



**Auditor of State
Betty Montgomery**

**CITY OF PICKERINGTON
FAIRFIELD COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Pickerington
Fairfield County
100 Lockville Road
Pickerington, Ohio 43147

To the Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Pickerington, Fairfield County, Ohio, (the City) as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Pickerington, Fairfield County, Ohio, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City restated fund balance in the Capital Projects Funds and retained earnings in the Enterprise Funds as of December 31, 2002, due to a change in the fixed asset threshold, a reclassification of notes payable, a correction of the amount owed to the Ohio Water Development Authority, and the correction of an expenditure misposting. As further described in Note 3, the City also restated retained earnings in the Internal Service Fund as of December 31, 2002, due to a correction of claims payable.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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We did not audit the data included in the statistical section of this report and therefore express no opinion thereon.

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Betty Montgomery
Auditor of State

October 12, 2004

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City of Pickerington, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2003

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,454,925	\$1,077,681	\$2,542,750	\$92,814
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Property and Other Local Taxes	977,978	1,062,349	6,808	0
Payment in Lieu of Taxes	0	0	51,217	250,516
Accounts	137,250	31,068	28,800	0
Accrued Interest	24,594	161	0	0
Loans	0	11,102	0	0
Due from Other Governments	210,122	252,224	37,371	21,067
Prepaid Items	14,113	29,386	0	0
Inventory of Supplies	7,363	52,364	0	0
Due from Other Funds	0	0	324	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Deferred Charges	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in General Obligation Bond Retirement Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$2,826,345	\$2,516,335	\$2,667,270	\$364,397

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$5,826,208	\$17,275	\$0	\$0	\$0	\$11,011,653
0	0	550	0	0	550
0	0	0	0	0	2,047,135
0	0	0	0	0	301,733
752,942	0	0	0	0	950,060
0	0	0	0	0	24,755
0	0	0	0	0	11,102
0	0	0	0	0	520,784
52,641	0	0	0	0	96,140
15,764	0	0	0	0	75,491
0	0	0	0	0	324
3,900	0	0	0	0	3,900
63,805	0	0	0	0	63,805
35,860,757	0	0	11,415,314	0	47,276,071
0	0	0	0	92,814	92,814
0	0	0	0	6,811,086	6,811,086
<u>\$42,576,017</u>	<u>\$17,275</u>	<u>\$550</u>	<u>\$11,415,314</u>	<u>\$6,903,900</u>	<u>\$69,287,403</u>

(Continued)

City of Pickerington, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2003
 (Continued)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$75,983	\$94,905	\$77,477	\$0
Contracts Payable	0	0	105,725	0
Retainage Payable	0	0	134,210	0
Accrued Salaries Payable	39,857	54,252	0	0
Accrued Interest Payable	0	0	35,502	0
Due to Other Governments	8,542	11,210	0	0
Due to Other Funds	0	0	324	0
<u>Liabilities Payable from Restricted Assets:</u>				
Refundable Deposits	0	0	0	0
Deferred Revenue	938,583	1,227,922	63,588	271,583
Notes Payable	0	0	4,597,000	0
Compensated Absences Payable	4,737	6,466	0	0
General Obligation Revenue Bonds Payable	0	0	0	0
General Obligation Refunding Bonds Payable	0	0	0	0
Capital Lease Obligations Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
Issue Two Notes Payable	0	0	0	0
Due to Others	0	0	0	0
Total Liabilities	<u>1,067,702</u>	<u>1,394,755</u>	<u>5,013,826</u>	<u>271,583</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
<u>Retained Earnings:</u>				
Unreserved	0	0	0	0
<u>Fund Balances:</u>				
Reserved for Encumbrances	14,734	93,964	1,499,784	0
Reserved for Inventory	7,363	52,364	0	0
Reserved for Unclaimed Monies	2,077	0	0	0
Reserved for Loans Receivable	0	11,102	0	0
Unreserved (Deficit)	1,734,469	964,150	(3,846,340)	92,814
Total Fund Equity (Deficit) and Other Credits	<u>1,758,643</u>	<u>1,121,580</u>	<u>(2,346,556)</u>	<u>92,814</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,826,345</u>	<u>\$2,516,335</u>	<u>\$2,667,270</u>	<u>\$364,397</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$113,004	\$2,669	\$0	\$0	\$0	\$364,038
39,952	0	0	0	0	145,677
0	0	0	0	0	134,210
16,727	0	0	0	0	110,836
69,645	0	0	0	0	105,147
16,512	0	0	0	21,212	57,476
0	0	0	0	0	324
3,900	0	0	0	0	3,900
0	0	0	0	0	2,501,676
6,817,244	0	0	0	2,256,000	13,670,244
51,472	0	0	0	338,475	401,150
2,530,000	0	0	0	0	2,530,000
2,845,106	0	0	0	0	2,845,106
11,185	0	0	0	4,288,213	4,299,398
978,894	0	0	0	0	978,894
69,319	0	0	0	0	69,319
0	0	550	0	0	550
<u>13,562,960</u>	<u>2,669</u>	<u>550</u>	<u>0</u>	<u>6,903,900</u>	<u>28,217,945</u>
0	0	0	11,415,314	0	11,415,314
14,703,590	0	0	0	0	14,703,590
14,309,467	14,606	0	0	0	14,324,073
0	0	0	0	0	1,608,482
0	0	0	0	0	59,727
0	0	0	0	0	2,077
0	0	0	0	0	11,102
0	0	0	0	0	(1,054,907)
<u>29,013,057</u>	<u>14,606</u>	<u>0</u>	<u>11,415,314</u>	<u>0</u>	<u>41,069,458</u>
<u>\$42,576,017</u>	<u>\$17,275</u>	<u>\$550</u>	<u>\$11,415,314</u>	<u>\$6,903,900</u>	<u>\$69,287,403</u>

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City of Pickerington, Ohio
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2003

	General	Special Revenue	Capital Projects	Debt Service	Total (Memorandum Only)
Revenues:					
Property and Other Local Taxes	\$573,077	\$1,059,528	\$84,973	\$0	\$1,717,578
Municipal Income Taxes	3,105,152	0	0	0	3,105,152
Intergovernmental	420,265	548,761	29,289	16,929	1,015,244
Charges for Services	574,691	230,320	100,000	0	905,011
Fees, Permits and Fines	1,136,961	439,665	167,207	0	1,743,833
Payment in Lieu of Taxes	0	0	111,195	79,781	190,976
Rent	7,000	3,710	0	0	10,710
Interest	70,061	2,157	32,273	6,843	111,334
Donations	0	3,641	1,575	0	5,216
Other	90,353	41,166	0	0	131,519
Total Revenues	<u>5,977,560</u>	<u>2,328,948</u>	<u>526,512</u>	<u>103,553</u>	<u>8,936,573</u>
Expenditures:					
Current:					
Security of Persons and Property	48,453	2,383,073	0	0	2,431,526
Public Health Services	105,265	0	0	0	105,265
Leisure Time Activities	0	741,676	0	0	741,676
Community Environment	1,058,507	4	0	0	1,058,511
Transportation	0	538,020	0	0	538,020
General Government	2,189,142	1,740	0	0	2,190,882
Capital Outlay	0	0	3,522,136	0	3,522,136
Debt Service:					
Principal Retirement	11,645	43,574	117,000	125,000	297,219
Interest and Fiscal Charges	2,131	6,897	164,596	31,021	204,645
Total Expenditures	<u>3,415,143</u>	<u>3,714,984</u>	<u>3,803,732</u>	<u>156,021</u>	<u>11,089,880</u>
Excess of Revenues Over (Under) Expenditures	<u>2,562,417</u>	<u>(1,386,036)</u>	<u>(3,277,220)</u>	<u>(52,468)</u>	<u>(2,153,307)</u>
Other Financing Sources (Uses):					
Proceeds of Notes	0	0	2,146,000	110,000	2,256,000
Operating Transfers - In	0	1,662,000	619,001	17,863	2,298,864
Operating Transfers - Out	(2,298,864)	0	0	0	(2,298,864)
Total Other Financing Sources (Uses)	<u>(2,298,864)</u>	<u>1,662,000</u>	<u>2,765,001</u>	<u>127,863</u>	<u>2,256,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	263,553	275,964	(512,219)	75,395	102,693
Restated Fund Balances (Deficit) at Beginning of Year - (See Note 3)	1,500,312	839,612	(1,834,337)	17,419	523,006
Increase (Decrease) in Reserve for Inventory	(5,222)	6,004	0	0	782
Fund Balances (Deficit) at End of Year	<u>\$1,758,643</u>	<u>\$1,121,580</u>	<u>(\$2,346,556)</u>	<u>\$92,814</u>	<u>\$626,481</u>

See accompanying notes to the general purpose financial statements

City of Pickerington, 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, 2003

