

CITY OF BEXLEY, OHIO

**BASIC
FINANCIAL STATEMENTS**

(Audited)

*FOR THE YEAR ENDED
DECEMBER 31, 2003*

GARY QUALMANN, AUDITOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Bexley
2242 East Main Street
Bexley, Ohio 43209

We have reviewed the *Independent Auditor's Report* of the City of Bexley, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 20, 2005

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CITY OF BEXLEY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Westerville, Ohio 43082

Telephone 614.846.1899
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Independent Auditor’s Report

Members of Council and Mayor
City of Bexley
2242 East Main Street
Bexley, OH 43209

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bexley, Franklin County, (the “City”), as of and for the year ended December 31, 2003, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these 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 the 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 opinions.

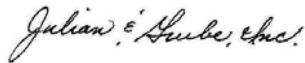
As disclosed in Note 3 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the year ended December 31, 2003. In addition, the City had prior period adjustments for permissive tax monies held by other governments and a change in capitalization threshold as disclosed in Note 3.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bexley, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, police pension fund, and roads and bridges fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
City of Bexley
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 16 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.



Julian & Grube, Inc.
July 22, 2005

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

The discussion and analysis of the City of Bexley's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the City increased \$676,540. Net assets of governmental activities increased \$301,576 or 8.70% over 2002 and net assets of business-type activities increased \$374,964 or 92.00% over 2002.
- General revenues accounted for \$8,751,418 of total governmental activities revenue. Program specific revenues accounted for \$1,528,995 or 14.87% of total governmental activities revenue.
- The City had \$9,978,837 in expenses related to governmental activities; \$1,528,995 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,449,842 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,751,418.
- The general fund, police pension fund and roads and sidewalks fund are the City's major governmental funds. The general fund had revenues of \$8,252,478 in 2003. The expenditures of the general fund, totaled \$7,702,605 in 2003. The net decrease in fund balance for the general fund was \$112,285 or 3.66%.
- The police pension fund is a major fund. The police pension fund had revenues of \$368,938 in 2003. The expenditures of the police pension fund, totaled \$384,681 in 2003. The net increase in fund balance for the police pension fund was \$24,257 or 39.91%.
- The roads and sidewalks fund is a major fund. The roads and sidewalks fund had revenues of \$873,428 in 2003. The expenditures of the roads and sidewalks fund, totaled \$870,323 in 2003. The net increase in fund balance for the roads and sidewalks fund was \$3,105 or 4.76%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Refuse enterprise funds, increased in 2003 by \$374,964. This increase in net assets was due primarily to adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$83,125 lower than they were in the final budget and actual expenditures were \$342,068 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$283,876 from the original to the final budget due primarily to an overall increase in projected income. Budgeted expenditures increased \$302,295 from the original to the final budget due primarily to an increase in the cost of general government expenditures.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will, take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net *assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and refuse operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, police pension fund and roads and sidewalks fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has no internal service funds. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 30 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-57 of this report.

Government-Wide Financial Analysis

This is the City's first year for government-wide financial statements using the full accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
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The table below provides a summary of the City's net assets for 2003:

	Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 7,568,440	\$ 1,193,437	\$ 8,761,877
Capital assets	<u>2,582,409</u>	<u>234,102</u>	<u>2,816,511</u>
Total assets	<u>10,150,849</u>	<u>1,427,539</u>	<u>11,578,388</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	3,998,757	895,099	4,893,856
Other liabilities	<u>2,382,828</u>	<u>565,059</u>	<u>2,947,887</u>
Total liabilities	<u>6,381,585</u>	<u>1,460,158</u>	<u>7,841,743</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	(1,007,109)	(630,898)	(1,638,007)
Restricted	804,708	-	804,708
Unrestricted	<u>3,971,665</u>	<u>598,279</u>	<u>4,569,944</u>
Total net assets	<u>\$ 3,769,264</u>	<u>\$ (32,619)</u>	<u>\$ 3,736,645</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the City's assets exceeded liabilities by \$3,736,645. At year-end, net assets were \$3,769,264 and (\$32,619) for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 24.33% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, were (\$1,007,109) and (\$630,898) in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2003, the City is able to report positive balances in all three categories of net assets, for the governmental activities.

A portion of the City's net assets, \$804,708, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,971,665 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BEXLEY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	Change in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 1,024,603	\$ 3,878,657	\$ 4,903,260
Operating grants and contributions	504,392	-	504,392
Total program revenues	<u>1,528,995</u>	<u>3,878,657</u>	<u>5,407,652</u>
General revenues:			
Property taxes	1,570,450	-	1,570,450
Income taxes	5,191,627	-	5,191,627
Unrestricted grants and entitlements	1,851,244	-	1,851,244
Investment earnings	25,810	-	25,810
Miscellaneous	112,287	7,631	119,918
Total general revenues	<u>8,751,418</u>	<u>7,631</u>	<u>8,759,049</u>
Total revenues	<u>10,280,413</u>	<u>3,886,288</u>	<u>14,166,701</u>
Expenses:			
General government	3,220,070	-	3,220,070
Security of persons and property	4,126,243	-	4,126,243
Public health and welfare	70,828	-	70,828
Transportation	735,296	-	735,296
Community environment	443,346	-	443,346
Leisure time activity	1,198,093	-	1,198,093
Other	2,802	-	2,802
Interest and fiscal charges	182,159	-	182,159
Water	-	1,276,028	1,276,028
Sewer	-	1,361,055	1,361,055
Refuse	-	874,241	874,241
Total expenses	<u>9,978,837</u>	<u>3,511,324</u>	<u>13,490,161</u>
Change in net assets	301,576	374,964	676,540
Net assets (deficit) at beginning of year	<u>3,467,688</u>	<u>(407,583)</u>	<u>3,060,105</u>
Net assets (deficit) at end of year	<u>\$ 3,769,264</u>	<u>\$ (32,619)</u>	<u>\$ 3,736,645</u>

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Governmental Activities

Governmental activities net assets increased \$301,576 in 2003. This increase is a result of slightly increasing expenses and an increase in property and other taxes versus amounts reported in the prior year.

