhio. Except for nonparticipating investment contracts, investments are reported at fair value that 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 that is determined by the mutual funds current share price.

The City has invested funds in the State Treasury Asset Reserve of Ohio (StarOhio) during 2001. StarOhio is an investment pool managed by the State Treasurer's Office that 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 that is the price the investment could be sold for on December 31, 2001.

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. The Gahanna Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the combined balance sheet as "Cash And Cash Equivalents In Segregated Accounts."

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$1,473,713, which includes \$763,108 assigned from other funds.

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 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 that indicates that it does not constitute available expendable resources even though it is a component of net current assets.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. PREPAID ITEMS

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

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 2001, no material interest was incurred on enterprise fund construction projects.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the individuals who have accumulated the unpaid leave 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.

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 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.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest unless the debt is related to revenue received by a specific fund. Generally accepted accounting principals require the allocation of the debt liability among the capital projects and enterprise funds, and the General Long-Term Debt Account Group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account group. Debt Service Fund resources used to pay both principal and interest has also been allocated accordingly.

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 and inventory of supplies and materials.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. FUND DESIGNATIONS

Fund balances designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the City's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The designations represent monies set-aside for ODOT Highway Improvements and future termination benefits.

M. 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.

N. 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.

O. 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 or results of operations 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 - CHANGE IN ACCOUNTING PRINCIPAL AND PRIOR YEAR RESTATEMENTS

For fiscal year 2001, the City has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* and *GASB Statement No. 36, "Recipient reporting for Certain Shared Nonexchange Revenues,"* which changes how the City recognizes certain types of revenues. The implementation of these statements resulted in the following restatement of beginning Fund Balance:

	<u>Amount at 12/30/00</u>	<u>Restated Amount</u>
General Fund	\$16,173,187	\$16,130,216
Special Revenue	3,374,900	3,216,297

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 3 - 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 that 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.

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).

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

At year-end, the carrying amount of the City's deposits was \$2,131,294, and the bank balance was \$2,641,625. Of the bank balance, \$344,166 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.

	Category <u>2</u>	Unclassified	Carrying/ Fair Value
U.S. Treasury Notes	\$108,906	\$0	\$108,906
U.S. Government Securities	6,626,873	0	6,626,873
Mutual Funds	2,752,294	0	2,752,294
StarOhio	0	22,363,941	22,363,941
Money Market Mutual Funds	0	4,593,888	4,593,888
Total Investments	<u>\$9,488,073</u>	<u>\$26,957,829</u>	<u>\$36,445,902</u>

Investments in StarOhio and Money Market Mutual Funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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:

	Cash and Cash Equivalents/Deposits	Investment
<i>GASB Statement No. 9</i>	\$38,577,196	\$0
Investments:		
U.S. Treasury Notes	(108,906)	108,906
U.S. Government Securities	(6,626,873)	6,626,873
Mutual Funds	(2,752,294)	2,752,294
StarOhio	(22,363,941)	22,363,941
Money Market Mutual Funds	(4,593,888)	4,593,888
<i>GASB Statement No. 3</i>	<u>\$2,131,294</u>	<u>\$36,445,902</u>

NOTE 4 - 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. All revenues are recorded in the City's General Fund.

NOTE 5 - 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 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) are for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 5 - PROPERTY TAX (Continued)

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$658,380,020
Public Utility Property	14,851,820
Tangible Personal	43,835,923
Total Property Taxes	<u>\$717,067,763</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, 2001 and for which there is an enforceable legal claim. 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 2001 operations. The receivable is offset by deferred revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, accounts, due from other governments, special assessments and interest derived from 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 6 – RECEIVABLES (Continued)

A summary of the principal items due from other governments is as follows:

<u>Fund Type / Fund</u>	<u>Amount</u>
General Fund	
Local Government	\$864,327
Local Government Revenue Assistance	80,543
Liquor Permit	25,687
DARE Grant	13,584
Estate Taxes	163,691
Fines And Forfeitures	28,911
Total General Fund	<u>1,176,743</u>
Special Revenue Funds	
Street Maintenance Fund	
Gasoline Tax	265,514
Permissive Tax	98,150
Motor Vehicle License Tax	95,600
Total Street Maintenance Fund	<u>459,264</u>
State Highway Fund	
Gasoline Tax	21,528
Motor Vehicle License Tax	8,615
Total State Highway Fund	<u>30,143</u>
COPS FAST Grant Fund	
Grants	<u>30,000</u>
Court Computer Fund	
Fines And Forfeitures	<u>1,748</u>
Total Special Revenue Funds	<u>521,155</u>
Total Due from Other Governments	<u><u>\$1,697,898</u></u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 7 - FIXED ASSETS