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$613,700	\$574,607	(\$39,093)
Municipal Income Taxes	3,039,500	3,148,495	108,995
Intergovernmental	473,315	425,209	(48,106)
Charges for Services	554,275	554,291	16
Fees, Permits and Fines	655,075	1,031,785	376,710
Payment in Lieu of Taxes	0	0	0
Rent	8,500	7,000	(1,500)
Interest	101,175	99,268	(1,907)
Donations	0	0	0
Other	75,350	91,478	16,128
Total Revenues	<u>5,520,890</u>	<u>5,932,133</u>	<u>411,243</u>
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	52,263	49,424	2,839
Public Health Services	118,183	111,065	7,118
Leisure Time Activities	0	0	0
Community Environment	1,165,242	1,090,271	74,971
Transportation	0	0	0
General Government	2,990,538	2,292,481	698,057
Other	52,320	56,550	(4,230)
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Refunding Issuance Costs	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>4,378,546</u>	<u>3,599,791</u>	<u>778,755</u>
Excess of Revenues Over (Under) Expenditures	<u>1,142,344</u>	<u>2,332,342</u>	<u>1,189,998</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	88,000	0	(88,000)
Operating Transfers-In	0	0	0
Operating Transfers-Out	(2,405,013)	(2,298,864)	106,149
Proceeds from Sale of Notes	0	0	0
Proceeds of Bonds	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Other Financing Sources - Premium	0	0	0
Total Other Financing Sources (Uses)	<u>(2,317,013)</u>	<u>(2,298,864)</u>	<u>18,149</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,174,669)</u>	<u>33,478</u>	<u>1,208,147</u>
Restated Fund Balances at Beginning of Year	760,065	760,065	0
Prior Year Encumbrances Appropriated	574,862	574,862	0
Fund Balances at End of Year	<u>\$160,258</u>	<u>\$1,368,405</u>	<u>\$1,208,147</u>

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,030,000	\$1,054,986	\$24,986	\$75,000	\$84,221	\$9,221
0	0	0	0	0	0
501,880	516,394	14,514	22,100	10,572	(11,528)
226,995	238,333	11,338	100,000	100,000	0
256,100	410,374	154,274	88,074	138,407	50,333
0	0	0	47,800	44,268	(3,532)
3,725	3,710	(15)	0	0	0
2,160	2,178	18	14,406	31,338	16,932
3,820	3,641	(179)	0	1,575	1,575
26,900	38,417	11,517	0	0	0
<u>2,051,580</u>	<u>2,268,033</u>	<u>216,453</u>	<u>347,380</u>	<u>410,381</u>	<u>63,001</u>
2,700,076	2,488,060	212,016	0	0	0
0	0	0	0	0	0
828,494	773,571	54,923	0	0	0
40,004	4	40,000	0	0	0
674,318	630,175	44,143	0	0	0
8,010	1,740	6,270	0	0	0
0	0	0	0	0	0
0	0	0	6,367,452	5,941,774	425,678
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>4,250,902</u>	<u>3,893,550</u>	<u>357,352</u>	<u>6,367,452</u>	<u>5,941,774</u>	<u>425,678</u>
<u>(2,199,322)</u>	<u>(1,625,517)</u>	<u>573,805</u>	<u>(6,020,072)</u>	<u>(5,531,393)</u>	<u>488,679</u>
1,500	0	(1,500)	0	0	0
1,700,000	1,662,000	(38,000)	263,663	264,285	622
0	0	0	(44,446)	(33,750)	10,696
0	0	0	2,893,500	2,868,500	(25,000)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,701,500</u>	<u>1,662,000</u>	<u>(39,500)</u>	<u>3,112,717</u>	<u>3,099,035</u>	<u>(13,682)</u>
(497,822)	36,483	534,305	(2,907,355)	(2,432,358)	474,997
677,930	677,930	0	688,212	688,212	0
177,047	177,047	0	2,499,057	2,499,057	0
<u>\$357,155</u>	<u>\$891,460</u>	<u>\$534,305</u>	<u>\$279,914</u>	<u>\$754,911</u>	<u>\$474,997</u>

(Continued)

City of Pickerington, 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, 2003

	Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$0	\$0	\$0
Municipal Income Taxes	0	0	0
Intergovernmental	25,149	10,646	(14,503)
Charges for Services	0	0	0
Fees, Permits and Fines	0	0	0
Payment in Lieu of Taxes	105,184	146,708	41,524
Rent	0	0	0
Interest	4,231	5,781	1,550
Donations	0	0	0
Other	0	0	0
Total Revenues	<u>134,564</u>	<u>163,135</u>	<u>28,571</u>
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	0	0	0
Public Health Services	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	0	0	0
Other	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	11,755,844	11,755,844	0
Refunding Issuance Costs	64,662	64,662	0
Interest and Fiscal Charges	547,975	545,924	2,051
Total Expenditures	<u>12,368,481</u>	<u>12,366,430</u>	<u>2,051</u>
Excess of Revenues Over (Under) Expenditures	<u>(12,233,917)</u>	<u>(12,203,295)</u>	<u>30,622</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	0	0	0
Operating Transfers-In	1,707,847	1,748,972	41,125
Operating Transfers-Out	0	0	0
Proceeds from Sale of Notes	10,411,344	10,391,344	(20,000)
Proceeds of Bonds	3,375,000	3,375,000	0
Payment to Refunded Bond Escrow Agent	(3,329,891)	(3,329,891)	0
Other Financing Sources - Premium	15,935	15,935	0
Total Other Financing Sources (Uses)	<u>12,180,235</u>	<u>12,201,360</u>	<u>21,125</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(53,682)</u>	<u>(1,935)</u>	<u>51,747</u>
Fund Balances at Beginning of Year	100,850	100,850	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances at End of Year	<u>\$47,168</u>	<u>\$98,915</u>	<u>\$51,747</u>

See accompanying notes to the general purpose financial statements

Total (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,718,700	\$1,713,814	(\$4,886)
3,039,500	3,148,495	108,995
1,022,444	962,821	(59,623)
881,270	892,624	11,354
999,249	1,580,566	581,317
152,984	190,976	37,992
12,225	10,710	(1,515)
121,972	138,565	16,593
3,820	5,216	1,396
102,250	129,895	27,645
<u>8,054,414</u>	<u>8,773,682</u>	<u>719,268</u>
2,752,339	2,537,484	214,855
118,183	111,065	7,118
828,494	773,571	54,923
1,205,246	1,090,275	114,971
674,318	630,175	44,143
2,998,548	2,294,221	704,327
52,320	56,550	(4,230)
6,367,452	5,941,774	425,678
11,755,844	11,755,844	0
64,662	64,662	0
547,975	545,924	2,051
<u>27,365,381</u>	<u>25,801,545</u>	<u>1,563,836</u>
<u>(19,310,967)</u>	<u>(17,027,863)</u>	<u>2,283,104</u>
89,500	0	(89,500)
3,671,510	3,675,257	3,747
(2,449,459)	(2,332,614)	116,845
13,304,844	13,259,844	(45,000)
3,375,000	3,375,000	0
(3,329,891)	(3,329,891)	0
15,935	15,935	0
<u>14,677,439</u>	<u>14,663,531</u>	<u>(13,908)</u>
(4,633,528)	(2,364,332)	2,269,196
2,227,057	2,227,057	0
3,250,966	3,250,966	0
<u>\$844,495</u>	<u>\$3,113,691</u>	<u>\$2,269,196</u>

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City of Pickerington, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings
 All Proprietary Fund Types
 For the Year Ended December 31, 2003

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
<u>Operating Revenues:</u>			
Charges for Services	\$2,793,240	\$175,077	\$2,968,317
Tap-In Fees	3,211,372	0	3,211,372
Fees and Permits	620,356	0	620,356
Total Operating Revenues	<u>6,624,968</u>	<u>175,077</u>	<u>6,800,045</u>
<u>Operating Expenses:</u>			
Personal Services	981,435	55,023	1,036,458
Travel and Transportation	4,566	0	4,566
Contractual Services	294,281	161,480	455,761
Supplies and Materials	383,484	97,462	480,946
Depreciation	624,318	0	624,318
Claims	0	25,344	25,344
Total Operating Expenses	<u>2,288,084</u>	<u>339,309</u>	<u>2,627,393</u>
Operating Income (Loss)	<u>4,336,884</u>	<u>(164,232)</u>	<u>4,172,652</u>
<u>Non-Operating Revenues (Expenses):</u>			
Interest	24,117	0	24,117
Interest and Fiscal Charges	(388,689)	0	(388,689)
Capital Contributions from Developers	1,148,669	0	1,148,669
Other Non-Operating Revenues	13,837	0	13,837
Other Non-Operating Expenses	(1,085)	0	(1,085)
Total Non-Operating Revenues (Expenses)	<u>796,849</u>	<u>0</u>	<u>796,849</u>
Net Income	5,133,733	(164,232)	4,969,501
Restated Retained Earnings (Deficit) at Beginning of Year - (See Note 3)	<u>9,175,734</u>	<u>178,838</u>	<u>9,354,572</u>
Retained Earnings (Deficit) at End of Year	<u>\$14,309,467</u>	<u>\$14,606</u>	<u>\$14,324,073</u>

See accompanying notes to the general purpose financial statements

City of Pickerington, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types
 For the Year Ended December 31, 2003