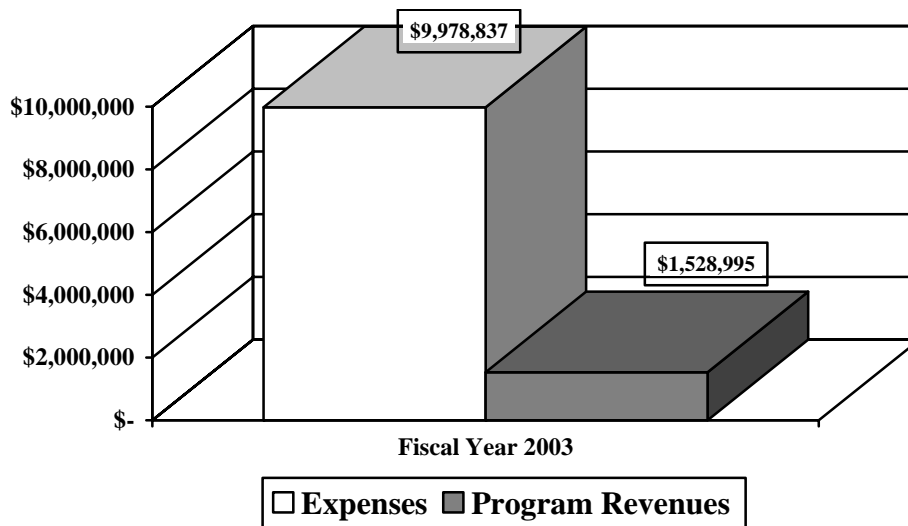
Security of persons and property, which primarily supports the operations of the police department accounted for \$4,126,243 of the total expenses of the City. These expenses were partially funded by \$37,852 in direct charges to users of the services. General government expenses totaled \$3,220,070. General government expenses were partially funded by \$440,407 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$504,392 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$455,536 subsidized transportation programs, \$45,034 subsidized security of persons and property programs, and \$3,822 subsidized public health and welfare programs.

General revenues totaled \$8,751,418, and amounted to 85.13% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,762,077. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,851,244. In August 2002, the State placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2003.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities – Program Revenues vs. Total Expenses



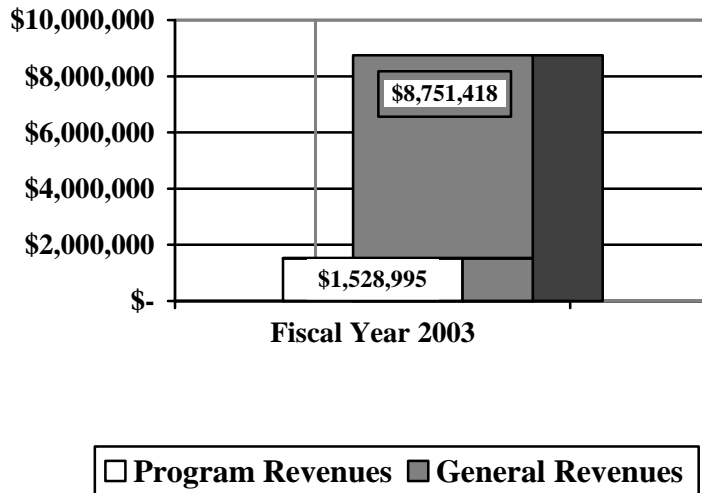
CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Governmental Activities

	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2003</u>
Program Expenses:		
General government	\$ 3,220,070	\$ 2,779,663
Security of persons and property	4,126,243	4,043,357
Public health and welfare	70,828	67,006
Transportation	735,296	279,760
Community environment	443,346	443,346
Leisure time activity	1,198,093	651,749
Other	2,802	2,802
Interest and fiscal charges	<u>182,159</u>	<u>182,159</u>
 Total Expenses	 <u>\$ 9,978,837</u>	 <u>\$ 8,449,842</u>

The dependence upon general revenues for governmental activities is apparent, with 84.68% of expenses supported through taxes and other general revenues.

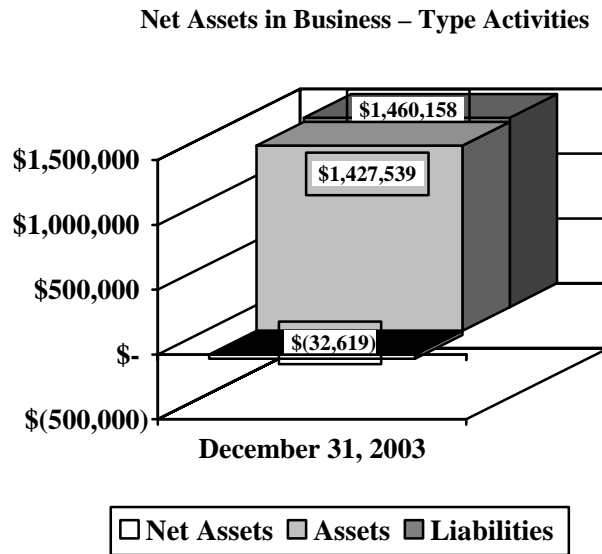
Governmental Activities – General and Program Revenues



CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$3,878,657, general revenues of \$7,631 and expenses of \$3,511,324 for 2003. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$3,755,520 which is \$96,094 below last year's total of \$3,851,614 (as restated). The December 31, 2002 fund balances have been restated as described in Note 3 to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2003 for all major and nonmajor governmental funds.