A. GENERAL FIXED ASSETS

Changes in general fixed assets during 2001 were as follows:

	Balance For The Year Ended 12/31/00	Additions	Deletions	Balance For The Year Ended 12/31/01
Land	\$9,634,015	\$739,007	\$152,250	\$10,220,772
Buildings	8,933,699	0	0	8,933,699
Improvements Other Than Bulidings	1,944,761	289,771	0	2,234,532
Machinery and Equipment	3,114,732	338,335	241,556	3,211,511
Vehicles	1,744,237	120,741	87,965	1,777,013
Construction in Progress	0	133,306	0	133,306
Total General Fixed Assets	\$25,371,444	\$1,621,160	\$481,771	\$26,510,833

B. FUND FIXED ASSETS

All fund fixed assets relate to the water and sewer enterprise funds. The balances as of December 31, 2001, were as follows:

	Water	Sewer	Balance As Of 12/31/01
Buildings	\$994,158	\$5,578	\$999,736
Machinery and Equipment	202,226	195,429	397,655
Sewer and Water Lines	14,536,811	18,449,515	32,986,326
Construction In Progress	1,030,675	1,030,675	2,061,350
Total Fund Fixed Assets	16,763,870	19,681,197	36,445,067
Less: Accumulated Depreciation	(4,420,199)	(5,724,454)	(10,144,653)
Total Fund Fixed Assets (net of accumulated depreciation)	\$12,343,671	\$13,956,743	\$26,300,414

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 8 - 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 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. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$427,899, \$180,272, and \$292,490, respectively. The full amount has been contributed for 2000 and 1999. The amount contributed for 2001 was 80.53 percent with the remainder being reported within the General Long-Term Debt Account Group.

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to 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 percent for police. The City has no firefighters. For 2000, the City contributions were 12.25 percent for police. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2001, 2000, and 1999 were \$351,047, \$337,713, and \$329,205, respectively, equal to the required contributions for each year. The full amount has been contributed for 2000 and 1999. The amount contributed for 2001 was 76.10 percent with the remainder being reported within the General Long-Term Debt Account Group.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 9 - 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. 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 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 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, 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 411,076. The City's actual contributions for 2001 that were used to fund postemployment benefits were \$198,915. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

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 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 9 - 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 authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire 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 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25 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 2001 that were used to fund postemployment benefits were \$219,404 for police. The OP&F's total health care expense for the year ended December 31, 2000, (the latest information available) was \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

NOTE 10 - EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

Vacation leave is earned at rates that vary depending upon length of service and standard workweek. Current policy credits vacation leave on the employee's anniversary date and allows the unused balance to be accrued at levels that 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 \$63,716 at December 31, 2001, 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 \$1,267,220. The liability for compensated absences in the proprietary funds at December 31, 2001, was \$65,054.

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 10 - 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 twelve political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The City pays monthly contributions to the Consortium, which is 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 per claim per year, 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 11 - CAPITAL LEASES - LESSEE DISCLOSURE

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 funds. These expenditures are reported as function expenditures on the budgetary statements.

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 \$157,063 and 63,477, respectively. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Debt Account Group and the Enterprise Fund. The carrying value of the Enterprise Fund capital lease fixed asset was \$31,737 at December 31, 2001. The accumulated depreciation for the Enterprise Fund capital lease fixed asset was \$31,740 at December 31, 2001. Principal payments in fiscal year 2001 totaled \$18,772 in the governmental funds and \$20,168 in the proprietary funds.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 11 - 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, 2001.

<u>Fiscal Year Ending Decmber 31,</u>	<u>GLTDAG</u>
2002	\$25,069
2003	25,069
2004	25,069
2005	25,069
2006	4,546
Total	104,822
Less: Amount representing Interest	(26,928)
Present Value of Minimum Lease Payment	<u>\$77,894</u>

<u>Fiscal Year Ending Decmber 31,</u>	<u>Enterprise</u>
2002	\$23,376
2003	17,532
Total	40,908
Less: Amount representing Interest	(2,449)
Present Value of Minimum Lease Payment	<u>\$38,459</u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 12 - 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, 2001, was as follows:

<u>Types / Issues</u>	<u>Balance 12/31/00</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/01</u>
Enterprise Fund Obligations				
General Obligation Bonds				
Water Fund				
1991 - Star Bank Series 6.10%	\$415,000	\$0	\$160,000	\$255,000
1994 - Star Bank Series 4.90%	1,265,000	0	55,000	1,210,000
Total Water Fund	<u>1,680,000</u>	<u>0</u>	<u>215,000</u>	<u>1,465,000</u>
Sewer Fund				
1991 - Star Bank Series 6.10%	375,000		85,000	290,000
Total General Obligation Bonds	<u>2,055,000</u>	<u>0</u>	<u>300,000</u>	<u>1,755,000</u>
Other Long-Term Obligation				
Capital Lease	58,627	0	20,168	38,459
OPWC Loan 3.5 %	127,430	0	8,286	119,144
Total Enterprise Fund Obligations	<u>\$2,241,057</u>	<u>\$0</u>	<u>\$328,454</u>	<u>\$1,912,603</u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 12 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(Continued)

Types / Issues	Balance 12/31/00	Issued	Retired	Balance 12/31/01
General Long-Term Obligations				
General Obligation Bonds				
1991 - Star Bank Series 5.90%	\$150,000	\$0	\$150,000	\$0
1994 - Star Bank Series 4.60%	3,250,000	0	200,000	3,050,000
Total General Obligation Bonds	<u>3,400,000</u>	<u>0</u>	<u>350,000</u>	<u>3,050,000</u>
Special Assessment Bonds				
1995 - Research Rd 10.88%	9,000	0	9,000	0
Long-Term Notes				
1999 - McCorkle Park variable	430,400	0	107,600	322,800
1998 - Post Office Building				
Notes 6.00%	1,292,506	0	3,546	1,288,960
Total Long-Term Notes	<u>1,722,906</u>	<u>0</u>	<u>111,146</u>	<u>1,611,760</u>
Long-Term Loans				
Year 2000 Loan 0.00%	237,347	0	237,347	0
Other Long-Term Obligations				
Pension Obligation	186,125	244,786	186,125	244,786
Compensated Absences	898,328	368,892	0	1,267,220
Capital Leases	10,096	86,570	18,772	77,894
Total Other Long-Term				
Obligations	<u>1,094,549</u>	<u>700,248</u>	<u>204,897</u>	<u>1,589,900</u>
Total All General Long-Term				
Obligations	<u>\$6,463,802</u>	<u>\$700,248</u>	<u>\$912,390</u>	<u>\$6,251,660</u>

The City's overall legal debt margin was \$74,661,871 at December 31, 2001.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 12 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(Continued)

Annual debt service requirements to maturity for general long-term obligations including interest of \$812,763 are:

<u>Year</u>	<u>General Obligation</u>	<u>Long-Term Notes</u>	<u>Total</u>
2002	\$525,388	\$188,600	\$713,988
2003	525,509	188,600	714,109
2004	529,038	1,401,609	1,930,647
2005	525,933	0	525,933
2006	531,005	0	531,005
2007 - 2011	1,058,841	0	1,058,841
Totals	<u>\$3,695,714</u>	<u>\$1,778,809</u>	<u>\$5,474,523</u>

Annual debt service requirements to maturity for Enterprise Fund Obligations including interest of \$335,845 are:

<u>Year</u>	<u>Water Revenue Bonds</u>	<u>Sewer Revenue Bonds</u>	<u>Sewer OPWC Loans</u>	<u>Total</u>
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	207,710	0	12,674	220,384
2007 - 2011	413,012	0	63,370	476,382
2012 - 2016	0	0	19,011	19,011
Totals	<u>\$1,744,770</u>	<u>\$319,468</u>	<u>\$145,751</u>	<u>\$2,209,989</u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 12 - 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 and are paid with property taxes from the Debt Service Fund.

C. ENTERPRISE FUND GENERAL OBLIGATION BONDS

The City issued general obligation bonds for the purpose of replacing and constructing water and sewer lines. Enterprise obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 15 year serial bonds with equal amounts of principal maturing each year and are paid revenues from the operations of the water and sewer systems.

D. 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. The Special assessment bonds were paid in full in 2001.

E. LONG-TERM NOTES

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 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 12.596 acres of land located within the corporation limits. The notes are payable from resources from the General Fund and will be paid if full on June 17, 2004.