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$2,489,063	\$2,902,348	\$413,285
Tap-In Fees	2,148,965	3,211,372	1,062,407
Fees and Permits	615,826	620,356	4,530
Other Non-Operating Revenues	5,900	13,837	7,937
Interest	21,750	26,674	4,924
Utility Deposits Received	1,000	1,350	350
Proceeds of Notes	2,941,662	2,941,662	0
Sale of Fixed Assets	20,000	20,000	0
Total Revenues	<u>8,244,166</u>	<u>9,737,599</u>	<u>1,493,433</u>
<u>Expenses:</u>			
Current:			
Personal Services	1,079,407	997,247	82,160
Travel and Transportation	8,508	4,566	3,942
Contractual Services	2,019,930	1,385,825	634,105
Supplies and Materials	443,599	440,385	3,214
Claims	0	0	0
Utility Deposits Returned	1,600	1,100	500
Other	1,500	1,085	415
Capital Outlay	5,013,018	4,864,798	148,220
Debt Service:			
Principal Retirement	44,029	44,029	0
Interest and Fiscal Charges	49,660	49,660	0
Total Expenses	<u>8,661,251</u>	<u>7,788,695</u>	<u>872,556</u>
Excess of Revenues Over (Under)			
Expenses Before Transfers	(417,085)	1,948,904	2,365,989
Operating Transfers - Out	<u>(1,450,944)</u>	<u>(1,342,643)</u>	<u>108,301</u>
Excess of Revenues Over (Under)			
Expenses and Operating Transfers	(1,868,029)	606,261	2,474,290
Fund Equity at Beginning of Year	3,404,721	3,404,721	0
Prior Year Encumbrances Appropriated	1,355,918	1,355,918	0
Fund Equity at End of Year	<u>\$2,892,610</u>	<u>\$5,366,900</u>	<u>\$2,474,290</u>

See accompanying notes to the general purpose financial statements

Internal Service Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$169,000	\$175,077	\$6,077	\$2,658,063	\$3,077,425	\$419,362
0	0	0	2,148,965	3,211,372	1,062,407
0	0	0	615,826	620,356	4,530
0	0	0	5,900	13,837	7,937
0	0	0	21,750	26,674	4,924
0	0	0	1,000	1,350	350
0	0	0	2,941,662	2,941,662	0
0	0	0	20,000	20,000	0
<u>169,000</u>	<u>175,077</u>	<u>6,077</u>	<u>8,413,166</u>	<u>9,912,676</u>	<u>1,499,510</u>
56,504	56,173	331	1,135,911	1,053,420	82,491
0	0	0	8,508	4,566	3,942
169,859	162,072	7,787	2,189,789	1,547,897	641,892
98,323	100,709	(2,386)	541,922	541,094	828
25,344	25,344	0	25,344	25,344	0
0	0	0	1,600	1,100	500
0	0	0	1,500	1,085	415
0	0	0	5,013,018	4,864,798	148,220
0	0	0	44,029	44,029	0
0	0	0	49,660	49,660	0
<u>350,030</u>	<u>344,298</u>	<u>5,732</u>	<u>9,011,281</u>	<u>8,132,993</u>	<u>878,288</u>
(181,030)	(169,221)	11,809	(598,115)	1,779,683	2,377,798
<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,450,944)</u>	<u>(1,342,643)</u>	<u>108,301</u>
(181,030)	(169,221)	11,809	(2,049,059)	437,040	2,486,099
178,189	178,189	0	3,582,910	3,582,910	0
4,069	4,069	0	1,359,987	1,359,987	0
<u>\$1,228</u>	<u>\$13,037</u>	<u>\$11,809</u>	<u>\$2,893,838</u>	<u>\$5,379,937</u>	<u>\$2,486,099</u>

City of Pickerington, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended December 31, 2003

	Enterprise	Internal Service	Total (Memorandum Only)
Increase (Decrease) in <u>Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$6,734,076	\$0	\$6,734,076
Cash Received from Quasi-External Transactions from Other Funds	0	175,077	175,077
Cash Payments to Employees for Services and Benefits	(1,000,323)	(56,107)	(1,056,430)
Cash Payments to Suppliers for Goods and Services	(1,558,833)	(258,609)	(1,817,442)
Cash Payments for Claims	0	(25,344)	(25,344)
Utility Deposits Received	1,350		1,350
Utility Deposits Returned	(1,100)	0	(1,100)
Other Non-Operating Revenues	13,837	0	13,837
Other Non-Operating Expenses	(1,085)	0	(1,085)
Net Cash Provided by (Used for) Operating Activities	4,187,922	(164,983)	4,022,939
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(4,731,693)	0	(4,731,693)
Proceeds from Sale of Assets	20,000	0	20,000
Proceeds from Issuing Notes	9,348,506	0	9,348,506
Proceeds from Sale of Bonds	3,375,000	0	3,375,000
Payment to Refunded Bond Escrow Agent	(3,329,891)	0	(3,329,891)
Principal Paid on Notes Payable	(7,056,344)	0	(7,056,344)
Principal Paid on General Obligation Revenue Bonds Payable	(70,000)	0	(70,000)
Principal Paid on General Obligation Refunding Bonds	(225,000)	0	(225,000)
Principal Paid on OWDA Loans Payable	(9,325)	0	(9,325)
Principal Paid on Issue 2 Notes Payable	(12,604)	0	(12,604)
Interest Paid on Notes Payable	(148,109)	0	(148,109)
Interest Paid on General Obligation Revenue Bonds Payable	(126,100)	0	(126,100)
Interest Paid on General Obligation Refunding Bonds	(97,556)	0	(97,556)
Interest Paid on OWDA Loans Payable	(24,987)	0	(24,987)
Interest Paid on Capital Leases	(1,441)	0	(1,441)
Principal Paid on Capital Leases	(10,488)	0	(10,488)
Premium on General Obligation Refunding Bonds	15,935	0	15,935
Refunding Issuance Costs	(64,662)	0	(64,662)
Net Cash Used for Capital and Related Financing Activities	(3,148,759)	0	(3,148,759)
<u>Cash Flows from Investing Activities:</u>			
Interest	24,117	0	24,117
Net Increase (Decrease) in Cash and Cash Equivalents	1,063,280	(164,983)	898,297
Cash and Cash Equivalents Beginning of Year	4,766,828	182,258	4,949,086
Cash and Cash Equivalents End of Year	\$5,830,108	\$17,275	\$5,847,383

(Continued)

City of Pickerington, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended December 31, 2003
 (Continued)

	Enterprise	Internal Service	Total (Memorandum Only)
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$4,336,884	(\$164,232)	\$4,172,652
<u>Adjustments to Reconcile Operating Income (Loss)</u> <u>to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	624,319	0	624,319
Other Non-Operating Revenues and Expenses	12,752	0	12,752
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	109,108	0	109,108
Decrease in Inventory Supplies	4,514	0	4,514
Increase in Prepaid Items	(16,204)	0	(16,204)
Increase (Decrease) in Accounts Payable	(211,187)	333	(210,854)
Decrease in Contracts Payable	(565,056)	0	(565,056)
Decrease in Retainage Payable	(101,836)	0	(101,836)
Increase in Accrued Salaries Payable	5,253	0	5,253
Increase (Decrease) in Due to Other Governments	(12,965)	(1,084)	(14,049)
Increase in Liabilities Payable from Restricted Assets	250	0	250
Increase in Compensated Absences Payable	2,090	0	2,090
Net Cash Provided by (Used for) Operating Activities	<u>\$4,187,922</u>	<u>(\$164,983)</u>	<u>\$4,022,939</u>

Non-Cash Capital Financing Activities:

Developers contributed \$985,625 and \$163,044 in water and sewer lines respectively during fiscal year 2003.

See accompanying notes to the general purpose financial statements

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City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pickerington (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. In 1881 Pickerington was incorporated as a village. Pickerington was recognized as a village by the State of Ohio in 1930. The Village of Pickerington adopted a charter on November 4, 1980. On April 29, 1991 Pickerington was declared a City.

The municipal government provided by the charter is known as a mayor-council-manager form of government. Legislative power is vested in a seven-member council, each member elected to a four year term. The Mayor is elected by the citizens of Pickerington for a four year term. The Mayor appoints, with the concurrence of a majority vote of Council, the City Manager. The City Manager is the chief executive officer and the head of the administrative agencies of the City. She appoints all department heads and employees, except as otherwise provided in the Charter. The City Manager is responsible to the Mayor for the proper administration of all affairs of the City.

The financial statements of the City of Pickerington conform to generally accepted accounting principles for local government units as prescribed in the statements issued by Governmental Accounting Standards Board and other recognized authoritative sources. The City also applies Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989, to its proprietary activities, provided that they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City utilizes the Standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The financial reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include police protection, street maintenance and repairs, community and economic development, parks and recreation, and water and sewer services. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the City Manager through administrative and managerial requirements and procedures.

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 budget, the issuance of debt or the levying of taxes. No potential component units met these criteria.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

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:

- Pickerington Local School District
- Pickerington Public Library
- Pickerington Senior Citizens Center, Inc.

The City participates in one jointly governed organization and three insurance purchasing pools. These organizations are the Fairfield-Hocking Major Crimes Unit, the Central Ohio Risk Management Association Inc. (CORMA), the Central Ohio Health Care Consortium, and the Ohio Municipal League Workers' Compensation Group Rating Program. These organizations are discussed in Notes 19 and 20 to the general purpose financial statements.

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 certain City functions or activities.

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

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

Governmental 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 proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types.

General Fund - This fund is the operating fund of the City and 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 general laws of Ohio and the Charter of the City.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specific purposes.