CITY OF BEXLEY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

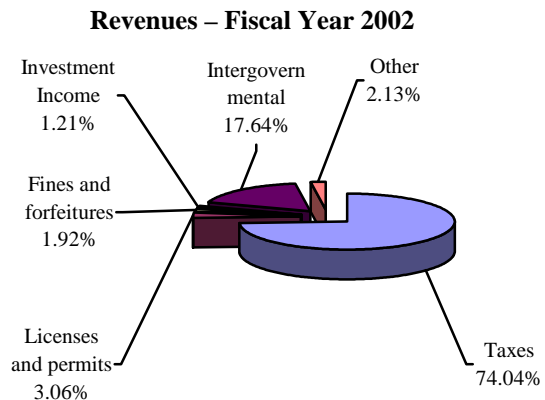
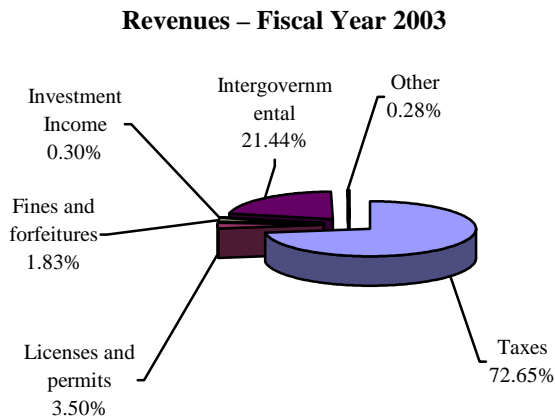
	Fund Balances <u>12/31/03</u>	(Restated) Fund Balances <u>12/31/02</u>	Increase (Decrease)
Major funds:			
General	\$ 2,958,899	\$ 3,071,184	\$ (112,285)
Police pension	(36,515)	(60,772)	24,257
Roads and sidewalks	68,321	65,216	3,105
Other nonmajor governmental funds	<u>764,815</u>	<u>775,986</u>	<u>(11,171)</u>
 Total	 <u>\$ 3,755,520</u>	 <u>\$ 3,851,614</u>	 <u>\$ (96,094)</u>

General Fund

The City's general fund balance decreased \$112,285, primarily due to transfers out to other funds in the amount of \$719,896. The table that follows assists in illustrating the revenues of the general fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,994,819	\$ 5,522,650	8.55 %
Licenses and permits	288,795	228,265	26.52 %
Fines and forfeitures	151,005	143,049	5.56 %
Investment income	24,809	90,336	(72.54) %
Intergovernmental	1,769,614	1,316,083	34.46 %
Other	<u>23,436</u>	<u>159,179</u>	(85.28) %
 Total	 <u>\$ 8,252,478</u>	 <u>\$ 7,459,562</u>	 10.63 %

Tax revenue represents 72.65% of all general fund revenue. Tax revenue increased slightly by 8.55% over prior year. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. The increase in taxes revenue is due to an increase in the collections of municipal income taxes. All other revenue remained comparable to 2002.



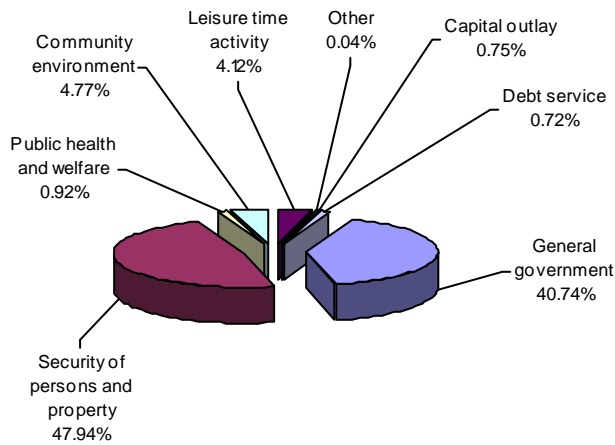
CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

The table that follows assists in illustrating the expenditures of the general fund.

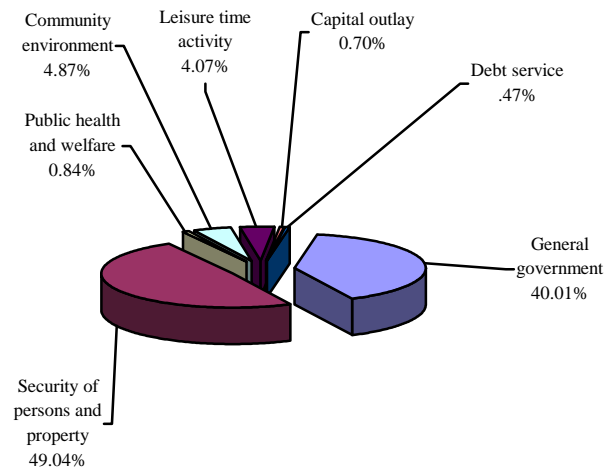
	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 3,137,660	\$ 2,941,119	6.68 %
Security of persons and property	3,692,422	3,604,942	2.43 %
Public health and welfare	70,828	61,821	14.57 %
Community environment	367,798	357,795	2.80 %
Leisure time activity	317,576	298,904	6.25 %
Other	2,802	-	100.00 %
Capital outlay	57,738	51,437	12.25 %
Debt service	<u>55,781</u>	<u>35,432</u>	57.43 %
Total	<u>\$ 7,702,605</u>	<u>\$ 7,351,450</u>	4.78 %

The most significant increase was in the area of other expenditures. This increase, while a large percentage is not material when the amount is analyzed. Debt service expenditures increased due payments on a new capital lease. Public health and welfare expenditures increased while it is a good percentage increase the amount when analyzed is not material. Capital outlay expenditures increased due to a new capital lease. All other expenditures remained comparable to 2002. The largest expenditure line item, security of persons and property, increased slightly, which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services.