F. 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.

G. COMPENSATED ABSENCES / PENSION OBLIGATIONS / CAPITAL LEASES

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 funds from which the employees' salaries are paid. Capital leases will be paid from the General Fund and the Enterprise Funds.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 12 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS
(Continued)

H. INDUSTRIAL REVENUE BONDS

The City has one outstanding issue of industrial development revenue bonds in the amounts of \$3,395,000 at December 31, 2001 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.

I. 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 was paid from the Debt 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 13 - CONSTRUCTION COMMITMENTS

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2001, the significant outstanding construction commitments were:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/01</u>
Advanced Foundation Solutions	\$300,000	\$231,836	\$68,164
Cody Zeigler	66,600	50,600	16,000
EMH&T	95,843	53,946	41,897
Franklin County Engineer	75,224	0	75,224
M J Excavating	402,853	373,491	29,362
MS Consultants	324,696	310,400	14,296
Nickolas Savko & Sons	392,645	101,014	291,631
Reynolds	1,533,222	1,389,564	143,658
Stonehinge	67,711	0	67,711
Tricar Ltd.	120,062	62,000	58,062
Urban Spaces	140,000	71,306	68,694
Woodward Excavating	57,960	0	57,960
Total	<u>\$3,576,816</u>	<u>\$2,644,157</u>	<u>\$932,659</u>

NOTE 14 - 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.

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 15 - 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, 2001, is presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$3,599,088	\$5,435,979	\$9,035,067
Depreciation Expense	254,885	330,010	584,895
Operating Income	941,636	3,674,622	4,616,258
Net Non-Operating Revenues/(Expenses)	1,268,386	(34,999)	1,233,387
Operating Transfers-Out	(198,564)	(316,283)	(514,847)
Net Income	2,011,458	3,323,340	5,334,798
Net Working Capital	6,972,615	4,980,490	11,953,105
Property, Plant and Equipment Additions	1,636,281	1,542,965	3,179,246
Total Assets	19,495,956	19,338,046	38,834,002
Bonds and Other Long-Term Liabilities Payable From Revenues	1,496,141	440,255	1,936,396
Total Fund Equity	17,820,145	18,496,948	36,317,093
Encumbrances Outstanding At December 31, 2001	1,077,753	1,486,038	2,563,791

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 16 - 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 Equity - 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.)
- (e) Proceeds from principal payments on debt obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (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 16 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$3,242,882	\$461,166	(\$5,483)	\$533,865
<u>Increases (decreases) Due To:</u>				
Revenue Accruals	69,374	411,525	871	0
Expenditure Accruals	(294,928)	(144,714)	0	11,088
Encumbrances Outstanding				
At Year End (Budget Basis)	(5,368,564)	(403,464)	0	(31,975)
Principal Retirement	18,772	0	(308,286)	0
Interest Payments	6,802	0	(116,367)	0
Operating Transfers	0	0	424,653	0
Budget Basis	<u><u>(\$2,325,662)</u></u>	<u><u>\$324,513</u></u>	<u><u>(\$4,612)</u></u>	<u><u>\$512,978</u></u>

Net Income/Excess Of Revenues Over (Under) Expenses And Transfers
Proprietary Fund Type

	<u>Enterprise</u>
Net Income	\$5,334,798
<u>Increase (decrease) Due To:</u>	
Revenue Accruals	(425,022)
Expense Accruals	(2,052,979)
Depreciation Expense	584,895
Encumbrances Outstanding	
At Year End (Budget Basis)	(2,563,791)
Acquisition Of Fixed Assets	(3,179,246)
Operating Transfers	(424,653)
Loss On Disposal of Fixed Assets	16,174
Budget Basis Excess	<u><u>(\$2,709,824)</u></u>

CITY OF GAHANNA, OHIO

Notes To The General Purpose Financial Statements
(Continued)

NOTE 17 - 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 \$155,294 during 2001 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 18 - 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 equally bear the cost related to the construction and maintenance of the facility. In addition, the City received 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. The City's undivided interest in this facility is being shown as a fixed asset in the General Fixed Assets Account Group.

NOTE 19 - 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 2001, 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 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 two civil action filed in the Franklin County Court of Common Pleas concerning compensation for a sewer line installed by the City and an age discrimination lawsuit filed by a former employee. 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, 2001, to December 31, 2001, 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 General Purpose 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 general purpose financial statements of the City of Gahanna as of and for the year ended December 31, 2001, and have issued our report thereon dated June 19, 2002. The City implemented Governmental Accounting Standards Board GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Gahanna'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 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 general purpose 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 general purpose 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 19, 2002.

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 19, 2002



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 30, 2002**