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

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

Proprietary funds

The proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered or financed primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary funds

Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. The City's only fiduciary fund is an Agency Fund which is purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations.

Account groups

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

General Fixed Assets Account Group - to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - to account for all unmatured general long-term indebtedness of the City that is not a specific liability of the proprietary funds.

C. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the funds on the balance sheet. General fixed assets and long term liabilities of governmental fund types are presented in the account groups. 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 in the funds. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

Basis of accounting refers to the time 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 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 property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied (See Note 6). Revenue from income taxes is recognized in the period in which the income is earned. 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: state-levied locally shared taxes, income taxes, interest, grants, fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

D. Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the department level for the General fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the City Council. The finance director is given the authority to further allocate fund appropriations within all funds.

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if revenues are estimated to be greater or less than amounts previously certified. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested during 2003.

Appropriations

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

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. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

E. Cash and Cash Equivalents

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

During 2003, investments were limited to treasury bills, certificates of deposit, STAR Ohio, and repurchase agreements.

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

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

Investment procedures are restricted by the provisions of the Ohio Revised Code. During 2003, interest was distributed to the general fund, certain special revenue funds, debt services funds, capital projects funds, and enterprise funds. Interest revenue credited to the general fund during 2003 amounted to \$70,061, which includes \$47,825 assigned from other City funds.

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

F. Inventory of Supplies

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 costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003 are recorded as prepaid items using the consumption method recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Restricted Assets

Restricted assets in the enterprise funds represent water/sewer customer deposits.

I. Fixed Assets and Depreciation

General fixed assets 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. Fund fixed assets (assets used to provide services accounted for in proprietary funds) are capitalized in the fund that uses them.

All purchased fixed assets are valued at cost when historical records are available and at estimated historical cost when no historical records exist. For certain assets estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are valued at their estimated fair market value on the date received.

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 are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over the following useful lives:

Building	50 years
Improvements to Land Other than Buildings	20 years
Equipment	5-15 years
Vehicles	8 years
Sewer Lines	65 years
Water Lines	65 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

For governmental and proprietary funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after five years of service. The current portion of unpaid compensated absences is the amount to be paid using available expendable resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

K. 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, contractually required pension contributions and special termination benefits are reported as a liability in the General Long-Term Obligation 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 fiscal year end are considered not to have used current available financial resources. Bonds, capital leases and long-term loans are recognized as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary funds.

Under Ohio Law, a debt retirement fund may be created and used for the payment of debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and the enterprise funds, and the general long-term obligations 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 have also been allocated accordingly.

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	The fund from which the employee's salary is paid.
Capital Leases	Parks and Recreation, Street Fund, Police Facilities Fund, and Water Fund
Revenue Bonds	Water Fund and Sewer Fund
OWDA Loans	Sewer Fund
Issue Two Notes	Water Fund
Bond Anticipation Notes	Debt Service Fund

L. Capitalization of Interest

The City's policy is to capitalize net interest on proprietary fund 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 and the interest earned from temporary investments of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2003, interest costs incurred on construction projects in proprietary funds were not material.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

M. Reserves and Contributed Capital

Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, loans receivable, inventories of materials and supplies, and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years. Prior to 2001, contributed capital represented resources from other funds and private sources provided to enterprise funds that is not subject to repayment. Because the City had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1990, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Since 2001, capital contributions received from private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

O. Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

P. 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.

Q. Unamortized Accounting Gain/ Premiums/Issuance Costs

Accounting gains, premiums, and issuance costs for debt issues reported in proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Accounting gains and premiums are presented as an increase in the face amount of the bonds payable. Issuance costs are recorded as deferred charges.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

NOTE 2 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had deficit fund balances as of December 31, 2003:

<u>Capital Projects Funds</u>	<u>Deficit Fund Balances</u>
TIF St. Rt. 256/204 Construction Fund	\$604,759
Street Construction Fund	1,554,388
TIF Old Town Construction Fund	393,147
Police Facilities Fund	291,608
TIF Cover Construction Fund	237,923
TIF Cycle Way Construction Fund	355,888
TIF Windmill/ Diley Construction Fund	223,525
Diley Road Improvement Construction Fund	41,903

The deficits in the capital projects funds are the result of the issuance of debt to finance projects in these funds. Once the debt is retired, the deficits will be eliminated.

NOTE 3 – CHANGES IN FUND BALANCE/ RETAINED EARNINGS AND ACCOUNTING PRINCIPLES

In the prior year, revenue anticipation notes in the amount of \$1,615,000 were presented as long-term liabilities within the General Long-Term Debt Account Group rather than as fund liabilities within the appropriate capital projects funds. In addition, the \$125,000 Courtright Road bond anticipation note was presented in the General Long-Term Debt Account Group in the amount of \$110,000 and within the Street Construction Capital Projects Fund in the amount of \$15,000, rather than as a long-term liability within the General Long-Term Debt Account Group in the amount of \$125,000. Also, during 2003 the Ohio Water Development Authority adjusted the City's 2001 OWDA loan balance. Also, during 2003 the capital leases beginning balance presented as long-term liabilities within the General Long-Term Debt Account Group was adjusted to reflect a payment in a prior period.

The City increased their capitalization threshold from one thousand to five thousand dollars.

The reclassification of the notes, the expenditure misposting, the OWDA Loan adjustment, and the capitalization threshold change had the following effects on fund balance and retained earnings as it was previously reported as of December 31, 2002:

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

	Capital Projects	Enterprise
Fund Balance/ Retained Earnings as previously reported	(\$249,336)	\$9,446,985
Note Reclassification	(1,600,000)	0
Expenditure Reclassification	14,999	(14,999)
OWDA Loan Adjustment	0	7,365
Change in capitalization threshold/ Net of accumulated depreciation	0	(263,617)
Restated amount for the year ended December 31, 2002	(\$1,834,337)	\$9,175,734

The note reclassification, the expenditure misposting, the OWDA Loan adjustment, and the capitalization threshold change caused a change in the excess of revenues and other financing sources over (under) expenditures and other uses/ net income (loss) as previously reported for the year ended December 31, 2002:

	Capital Projects	Enterprise
Excess/ Net Income as previously reported	\$1,709,226	\$3,395,285
Note Reclassification	(1,600,000)	0
Expenditure Reclassification	14,999	(14,999)
OWDA Loan Adjustment	0	7,365
Change in capitalization threshold/ Net of accumulated depreciation	0	(263,617)
Restated amount for the year ended December 31, 2002	\$124,225	\$3,124,034

As a result of the note reclassification the amount reported in the General Long-Term Debt Account Group as of December 31, 2002, was decreased from \$6,592,170 to \$4,992,170.

As a result of increasing the threshold for fixed assets, the amount reported as of December 31, 2002 was decreased from \$10,957,976 to \$9,921,247.

As of December 31, 2002 the City's claims payable was overstated. This overstatement had the following effect on retained earnings as it was previously reported for the year ended December 31, 2002:

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

	Internal Service
(Deficit) Retained Earnings as previously reported	(\$231,725)
Claims Payable Overstatement	410,563
Restated amount for the year ended December 31, 2002	\$178,838

The overstatement of claims payable caused a change in the excess of operating revenues over (under) operating expenses and net income (loss) as previously reported for the year ended December 31, 2002:

	Internal Service
Net Loss as previously reported	(\$216,688)
Claims Payable Overstatement	410,563
Restated amount for the year ended December 31, 2002	\$193,875

NOTE 4 - 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), All Proprietary Fund Types 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

5. For the proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
6. Principal and interest payments on debt obligations are reported in debt service funds on the operating statement (budget basis) rather than in the funds receiving those proceeds (GAAP basis).
7. Revenues received by year-end and not posted to cash (budget basis) are recorded as revenue (GAAP basis).

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)			
	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>
GAAP Basis	\$263,553	\$275,964	(\$512,219)	\$75,395
Adjustments:				
Revenue Accruals	(45,427)	(60,915)	43,373	(87,618)
Expenditure Accruals	(100,204)	6,840	(330,846)	(3,909,456)
Encumbrances	(84,444)	(185,406)	(1,807,196)	0
Debt Principal Payments	0	0	0	(11,630,844)
Operating Transfers-In	0	0	(354,716)	1,731,109
Operating Transfers-Out	0	0	(33,750)	0
Revenue Allocated to Enterprise Funds for Debt Service	0	0	0	3,631
Revenue Allocated to Capital Projects Funds for Debt Service	0	0	(159,504)	159,504
Bond Proceeds	0	0	0	3,375,000
Note Proceeds	0	0	722,500	10,281,344
Budget Basis	<u>\$33,478</u>	<u>\$36,483</u>	<u>(\$2,432,358)</u>	<u>(\$1,935)</u>

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

Net Income (Loss) / Excess of Revenues and Other Financing Sources
Over (Under) Expenses and Operating Transfers
Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$5,133,733	(\$164,232)
Adjustments:		
Revenue Accruals	111,665	0
Expense Accruals	(727,441)	(9,227)
Utility Deposits	250	0
Sale of Fixed Assets	20,000	0
Allocation of Interest Expense	339,029	0
Encumbrances	(436,816)	4,238
Capital Outlay	(4,864,798)	0
Depreciation	624,318	0
Debt Principal Payments	(44,029)	0
Operating Transfers-Out	(1,342,643)	0
Note Proceeds	2,941,662	0
Capital Contributions from Developers	(1,148,669)	0
Budget Basis	\$606,261	(\$169,221)

NOTE 5 - DEPOSITS AND INVESTMENTS

A. Policies and Procedures

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

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

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

Interim monies may be deposited or invested in the following securities:

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any 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 exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio)

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

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

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

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 specific 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 to transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including repurchase agreements), and reverse repurchase agreements."