Expenditures - Fiscal Year 2003



Expenditures - Fiscal Year 2002



Police Pension Fund

The police pension fund is a City major fund. The police pension fund had revenues of \$368,938 in 2003. The expenditures of the police pension fund, totaled \$384,681 in 2003. The net increase in fund balance for the police pension fund was \$24,257 or 39.91%.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Roads and Sidewalks Fund

The roads and sidewalks fund is a City major fund. The roads and sidewalks fund had revenues of \$873,428 in 2003. The expenditures of the roads and sidewalks fund, totaled \$870,323 in 2003. The net increase in fund balance for the roads and sidewalks fund was \$3,105 or 4.76%.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, police pension fund, and roads and sidewalks fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$302,295 from \$8,125,246 to \$8,427,541. Actual revenues of \$8,200,545 were less than final budgeted revenues by \$83,125. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$342,068 lower than the final budgeted amounts.

Actual revenues for the police pension fund exceeded final budgeted revenues by \$19,920 while actual expenditures were \$860 lower than final budgeted expenditures. Actual revenues for the roads and sidewalks fund exceeded final budgeted revenues by \$1,769 while actual expenditures were less than final budgeted expenditures by \$5,000. There were no significant variances between the original and final budgeted amounts reported in the police pension fund. The only significant variance in the roads and sidewalks fund was that final budgeted expenditures exceeded original budgeted expenditures by \$779,768.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the City had \$2,816,511 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$2,582,409 was reported in governmental activities and \$234,102 was reported in business-type activities. The following table shows fiscal 2003 balances compared to 2002:

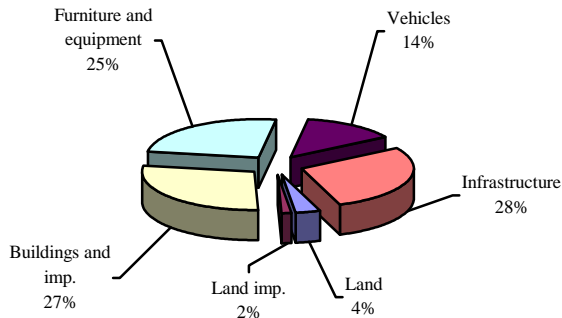
CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

Capital Assets at December 31
(Net of Depreciation)

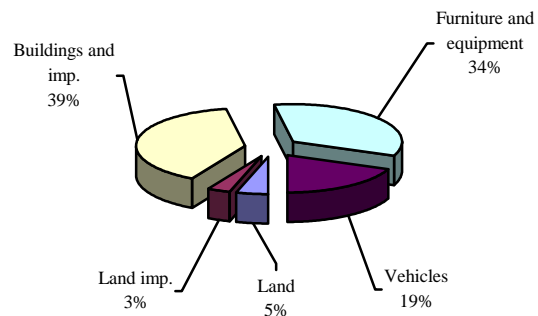
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 90,500	\$ 90,500	\$ -	\$ -	\$ 90,500	\$ 90,500
Land improvements	39,517	64,249	3,650	6,048	43,167	70,297
Buildings and improvements	725,152	748,740	9,834	10,296	734,986	759,036
Furniture and equipment	641,008	647,605	2,803	1,439	643,811	649,044
Vehicles	352,951	364,332	149,732	-	502,683	364,332
Infrastructure	733,281	-	68,083	69,896	801,364	69,896
Totals	<u>\$ 2,582,409</u>	<u>\$ 1,915,426</u>	<u>\$ 234,102</u>	<u>\$ 87,679</u>	<u>\$ 2,816,511</u>	<u>\$ 2,003,105</u>

The following graphs show the breakdown of governmental capital assets by category for 2003 and 2002.

Capital Assets - Governmental Activities 2003



Capital Assets - Governmental Activities 2002

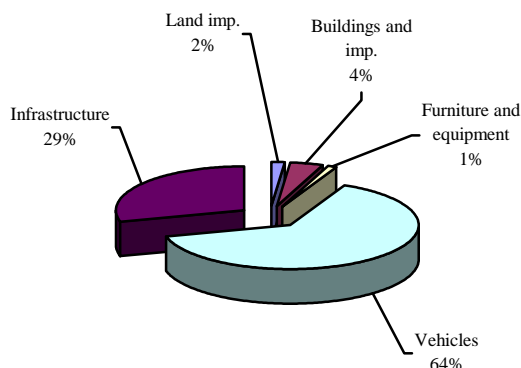


The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 28% of the City's total governmental capital assets. See Note 8 for further details on the City's governmental assets.

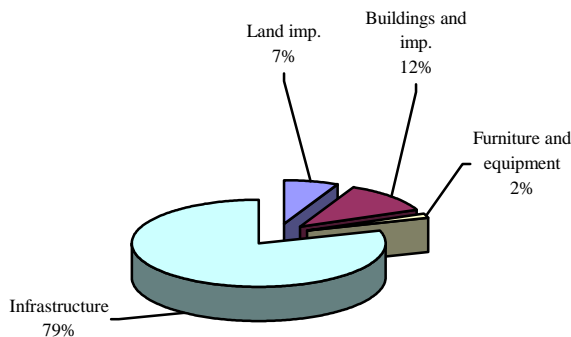
CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
UNAUDITED

The following graphs show the breakdown of business-type capital assets by category for 2003 and 2002.

Capital Assets - Business-Type Activities 2003



Capital Assets - Business-Type Activities 2002



The City's second largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 29% of the City's total business-type capital assets. See Note 8 for further details on the City's business-type activities assets.

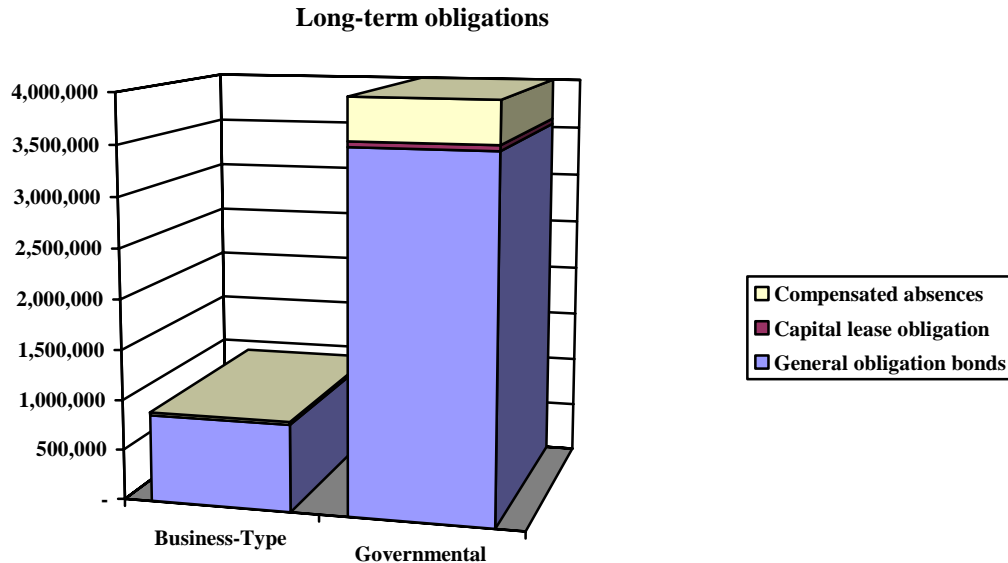
Debt Administration

See Note 10 for further details on the City's long-term obligations. The City had the following long-term obligations outstanding at December 31, 2003 and 2002:

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 3,535,000	\$ 3,690,000
Capital lease obligation	54,518	49,620
Compensated absences	<u>409,239</u>	<u>393,369</u>
Total long-term obligations	<u>\$ 3,998,757</u>	<u>\$ 4,132,989</u>
	Business-Type Activities	
	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 865,000	\$ 900,000
Compensated absences	<u>30,099</u>	<u>38,120</u>
Total long-term obligations	<u>\$ 895,099</u>	<u>\$ 938,120</u>

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003
UNAUDITED

A comparison of the long-term obligations by category is depicted in the chart below.



Economic Conditions and Outlook

The City's Administration considers the impact of various economic factors when establishing the fiscal year 2004 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2004 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local income taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2004 budget, the City is aggressively pursuing new sources of revenue.

The average unemployment rate for Franklin County in 2003 (4.7%) was the highest since 1987 (4.9%) and the City Auditor anticipates the 2003 rate to continue through 2004. In order to meet these challenges, a strong and a balanced commitment to cost containment and continued revenue enhancement actions is essential. The City's financial position is anticipated to remain stable if conservative financial management is practiced.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Gary Qualmann, Auditor, City of Bexley, 2242 E. Main Street, Bexley, Ohio 43209.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF BEXLEY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash, cash equivalents and investments . . .	\$ 3,136,695	\$ 697,190	\$ 3,833,885
Cash in segregated accounts.	3,061	-	3,061
Receivables (net of allowances for uncollectibles):			
Income taxes	1,439,541	-	1,439,541
Real and other taxes	1,749,347	-	1,749,347
Accounts	-	628,376	628,376
Due from other governments.	1,072,325	-	1,072,325
Internal balances	150,000	(150,000)	-
Materials and supplies inventory	17,471	7,596	25,067
Unamortized bond issue costs	-	10,275	10,275
Capital assets:			
Land.	90,500	-	90,500
Depreciable capital assets, net	2,491,909	234,102	2,726,011
Total capital assets.	2,582,409	234,102	2,816,511
 Total assets.	 10,150,849	 1,427,539	 11,578,388
 Liabilities:			
Accounts payable.	257,163	98,151	355,314
Contracts payable.	22,028	-	22,028
Accrued wages and benefits	238,719	17,388	256,107
Due to other governments	26,003	444,160	470,163
Deferred revenue.	1,680,237	-	1,680,237
Accrued interest payable.	14,313	-	14,313
Pension obligation payable	144,365	5,360	149,725
Long-term liabilities:			
Due within one year	352,314	40,825	393,139
Due in more than one year	3,646,443	854,274	4,500,717
 Total liabilities	 6,381,585	 1,460,158	 7,841,743
 Net assets:			
Invested in capital assets, net of related debt	(1,007,109)	(630,898)	(1,638,007)
Restricted for:			
Capital projects.	238,826	-	238,826
Street construction, maintenance and repairs.	153,164	-	153,164
Other purposes	412,718	-	412,718
Unrestricted.	3,971,665	598,279	4,569,944
 Total net assets	 \$ 3,769,264	 \$ (32,619)	 \$ 3,736,645