B. Cash on Hand

At year end, the City had \$7,046 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents".

C. Deposits

At year end, the carrying amount of the City's deposits was (\$192,391) and the bank balance was \$18,029. All was covered by federal deposit insurance. Although collateral was held by the pledging financial institution's trust department or agent in the City's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

D. Investments

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. STAR Ohio which is an investment fund operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

	Category 2	Category 3	Unclassified	Carrying Value
Certificates of Deposit	\$2,250,000	\$0	\$0	\$2,250,000
STAR Ohio	0	0	6,319,611	6,319,611
Federal National Mortgage Association Discount Notes	500,200	0	0	500,200
Federal Home Loan Mortgage Corporation Notes	498,125	0	0	498,125
Federal Home Loan Bank Notes	700,931	0	0	700,931
Federal Farm Credit Bank	545,400	0	0	545,400
Repurchase Agreement	0	386,631	0	386,631
Total	<u>\$4,494,656</u>	<u>\$386,631</u>	<u>\$6,319,611</u>	<u>\$11,200,898</u>

The classification of cash and cash equivalents, and investments on the combined 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 the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$11,015,553	\$0
Undeposited Cash	(7,046)	0
Investments:		
Certificates of Deposit	(2,250,000)	2,250,000
Federal National Mortgage Association Discount Notes	(500,200)	500,200
Federal Home Loan Mortgage Corporation Notes	(498,125)	498,125
Federal Home Loan Bank Notes	(700,931)	700,931
Federal Farm Credit Bank	(545,400)	545,400
STAR Ohio	(6,319,611)	6,319,611
Repurchase Agreement	(386,631)	386,631
GASB Statement 3	<u>(\$192,391)</u>	<u>\$11,200,898</u>

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on assessed value as of January 1, 2003, the lien date. Assessed values are established by State law 35 percent of the appraised value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 23 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2003, was \$7.80 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

	2003
Real Property	\$232,203,350
Public Utility Real and Tangible Personal Property	2,618,760
Tangible Personal Property	7,316,593
Total Assessed Value	\$242,138,703

Real property taxes are payable annually and 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; 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 Fairfield County, including the City of Pickerington. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2003 operations. The receivable is therefore offset by a credit to deferred revenue.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

NOTE 7 - INCOME TAX

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality equal to 50 percent of the amount obtained by multiplying the lower of the tax rate of such other municipality or of the City by the taxable income earned in or attributable to the municipality of employment.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration semi-annually.

Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Pickerington. In 2003, the proceeds were receipted into the General Fund. Income tax revenue for 2003 was \$3,105,152.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2003 consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts. All receivables are considered fully collectible.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

A summary of intergovernmental receivables follows:

<u>General Fund</u>	
Local Government	\$177,283
Homestead and Rollback	32,500
Estate Taxes	339
Total General Fund	<u>210,122</u>
<u>Special Revenue Funds</u>	
<u>Urban Forestry Fund</u>	
CORMA Insurance Reimbursement	<u>443</u>
<u>Police Fund</u>	
DARE Grant	29,026
Homestead and Rollback	62,500
Total Police Fund	<u>91,526</u>
<u>State Highway Fund</u>	
Gasoline Tax	7,925
Motor Vehicle License Tax	3,000
Total State Highway Fund	<u>10,925</u>
<u>Street Fund</u>	
Gasoline Tax	104,893
Motor Vehicle License Tax	44,387
CORMA Insurance Reimbursement	50
Total Street Fund	<u>149,330</u>
Total Special Revenue Funds	<u>252,224</u>
<u>Debt Services Funds</u>	
<u>TIF - State Route 256/204 Debt</u>	
Homestead and Rollback	<u>12,371</u>
<u>TIF - Old Town Debt</u>	
Homestead and Rollback	<u>144</u>
<u>TIF - Windmill/ Diley Debt</u>	
Homestead and Rollback	<u>8,552</u>
Total Debt Service Funds	<u>21,067</u>
<u>Capital Projects Funds</u>	
<u>CDBG</u>	
CDBG Formula 2001	13,000
CDBG Formula 2002	12,000
Total CDBG	<u>25,000</u>
<u>TIF St. Rt. 256/204 Construction Fund</u>	
Homestead and Rollback	<u>12,371</u>
Total Capital Projects Funds	<u>37,371</u>
Total All Funds	<u><u>\$520,784</u></u>

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

Payment in Lieu of Taxes

The City entered into Tax Increment Financing Agreements in 1997 between the City and Bob Evans Farms, Inc., Pickerington Plaza Limited Partnership, and Steak n Shake, Inc., for the purpose of constructing a movie theater, two restaurants and a retail center. During 2002, the City entered into four additional Tax Increment Financing Agreements. The first agreement entered into during 2002 was between the City and Evelyn F. Weiner, Trustee, & Marvin Zuravsky, Cross Creeks, Cover property, Ebright property, and The 256 Company, for the purpose of constructing two commercial retail buildings, four commercial buildings, three office buildings, and three commercial office buildings. The second agreement entered into during 2002 was between the City and B&G Realty, Inc. for the purpose of constructing two restaurants. The third agreement entered into during 2002 was between the City and B&G Realty, Inc., American Motorcycle Association, and Emerald City Investment Company LTD, for the purpose of constructing one commercial retail center, four restaurants, two commercial retail buildings, two hotels, two commercial office buildings, one commercial entertainment facility, one additional office building, and one addition to a previous facility. The fourth agreement entered into during 2002 was between the City and Rockford Homes Inc. & BGM Development Corp., RCL World LLC, Giltz Company LLC, One Pickerington Company LLC, and four home owners, for sewer improvements, intersection improvements, and additional street lighting. To encourage these improvements, the companies and home owners were granted an exemption from paying any property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance public improvements and will continue over ten years. A receivable for the amount that will be received by the City in 2004 has been recorded in the Tax Increment Financing Capital Projects Funds and the Tax Increment Financing Debt Service Funds with a corresponding credit to deferred revenue. The City is not able to record a receivable for all future payments because the payments are based upon projected collections. A receivable has been recorded in the amount of \$301,733 which represents amounts measurable at December 31, 2003.

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at December 31, 2003 follows:

Land	\$670,038
Improvements to Land Other than Buildings	461,164
Buildings	17,519,771
Equipment	251,875
Vehicles	246,665
Infrastructure	22,171,066
Construction in Progress	1,976,741
Total	<u>43,297,320</u>
Less: Accumulated Depreciation	<u>(7,436,563)</u>
Net Fixed Assets	<u><u>\$35,860,757</u></u>

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

Changes in general fixed assets during the year ended December 31, 2003, were as follows:

Class	Restated Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Land	\$1,985,340	\$170,270	(\$16,132)	\$2,139,478
Improvements to Land				
Other than Buildings	276,509	0	0	276,509
Buildings	1,356,962	3,787,885		5,144,847
Equipment	2,497,933	419,906	(5,602)	2,912,237
Vehicles	674,438	45,140	(63,209)	656,369
Construction in Progress	3,130,064	920,059	(3,764,249)	285,874
Totals	<u>\$9,921,246</u>	<u>\$5,343,260</u>	<u>(\$3,849,192)</u>	<u>\$11,415,314</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.75 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$178,024, \$201,590, and \$197,745 respectively; 95 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$788 made by the City and \$494 made by the plan members.

City of Pickerington, Ohio
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B. Police and Firemen's Disability and 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.

The City has no firefighters. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$100,931, \$125,853, and \$121,216 respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 96 percent has been contributed for 2003 with the remainder being reported as a liability.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.75 percent for public safety and law enforcement); 5.00 percent of covered payroll 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 OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 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 annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$104,108. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

City of Pickerington, Ohio
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In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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 service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other 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 funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$66,572 for police. The OP&F's total health care expense for the year ended December 31, 2002 (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police.

NOTE 12 – COMPENSATED ABSENCES

Vacation leave is earned at varying rates based upon length of service. A maximum number of vacation hours may be accumulated based on length of service. Any unused vacation exceeding the maximum allowance is eliminated from the employee's leave balance. At the time of termination of employment or death, an employee (or his estate) is paid for his unused vacation leave.

Sick leave is earned at the rate of three and seven tenths hours per eighty hours of service and can be accumulated without limit. In the case of death or retirement of an employee who has ten years of service, an employee or his estate is paid for one-third of his accumulated sick leave up to a maximum payment equal to forty days.

After forty or more days have been accumulated, City employees are eligible to sell back certain amounts of sick leave. The formula depends on the number of sick days taken in the preceding calendar year. Employees eligible to retire within three years are also eligible to sell back leave. All employees must retain a minimum balance of forty days.

City of Pickerington, Ohio
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Unpaid compensated absences of \$11,203 at December 31, 2003, were reported as an accrued liability in the governmental fund types. The liability for compensated absences in the proprietary funds at December 31, 2003, was \$51,472. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$338,475.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, the City contracted with CORMA for property and general liability, automobile liability, boiler and machinery liability, law enforcement liability, and public officials liability.