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:			
General government	\$ 3,220,070	\$ 440,407	\$ -
Security of persons and property.	4,126,243	37,852	45,034
Public health and welfare	70,828	-	3,822
Transportation	735,296	-	455,536
Community environment.	443,346	-	-
Leisure time activity.	1,198,093	546,344	-
Other	2,802	-	-
Interest and fiscal charges.	182,159	-	-
	<u>9,978,837</u>	<u>1,024,603</u>	<u>504,392</u>
Business-type Activities:			
Water	1,276,028	1,318,344	-
Sewer	1,361,055	1,660,307	-
Refuse	874,241	900,006	-
	<u>3,511,324</u>	<u>3,878,657</u>	<u>-</u>
Total business-type activities	<u>3,511,324</u>	<u>3,878,657</u>	<u>-</u>
Total primary government.	<u>\$ 13,490,161</u>	<u>\$ 4,903,260</u>	<u>\$ 504,392</u>

General Revenues:

Property taxes levied for:	
General purposes.	
Police pension	
Roads and sidewalks.	
Municipal income taxes levied for:	
General purposes.	
Capital projects	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues.	
Change in net assets.	
Net assets (deficit) at beginning of year (restated)	
Net assets (deficit) at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,779,663)	\$ -	\$ (2,779,663)
(4,043,357)	-	(4,043,357)
(67,006)	-	(67,006)
(279,760)	-	(279,760)
(443,346)	-	(443,346)
(651,749)	-	(651,749)
(2,802)	-	(2,802)
(182,159)	-	(182,159)
<u>(8,449,842)</u>	<u>-</u>	<u>(8,449,842)</u>
-	42,316	42,316
-	299,252	299,252
-	25,765	25,765
<u>-</u>	<u>367,333</u>	<u>367,333</u>
<u>(8,449,842)</u>	<u>367,333</u>	<u>(8,082,509)</u>
581,476	-	581,476
305,839	-	305,839
683,135	-	683,135
5,080,994	-	5,080,994
110,633	-	110,633
1,851,244	-	1,851,244
25,810	-	25,810
112,287	7,631	119,918
<u>8,751,418</u>	<u>7,631</u>	<u>8,759,049</u>
301,576	374,964	676,540
<u>3,467,688</u>	<u>(407,583)</u>	<u>3,060,105</u>
<u>\$ 3,769,264</u>	<u>\$ (32,619)</u>	<u>\$ 3,736,645</u>