Under the CORMA program for general liability, law enforcement liability, and public officials liability, the City has \$2,000,000 of total liability coverage for each occurrence. There is no deductible for general liability insurance. The City carries a \$100,000 deductible for both law enforcement and public officials liability insurance. Property insurance is covered to a limit of \$100,000,000 with a \$25,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$100 per vehicle deductible for comprehensive coverage and a \$250 per vehicle collision coverage. Boiler and machinery insurance is covered to a limit of \$50,000,000 with various sublimits. The City carries a \$1,000 deductible for boiler and machinery liability. 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.

The City participates in the Ohio Municipal League workers' compensation group rating plan (the Plan), an insurance purchasing pool (see Note 20). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating municipalities is calculated as one experience in order to create a lower workers' compensation premium rate. Each municipality pays its workers' compensation premium to the State based on the rate for the Plan rather than the municipality's individual rate. In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, annual calculations are made of the total savings accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. Collections of rate contributions from or payments of rate equalization rebates to the various participants are then made. Participation in the Plan is limited to municipalities that can meet the Plan's selection criteria. The firm of Gates McDonald & Company performs claims administration, actuarial cost control, and consulting services for participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

During 2003, the City entered into an agreement with the Ohio Health Care Consortium changing their medical insurance coverage from a self-insured program to a risk sharing pool (see Note 20). During 2003, the City paid outstanding 2002 claims in the amount of \$25,344.

Changes in the fund's claims liability in 2002 and 2003 were:

	Restated Balance <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at <u>End of Year</u>
2002	\$209,448	\$815,016	\$999,120	\$25,344
2003	25,344	0	25,344	\$0

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
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NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

The capital lease obligation recorded in the general long-term obligations account group relates to the construction of a new police facility and the necessary operational equipment within the facility. On May 28, 2002, as part of the agreement, First Star Bank, as lessor, wired \$4.3 million in lease proceeds to the City for a portion of the costs of construction. At December 31, 2003 the City has expended \$2,924,159 for the construction of the building and \$886,501 for operational equipment. The remainder will be expended as costs are incurred. At year end, general fixed assets under this lease were capitalized in the general fixed asset account group under building.

In addition, the City has entered into capital leases for two dump trucks, two copiers, a bulldozer, two mowers, a tractor and a digital imaging system. The agreements stipulate that ownership is transferred to the City by the end of the lease terms. The leases meet 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 general purpose financial statements for the governmental funds. Equipment acquired by lease has been capitalized in the general fixed assets account group and a proprietary fund in the amounts of \$633,851 and \$52,657 which are equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and the Water Enterprise Fund. The Water Enterprise Fund net value of \$38,615 represents the original amount of \$52,657 and the associated accumulated depreciation in the amount of \$14,042. Principal payments towards all capital leases during 2003 totaled \$172,343 for governmental funds and \$10,488 for proprietary funds.

The following is a schedule of the future minimum lease payments at December 31, 2003:

Year	General Long-Term Obligations	Enterprise Fund
2004	\$384,003	\$11,929
2005	373,237	0
2006	358,939	0
2007	349,680	0
2008	340,578	0
2009-2013	1,729,027	0
2014-2018	1,777,867	0
2019-2023	1,468,421	0
Total	6,781,752	11,929
Less: Amount Representing Interest	(2,493,539)	(744)
Present Value of Net Minimum Lease	<u>\$4,288,213</u>	<u>\$11,185</u>

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the City's long-term obligations during 2003 consist of the following:

	Restated Balance January 1, 2003	Increase	Decrease	Balance December 31, 2003
<u>General Long-Term Obligations</u>				
2002-2003 Courtright Road				
Bond Anticipation Notes	\$125,000	\$110,000	\$125,000	\$110,000
2003 Street Improvement				
Bond Anticipation Notes	0	1,800,000	0	1,800,000
2003 Diley Road Improvement				
Bond Anticipation Notes	0	346,000	0	346,000
Total Bond Anticipation Notes	<u>125,000</u>	<u>2,256,000</u>	<u>125,000</u>	<u>2,256,000</u>
Compensated Absences	285,646	327,402	274,573	338,475
Intergovernmental Payable	136,233	21,212	136,233	21,212
Capital Leases Payable	4,460,556	0	172,343	4,288,213
Total General Long-Term Obligations	<u>5,007,435</u>	<u>2,604,614</u>	<u>708,149</u>	<u>6,903,900</u>
<u>Enterprise Funds</u>				
\$1,210,000 - 1.5-3.625% - 2003				
Water System Improvement Various Purpose				
Utility General Obligation Refunding Bonds	0	1,210,000	85,000	1,125,000
\$2,165,000 - 1.5-3.625% - 2003				
Wastewater Treatment Plant Various Purpose				
Utility General Obligation Refunding Bonds	0	2,165,000	140,000	2,025,000
Various Purpose Utility General Obligation				
Refunding Bonds Premium	0	15,935	212	15,723
\$1,500,000 - 5.85% - 1994				
Water System Improvement				
General Obligation Revenue Bonds	1,095,000	0	1,095,000	0
\$2,500,000 - 5.50% - 1995				
Sanitary Sewer Improvement				
General Obligation Revenue Bonds	1,910,000	0	1,910,000	0
\$2,850,000 - 4.85% - 1999				
Sanitary Sewer Improvement				
General Obligation Revenue Bonds	2,600,000	0	70,000	2,530,000
Total General Obligation Revenue Bonds	<u>5,605,000</u>	<u>3,390,935</u>	<u>3,300,212</u>	<u>5,695,723</u>
\$440,864 - 6.25% - 1973 OWDA Loans	220,118	0	8,234	211,884
\$819,398 - 4.64% - 2001 OWDA Notes	768,101	0	1,091	767,010
Total OWDA	<u>988,219</u>	<u>0</u>	<u>9,325</u>	<u>978,894</u>
\$189,057 - 0.00% - 1993 Issue Two Notes	81,923	0	12,604	69,319
Capital Leases Payable	21,673	0	10,488	11,185
Total Enterprise Funds	<u>6,696,815</u>	<u>3,390,935</u>	<u>3,332,629</u>	<u>6,755,121</u>
Total All Types	<u>\$11,704,250</u>	<u>\$5,995,549</u>	<u>\$4,040,778</u>	<u>\$13,659,021</u>

City of Pickerington, Ohio
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The Courtright Road bond anticipation notes issued on March 14, 2002, for \$125,000 matured on March 15, 2003. Bond anticipation notes were reissued on March 13, 2003, for \$110,000 and will mature on March 13, 2004. These notes were issued for the purpose of paying part of the cost of street improvements known as the Courtright Road realignment, including constructing streets, sidewalks, curbs and gutters.

The Street Improvement bond anticipation notes were issued on April 17, 2003, for \$1,800,000 and will mature on April 16, 2004. These notes were issued for the purpose of paying part of the costs of acquiring, constructing, equipping and furnishing street improvements, in the downtown are of the City.

The Diley Road Improvement bond anticipation notes were issued on March 27, 2003, for \$346,000 and will mature on March 26, 2004. Theses notes were issued for the purpose of paying part of the costs of constructing improvements to Diley Road in the City.

The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund in which the employee is paid. Capital leases payable are paid from the special revenue street fund, the special revenue parks and recreation fund, the capital projects police facilities fund, and the water enterprise fund.

During 2003, the City issued \$3,375,000 in Various Purpose Utility General Obligation Refunding Bonds with interest rates varying from 1.5 percent to 3.6 percent. The proceeds were used to refund \$1,095,000 of the outstanding 1994 Water System Improvement Revenue Bonds and \$1,910,000 of outstanding 1995 Wastewater Treatment Plant Improvement Revenue Bonds. The general obligation refunding bonds were sold at a premium of \$15,935, which will be amortized over the life of the bonds. Issuance costs associated with the bond issue were \$64,662 and are deferred and will be amortized over the life of the bond issue. \$3,329,891 (after premium, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 1994 Water System Improvement Revenue Bonds and the 1995 Wastewater Treatment Plant Improvement Revenue Bonds. These refunding bonds will be repaid from Water and Sewer Enterprise Fund revenues. As a result, \$3,375,000 of these bonds is considered defeased and the liability for the refunded portion of these bonds has been removed from the water and sewer enterprise funds. The advance refunding resulted in a difference between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as an increase to bonds payable, is being amortized to interest expense through the year 2014 for the Water System Improvement Revenue Bonds and through the year 2015 for the Wastewater Treatment Plant Improvement Bonds using the straight-line method. The total amount amortized for 2003 is \$4,274. The City completed the advance refunding to reduce its total debt service payments over the next 12 to 13 years in the amount of \$74,129 in the Water Enterprise Fund and \$74,368 in the Sewer Enterprise Fund, in order to obtain an economic gain of \$77,501 in the Water Enterprise Fund and \$77,932 in the Sewer Enterprise Fund. On December 1, 2003 the City made their first principal payment of \$225,000.

The general obligation bonds payable in the Water Enterprise Fund is made up of the following components.

	2003 Various Purpose Utility General Obligation Refunding Bonds
Outstanding Balance of	
General Obligation Bonds	\$1,125,000
Unamortized Premium	\$6,954
Unamortized Accounting Gain	(97,383)
Balance Net of Accounting Gain	\$1,034,571

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The general obligation bonds payable in the Sewer Enterprise Fund is made up of the following components.

	2003 Various Purpose Utility General Obligation Refunding Bonds	1999 Sanitary Sewer Improvement General Obligation Bonds	Totals
Outstanding Balance of			
General Obligation Bonds	\$2,025,000	\$2,530,000	\$4,555,000
Unamortized Premium	8,769	0	8,769
Unamortized Accounting Gain	(223,234)	0	(223,234)
Balance Net of Accounting Gain	\$1,810,535	\$2,530,000	\$4,340,535

The Various Purpose General Obligation Refunding Bonds maturing on and after December 1, 2004 are subject to prior redemption, by and at the sole opinion of the City, either in whole or in part (as selected by the City) on any date on or after December 1, 2004, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

Redemption Dates (inclusive)	Redemption Prices
December 1, 2004 through November 30, 2005	102%
December 1, 2005 and thereafter	102%

The 1973 OWDA loans represent amounts borrowed from the Ohio Water Development Authority for the construction of sewer system improvements. The 2001 OWDA loan borrowed from the Ohio Water Pollution Control Loan Fund was also issued for the purpose of improving the sewer system. During 2003, the City made principal payments of \$8,234 and \$1,091. The loans will be paid from Sewer Enterprise Fund revenue.

The Issue Two notes represent amounts borrowed from the Ohio Public Works Commission for the improvement of filters to the water plant. The notes were issued interest free and will be paid from Water Enterprise Fund revenue.

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$14,939,483.

City of Pickerington, Ohio
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Principal and interest requirements to retire the City's general obligation bonds outstanding at December 31, 2003 were:

Year	Sewer General Obligation Bonds		Water General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$225,000	\$180,813	\$85,000	\$31,520	\$310,000	\$212,333
2005	230,000	174,926	95,000	30,245	325,000	205,171
2006	235,000	168,046	95,000	28,345	330,000	196,391
2007	245,000	161,066	95,000	26,445	340,000	187,511
2008	250,000	153,213	95,000	24,308	345,000	177,521
2009-2013	1,405,000	623,603	540,000	77,563	1,945,000	701,166
2014-2018	1,075,000	340,653	120,000	4,320	1,195,000	344,973
2019-2023	890,000	133,860	0	0	890,000	133,860
Total	<u>\$4,555,000</u>	<u>\$1,936,180</u>	<u>\$1,125,000</u>	<u>\$222,746</u>	<u>\$5,680,000</u>	<u>\$2,158,926</u>

Principal and interest requirements to retire the City's OWDA loans and Issue Two notes outstanding at December 31, 2003 were:

Year	OWDA		Issue Two
	Principal	Interest	Principal
2004	\$45,035	\$48,510	\$6,299
2005	47,413	46,132	12,604
2006	49,920	43,626	12,604
2007	52,561	40,984	12,604
2008	55,345	38,200	12,604
2009-2013	308,123	144,492	12,604
2014-2018	245,054	72,871	0
2019-2023	175,443	14,518	0
Total	<u>\$978,894</u>	<u>\$449,333</u>	<u>\$69,319</u>

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
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NOTE 16 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2003, follows:

	Restated Balance January 1, 2003	Increase	Decrease	Balance December 31, 2003
<u>Capital Projects Funds</u>				
TIF Cover - 1.96%	\$0	\$322,500	\$0	\$322,500
Street Improvement/ E. Street Realignment - 1.27%	1,690,000	1,605,000	1,690,000	1,605,000
TIF SR 256/204/ TIF Hill Road/ TIF Old Town - 2.01%	1,193,000	990,000	1,193,000	990,000
Diley Road Street Improvement - 1.50%	0	400,000	0	400,000
TIF Cycle Way - 1.89%	625,000	625,000	625,000	625,000
Police Facility - 1.37%	350,000	350,000	350,000	350,000
Diley Road - 2.14%	110,000	110,000	110,000	110,000
TIF Windmill/ Diley - 2.14%	194,500	194,500	194,500	194,500
Total Capital Projects Funds	4,162,500	4,597,000	4,162,500	4,597,000
<u>Enterprise Funds</u>				
Water Plant Tower - 1.38%	1,275,000	1,075,000	1,275,000	1,075,000
Water Plant - 3.70%	295,582	5,573,506	2,826,844	3,042,244
Water Plant Engineer - 1.137%	550,000	500,000	550,000	500,000
Sewer D-Line IV - 1.137%	1,079,500	1,025,000	1,079,500	1,025,000
Sanitary Sewer System Improvement - 1.40%	400,000	300,000	400,000	300,000
Sewer Plant Engineer - 1.137%	925,000	875,000	925,000	875,000
Total Enterprise Funds	4,525,082	9,348,506	7,056,344	6,817,244
Total All Fund Types	\$8,687,582	\$13,945,506	\$11,218,844	\$11,414,244

The notes outstanding at December 31, 2003 were issued in anticipation of long-term bond financing or revenue and will be refinanced until such bonds are issued or will be paid from revenues. They are backed by the full faith and credit of the City and mature within one year.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

NOTE 17 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of sewer and water services. Key financial information as of and for the year ended December 31, 2003 for each enterprise fund is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Revenues	\$2,292,194	\$4,332,774	\$6,624,968
Depreciation Expense	170,771	453,547	624,318
Operating Income (Loss)	1,296,817	3,040,067	4,336,884
Net Non-Operating Revenues/(Expenses)	(77,202)	874,051	796,849
Net Income	1,219,615	3,914,118	5,133,733
Current Capital Contributions	163,044	985,625	1,148,669
Property, Plant and Equipment:			
Additions	1,181,618	4,503,359	5,684,977
Deletions	0	20,000	20,000
Net Working Capital	324,840	(689,391)	(364,551)
Total Assets	21,205,988	21,370,029	42,576,017
Bonds and Other Long-Term Liabilities Payable from Revenue	5,331,415	1,151,734	6,483,149
Total Equity	13,560,124	15,452,933	29,013,057
Encumbrances at 12/31/2003	175,146	261,670	436,816

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
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NOTE 18 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

As of December 31, 2003 the City had the following material contractual purchase commitments. The amount for each project is as follows:

<u>Source</u>	<u>Purchase Commitments</u>	<u>Amount Paid as of December 31, 2003</u>	<u>Remaining on Contracts</u>
Pickerington Cycle Way	\$543,340	\$272,601	\$270,739
Downtown Streetscape Phases III, IV, V	1,777,836	1,038,546	739,290
Diley Road Improvement	400,000	39,410	360,590

NOTE 19 – JOINTLY GOVERNED ORGANIZATION

The City is a participant in the Fairfield Hocking Major Crimes Unit, a jointly governed organization. The organization is composed of an operating board which consists of seven members: the Fairfield County sheriff and prosecuting attorney, the Hocking County sheriff and prosecuting attorney, and the chiefs of police from the City of Pickerington, the City of Lancaster, and the City of Logan. The purpose of the organization is to provide additional police protection to the citizens of Fairfield and Hocking Counties and to reduce the influence and affects of illegal drug trafficking activities and other major crimes. The City contributed \$42,084 in man hours to the Fairfield Hocking Major Crimes Unit during 2003.

NOTE 20 - POOLS

A. Central Ohio Risk Management Association (CORMA)

The Central Ohio Risk Management Association Inc. (CORMA) is a shared risk pool which is administered by four cities in Central Ohio. Its present members in addition to the City of Pickerington are the Cities of Dublin, Upper Arlington and Westerville. CORMA was formed as an Ohio non-profit corporation for the purpose of establishing the CORMA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Each member has a representative on the Board of Trustees that approve bylaws, establish policies and contract with service providers for the best savings. Member cities agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORMA. These coverages include comprehensive general liability, property insurance, crime insurance, employee benefits liability, law enforcement liability, public officials liability, automotive liability, and healthcare professional liability.

City of Pickerington, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December, 31 2003

B. Central Ohio Health Care Consortium

The Central Ohio Health Care Consortium is a shared risk pool which provides 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 are used to cover claims and administrative costs, and to purchase excess loss insurance for the plan. The Consortium has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Plan for medical claims paid for an individual in excess of \$150,000 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 aggregated claims paid in excess of \$10,220,020 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.

C. The Ohio Municipal League Workers' Compensation Group Rating Program

The City is participating in a group rating plan for workers' compensation called The Ohio Municipal League Workers' Compensation Group Rating Program, as established under Section 4123.29 of the Ohio Revised Code. The group rating plan is sponsored by the Ohio Municipal League.

The Ohio Municipal League is governed by a Board of Trustees, elected by membership. The Board consists of all past presidents of the League, as long as they are municipal officials, and 28 trustees (also municipal officials) elected for two year terms. The Board exercises general oversight over operation of the workers' compensation group. League staff maintains direct and on-going liaison with the program contract operator, Gates McDonald.

NOTE 21 - CONTINGENT LIABILITIES

A. Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2003 to December 31, 2003 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. 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.