CITY OF BEXLEY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash, cash equivalents and investments	\$ 2,174,935	\$ 47,112	\$ 146,544	\$ 768,104	\$ 3,136,695
Cash in segregated accounts	3,061	-	-	-	3,061
Receivables (net of allowance for uncollectibles):					
Income taxes.	1,403,552	-	-	35,989	1,439,541
Real and other taxes.	655,462	337,302	756,583	-	1,749,347
Due from other funds	-	-	-	1,001	1,001
Due from other governments	847,644	22,142	49,384	153,155	1,072,325
Advances to other funds	150,000	-	-	-	150,000
Materials and supplies inventory	7,249	-	-	10,222	17,471
Total assets	<u>\$ 5,241,903</u>	<u>\$ 406,556</u>	<u>\$ 952,511</u>	<u>\$ 968,471</u>	<u>\$ 7,569,441</u>
Liabilities:					
Accounts payable	\$ 145,866	\$ -	\$ 52,220	\$ 59,077	\$ 257,163
Contracts payable	22,028	-	-	-	22,028
Accrued wages and benefits.	223,629	-	-	15,090	238,719
Due to other governments.	-	-	26,003	-	26,003
Due to other funds	1,001	-	-	-	1,001
Deferred revenue	1,832,196	359,444	805,967	127,035	3,124,642
Pension obligation payable	58,284	83,627	-	2,454	144,365
Total liabilities	<u>2,283,004</u>	<u>443,071</u>	<u>884,190</u>	<u>203,656</u>	<u>3,813,921</u>
Fund Balances:					
Reserved for encumbrances.	424,157	-	85,295	33,145	542,597
Reserved for materials and supplies inventory	7,249	-	-	10,222	17,471
Reserved for advances	150,000	-	-	-	150,000
Unreserved:					
Designated for budget stabilization	1,000,000	-	-	-	1,000,000
Undesignated, reported in:					
General fund.	1,377,493	-	-	-	1,377,493
Special revenue funds.	-	(36,515)	(16,974)	223,502	170,013
Debt service fund	-	-	-	328,450	328,450
Capital projects funds.	-	-	-	169,496	169,496
Total fund balances	<u>2,958,899</u>	<u>(36,515)</u>	<u>68,321</u>	<u>764,815</u>	<u>3,755,520</u>
Total liabilities and fund balances.	<u>\$ 5,241,903</u>	<u>\$ 406,556</u>	<u>\$ 952,511</u>	<u>\$ 968,471</u>	<u>\$ 7,569,441</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total governmental fund balances		\$	3,755,520
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,582,409
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Property taxes	\$	69,110	
Income taxes		743,945	
Intergovernmental revenues		<u>631,350</u>	
Total			1,444,405
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
Accrued interest payable		14,313	
Compensated absences		409,239	
General obligation bonds		3,535,000	
Capital lease payable		<u>54,518</u>	
			<u>(4,013,070)</u>
 Net assets of governmental activities		 \$	 <u><u>3,769,264</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 5,377,886	\$ -	\$ -	\$ 137,893	\$ 5,515,779
Property and other taxes	616,933	324,060	724,212	-	1,665,205
Charges for services	-	-	-	547,767	547,767
Licenses and permits	288,795	-	-	607	289,402
Fines and forfeitures	151,005	-	-	6,511	157,516
Intergovernmental	1,769,614	44,878	148,159	391,324	2,353,975
Special assessments	-	-	-	26,895	26,895
Investment income	24,809	-	-	1,001	25,810
Donations and Contributions	-	-	-	75,933	75,933
Other	23,436	-	1,057	1,861	26,354
Total revenues	<u>8,252,478</u>	<u>368,938</u>	<u>873,428</u>	<u>1,189,792</u>	<u>10,684,636</u>
Expenditures:					
Current:					
General government	3,137,660	-	-	641	3,138,301
Security of persons and property	3,692,422	384,681	-	11,801	4,088,904
Public health and welfare	70,828	-	-	-	70,828
Transportation	-	-	870,323	442,854	1,313,177
Community environment	367,798	-	-	94,096	461,894
Leisure time activity	317,576	-	-	825,946	1,143,522
Other	2,802	-	-	-	2,802
Capital outlay	57,738	-	-	170,625	228,363
Debt service:					
Principal retirement	52,840	-	-	155,000	207,840
Interest and fiscal charges	2,941	-	-	179,896	182,837
Total expenditures	<u>7,702,605</u>	<u>384,681</u>	<u>870,323</u>	<u>1,880,859</u>	<u>10,838,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>549,873</u>	<u>(15,743)</u>	<u>3,105</u>	<u>(691,067)</u>	<u>(153,832)</u>
Other financing sources (uses):					
Transfers in	-	40,000	-	679,896	719,896
Transfers out	(719,896)	-	-	-	(719,896)
Proceeds from capital leases	57,738	-	-	-	57,738
Total other financing sources (uses)	<u>(662,158)</u>	<u>40,000</u>	<u>-</u>	<u>679,896</u>	<u>57,738</u>
Net change in fund balances	(112,285)	24,257	3,105	(11,171)	(96,094)
Fund balances (deficit) at					
beginning of year (restated)	<u>3,071,184</u>	<u>(60,772)</u>	<u>65,216</u>	<u>775,986</u>	<u>3,851,614</u>
Fund balances (deficit) at end of year	<u>\$ 2,958,899</u>	<u>\$ (36,515)</u>	<u>\$ 68,321</u>	<u>\$ 764,815</u>	<u>\$ 3,755,520</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net change in fund balances - total governmental funds	\$	(96,094)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$925,317) exceeded depreciation expense (\$258,334) in the current period.		666,983
Proceeds of capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(57,738)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(404,223)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		207,840
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		678
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(15,870)</u>
Change in net assets of governmental activities	\$	<u>301,576</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 4,916,663	\$ 5,091,133	\$ 5,460,135	\$ 369,002
Property and other taxes	560,124	580,000	616,933	36,933
Licenses and permits.	138,099	143,000	210,595	67,595
Fines and forfeitures.	131,339	136,000	149,695	13,695
Intergovernmental	2,068,631	2,142,037	1,618,019	(524,018)
Investment income	72,430	75,000	43,532	(31,468)
Other	112,508	116,500	101,636	(14,864)
Total revenues.	<u>7,999,794</u>	<u>8,283,670</u>	<u>8,200,545</u>	<u>(83,125)</u>
Expenditures:				
Current:				
General government	3,486,183	3,730,674	3,512,706	217,968
Security of persons and property	3,841,701	3,868,106	3,809,247	58,859
Public health and welfare.	79,456	82,956	70,704	12,252
Community environment	393,536	405,610	366,234	39,376
Leisure time activity	324,370	340,195	326,582	13,613
Total expenditures	<u>8,125,246</u>	<u>8,427,541</u>	<u>8,085,473</u>	<u>342,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(125,452)</u>	<u>(143,871)</u>	<u>115,072</u>	<u>258,943</u>
Other financing sources (uses):				
Proceeds from sale of capital assets.	5,794	6,000	10,212	4,212
Transfers out	(744,896)	(744,896)	(719,896)	25,000
Advances in.	184,310	190,850	490,850	300,000
Advances out	(90,850)	(390,850)	(390,850)	-
Total other financing sources (uses)	<u>(645,642)</u>	<u>(938,896)</u>	<u>(609,684)</u>	<u>329,212</u>
Net change in fund balance	(771,094)	(1,082,767)	(494,612)	588,155
Fund balance at beginning of year (restated). . .	1,792,616	1,792,616	1,792,616	-
Prior year encumbrances appropriated	<u>415,015</u>	<u>415,015</u>	<u>415,015</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,436,537</u>	<u>\$ 1,124,864</u>	<u>\$ 1,713,019</u>	<u>\$ 588,155</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE PENSION FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 306,563	\$ 306,563	\$ 324,060	\$ 17,497
Intergovernmental	42,455	42,455	44,878	2,423
Total revenues.	349,018	349,018	368,938	19,920
Expenditures:				
Current:				
Security of persons and property	386,948	392,220	391,360	860
Total expenditures	386,948	392,220	391,360	860
Excess (deficiency) of revenues over (under) expenditures	(37,930)	(43,202)	(22,422)	20,780
Other financing sources:				
Transfers in.	37,840	37,840	40,000	2,160
Total other financing sources	37,840	37,840	40,000	2,160
Net change in fund balance	(90)	(5,362)	17,578	22,940
Fund balance at beginning of year	29,534	29,534	29,534	-
Fund balance at end of year.	\$ 29,444	\$ 24,172	\$ 47,112	\$ 22,940