City of Pickerington, Ohio
Real Property Tax Levies and Collections
Last Ten Years

Collection Year	Total Tax Levy (1)	Current Tax Collections	Delinquent Tax Collections (2)	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1994	\$489,637	\$486,909	\$10,873	\$497,782	101.66%	\$13,782	2.81%
1995	520,407	514,957	9,835	524,792	100.84	12,492	2.40
1996	604,674	598,816	8,488	604,304	100.43	12,635	2.09
1997	594,544	555,953	6,838	562,791	94.66	17,404	2.93
1998	621,924	608,817	8,242	617,059	99.22	20,765	3.34
1999	673,947	654,598	13,053	667,651	97.13	29,110	4.32
2000	742,888	700,256	20,768	721,024	97.10	24,708	3.30
2001	1,210,588	1,161,218	18,946	1,180,165	97.50	62,371	5.20
2002	1,372,739	1,323,768	34,506	1,358,274	98.90	41,784	3.00
2003	1,621,759	1,573,532	35,440	1,608,971	99.20	46,080	2.80

Source: County Auditor; Fairfield County, Ohio

(1) These figures do not include homestead, 10% rollback and 2.5% rollback.

(2) Delinquent collections include penalties and interest.
Differences are due to adders, remitters, and refunds.

City of Pickerington, Ohio
Personal Property Tax Levies and Collections
Last Ten Years

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections (1)	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1994	\$24,635	\$21,853	\$1,600	\$23,453	95.20%	\$1,272	5.16%
1995	23,854	19,223	859	20,083	84.19	1,835	7.69
1996	25,258	20,535	73	20,608	81.59	1,593	6.31
1997	29,327	27,810	473	28,283	96.44	2,873	9.79
1998	28,863	27,382	957	28,339	98.18	1,481	5.13
1999	37,031	32,873	123	32,996	89.10	3,191	8.61
2000	40,493	38,899	7,782	46,681	115.28	1,478	3.65
2001	46,718	43,652	54	43,706	93.60	3,251	7.00
2002	47,808	43,622	195	43,817	91.70	3,479	7.30
2003	50,722	39,820	712	40,532	79.90	3,627	7.20

Source: County Auditor; Fairfield County, Ohio

(1) Delinquent collections include penalties and interest.
Differences are due to adders, remitters, and refunds.

City of Pickerington, Ohio
Assessed Value of Taxable Property
Last Ten Years

<u>Collection Year</u>	<u>Assessed Real</u>	<u>Assessed Public Utility Real</u>	<u>Assessed Tangible Personal (1)</u>	<u>Total</u>
1994	\$91,983,040	\$4,530	\$5,911,110	\$97,898,680
1995	95,153,130	5,070	6,588,160	101,746,360
1996	120,289,340	5,490	6,283,365	126,578,195
1997	124,554,130	5,640	7,276,745	131,836,515
1998	130,296,600	7,210	8,479,540	138,783,350
1999	148,856,150	7,160	8,966,527	157,829,837
2000	160,131,600	3,559	9,025,307	169,160,466
2001	169,250,550	3,474	9,984,978	179,239,002
2002	211,965,990	10,590	9,411,102	221,387,682
2003	232,203,350	9,290	9,926,063	242,138,703

Source: County Auditors; Fairfield County, Ohio and Franklin County, Ohio.

(1) Includes Public Utility Tangible Personal.

City of Pickerington, Ohio
Property Tax Rates – Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Years

Collection Year	City General Fund (1)	City Police Fund (1)	Total City	Pickerington Local Schools (2)	Fairfield County (2)	Violet Township (2)	Eastland Joint Vocational School (2)
1994	\$2.30	\$5.50	\$7.80	\$67.66	\$8.55	\$5.70	\$1.23
1995	2.30	5.50	7.80	67.76	7.05	5.70	1.20
1996	2.30	5.50	7.80	65.00	7.05	9.80	1.20
1997	2.30	5.50	7.80	68.96	7.05	8.55	1.20
1998	2.30	5.50	7.80	66.36	7.05	8.55	1.20
1999	2.30	5.50	7.80	66.36	7.05	8.55	2.00
2000	2.30	5.50	7.80	66.36	7.05	9.80	2.00
2001	2.30	5.50	7.80	70.30	7.05	8.30	2.00
2002	2.30	5.50	7.80	70.10	7.05	12.15	2.00
2003	2.30	5.50	7.80	70.10	7.05	12.15	2.00

Source: (1) City of Pickerington

(2) County Auditor; Fairfield County, Ohio

City of Pickerington, Ohio
Computation of Overall Legal Debt Margin
December 31, 2003

Assessed Value		<u>\$242,138,703</u>
Overall Debt Margin		
(10 ½ % of the Assessed Value)		\$21,792,483
Total Voted and Unvoted Debt		
Outstanding at December 31, 2003	<u>\$20,398,457</u>	
 Exempt Obligations:		
Revenue Bonds Payable	5,680,000	
OWDA Loans Payable	978,894	
Issue 2 Notes Payable	69,319	
Notes Payable from Enterprise Fund Revenues	<u>6,817,244</u>	
Total	<u>13,545,457</u>	
Net Subject to 10 ½ percent limitation		<u>6,853,000</u>
Legal Debt Margin within 10 ½ percent limitation		<u><u>\$14,939,483</u></u>

City of Pickerington, Ohio
 Computation of Direct and Overlapping
 General Obligation Bonded Debt
 December 31, 2003

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Pickerington</u>	<u>Amount Applicable to the City of Pickerington</u>
City of Pickerington	\$0	100%	\$0
Pickerington Local School District	120,534,228	30.61	36,895,527
Fairfield County	2,210,000	10.3	227,630
Violet Township	<u>200,000</u>	<u>36.28</u>	<u>72,560</u>
Total			<u><u>\$37,195,717</u></u>

(1) Amount includes only general obligation bonds payable from property taxes.

Note: The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by the subdivision's total assessed valuation.

City of Pickerington, Ohio
Computation of Direct and Overlapping
General Obligation Bonded Debt
December 31, 2003

Taxpayer	Type	2003 Assessed Value	Percentage of Total Assessed Value
AERC Turnberry Inc.	Real Estate Management	\$4,025,000	1.66%
Regency Centers	Shopping Center	3,972,080	1.64
Lakes Edge Partnership	Shopping Center	3,932,590	1.62
Centex Homes	Real Estate Management	2,673,870	1.10
Pickerington Square LP	Shopping Center	2,485,030	1.03
Diley Road Associates LLC	Shopping Center	2,392,210	.99
Dominion Homes	Real Estate Management	2,083,450	.86
Rockford Homes	Real Estate Management	2,078,040	.86
Hill Road Plaza LLC	Shopping Center	2,029,430	.84
DDR Continental LP	Shopping Center	1,979,410	.82

Source: County Auditor; Fairfield County, Ohio

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Auditor of State Betty Montgomery

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

City of Pickerington
Fairfield County
100 Lockville Road
Pickerington, Ohio 43147

To the Members of City Council:

We have audited the general purpose financial statements of the City of Pickerington, Fairfield County, Ohio, (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated October 12, 2004, wherein we disclosed the City restated fund balance/retained earnings in the Capital Projects, Enterprise, and Internal Service Funds as of December 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the City's management in a separate letter dated October 12, 2004.

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

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

Betty Montgomery
Auditor of State

October 12, 2004

**CITY OF PICKERINGTON
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2003-001
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Fixed Assets

The City should maintain a current listing of all fixed assets. This list should be updated yearly for additions and disposals. An appropriate asset tracking or management system allows the City to properly report the value of its fixed assets in its financial statements including accounting for and reporting depreciation. It also helps in reflecting dollar value of assets for insurance coverage, proof of loss, and replacement of assets.

The City's audit for the year ended December 31, 2002, disclosed a reportable condition over fixed asset reporting. The City's fixed asset listing was not reconciled with the fixed asset amounts reflected on the financial statements and included amounts under the capitalization threshold.

In response to the 2002 finding, the City contracted with a fixed asset valuation firm to reappraise all of the City's fixed assets for the year ended December 31, 2003. The reappraisal was not complete or accurate, resulting in significant variances in assets and amounts between the reappraisal reports, the City's listing, and financial statements amounts. The City came to the conclusion that the reappraisal could not be relied upon. The City was able to prepare addition and deletion reports/summaries which were used, along with the prior year ending balances from the financial statements, as restated, for the change in the capitalization threshold, to generate fixed asset balances as of December 31, 2003. The City's reported asset amounts, therefore, still do not agree with the City's fixed asset listing.

We recommend the City perform a physical inventory of all fixed assets held by the City. The CMI system should be updated to reflect the assets held and should be updated throughout the year for additions and deletions of fixed assets and such updates should be posted to the proper asset class. A comprehensive review and update of CMI system data and accurate and timely posting of fixed asset changes should eliminate the need for supplementary fixed asset information. We also recommend the City review and revise its fixed assets accounting policies that address the procedures to be followed in acquiring fixed assets, disposing of assets, tracking of assets within the City, valuating of assets and performing annual physical inventory counts.

**CITY OF PICKERINGTON
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?
2002-001	Finding Repaid Under Audit – Section 1067.06 Stormwater Utility Charges of the Pickerington Codified Ordinances	Yes
2002-002	Fixed Assets	No



**Auditor of State
Betty Montgomery**

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CITY OF PICKERINGTON

FAIRFIELD 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
NOVEMBER 23, 2004**