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ROADS AND SIDEWALKS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 437,249	\$ 722,884	\$ 724,212	1,328
Intergovernmental	144,526	238,939	239,378	439
Other	638	1,055	1,057	2
Total revenues.	582,413	962,878	964,647	1,769
Expenditures:				
Current:				
Transportation	180,850	960,618	955,618	5,000
Total expenditures	180,850	960,618	955,618	5,000
Excess (deficiency) of revenues over (under) expenditures	401,563	2,260	9,029	6,769
Other financing sources (uses):				
Advances in.	235,979	390,850	390,850	-
Advances out	-	(390,850)	(390,850)	-
Total other financing sources (uses)	235,979	-	-	-
Net change in fund balance	637,542	2,260	9,029	6,769
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year.	\$ 637,542	\$ 2,260	\$ 9,029	\$ 6,769

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2003

	Business-type Activities -Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash, cash equivalents and investments	\$ 263,967	\$ 315,356	\$ 117,867	\$ 697,190
Receivables (net of allowance for uncollectibles):				
Accounts	272,460	355,916	-	628,376
Unamortized bond issue costs	10,275	-	-	10,275
Materials and supplies inventory	5,892	-	1,704	7,596
Total current assets	<u>552,594</u>	<u>671,272</u>	<u>119,571</u>	<u>1,343,437</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	47,439	182,985	3,678	234,102
Total capital assets	<u>47,439</u>	<u>182,985</u>	<u>3,678</u>	<u>234,102</u>
Total assets	<u>600,033</u>	<u>854,257</u>	<u>123,249</u>	<u>1,577,539</u>
Liabilities:				
Current liabilities:				
Accounts payable	16,170	10,440	71,541	98,151
Accrued wages and benefits	10,061	6,019	1,308	17,388
Due to other governments	211,245	232,915	-	444,160
Current portion of compensated absences	4,664	1,161	-	5,825
Advances from other funds	150,000	-	-	150,000
Pension obligation	3,701	1,659	-	5,360
Current portion of general obligation bonds payable	35,000	-	-	35,000
Total current liabilities	<u>430,841</u>	<u>252,194</u>	<u>72,849</u>	<u>755,884</u>
Long-term liabilities:				
General obligation bonds	830,000	-	-	830,000
Compensated absences	18,290	5,984	-	24,274
Total long-term liabilities	<u>848,290</u>	<u>5,984</u>	<u>-</u>	<u>854,274</u>
Total liabilities	<u>1,279,131</u>	<u>258,178</u>	<u>72,849</u>	<u>1,610,158</u>
Net assets:				
Invested in capital assets, net of related debt	(817,561)	182,985	3,678	(630,898)
Unrestricted	138,463	413,094	46,722	598,279
Total net assets	<u>\$ (679,098)</u>	<u>\$ 596,079</u>	<u>\$ 50,400</u>	<u>(32,619)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,318,344	\$ 1,660,307	\$ 900,006	\$ 3,878,657
Other	7,631	-	-	7,631
Total operating revenues	<u>1,325,975</u>	<u>1,660,307</u>	<u>900,006</u>	<u>3,886,288</u>
Operating expenses:				
Personal services	192,389	210,041	120,684	523,114
Contract services	942,098	1,114,613	725,931	2,782,642
Materials and supplies	94,012	20,386	25,547	139,945
Depreciation and amortization	3,207	12,343	780	16,330
Other	2,034	3,672	1,299	7,005
Total operating expenses	<u>1,233,740</u>	<u>1,361,055</u>	<u>874,241</u>	<u>3,469,036</u>
Operating income	<u>92,235</u>	<u>299,252</u>	<u>25,765</u>	<u>417,252</u>
Nonoperating expenses:				
Interest expense and fiscal charges	(42,288)	-	-	(42,288)
Total nonoperating expenses	<u>(42,288)</u>	<u>-</u>	<u>-</u>	<u>(42,288)</u>
Change in net assets	49,947	299,252	25,765	374,964
Net assets at beginning of year (restated)	<u>(729,045)</u>	<u>296,827</u>	<u>24,635</u>	<u>(407,583)</u>
Net assets at end of year	<u>\$ (679,098)</u>	<u>\$ 596,079</u>	<u>\$ 50,400</u>	<u>\$ (32,619)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Refuse</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers.	\$ 1,320,311	\$ 1,652,824	\$ 900,006	\$ 3,873,141
Cash received from other operations	7,631	-	-	7,631
Cash payments for personal services	(188,379)	(240,583)	(58,793)	(487,755)
Cash payments for contract services.	(937,985)	(1,057,479)	(791,838)	(2,787,302)
Cash payments for materials and supplies.	(78,818)	(22,781)	(20,736)	(122,335)
Cash payments for other expenses	(1,884)	(3,422)	(1,299)	(6,605)
Net cash provided by operating activities.	<u>120,876</u>	<u>328,559</u>	<u>27,340</u>	<u>476,775</u>
Cash flows from noncapital financing activities:				
Cash used in repayment of interfund loans	(50,000)	(50,000)	-	(100,000)
Net cash used in noncapital financing activities	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>(100,000)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets.	(2,354)	(159,714)	-	(162,068)
Principal retirement on bonds.	(35,000)	-	-	(35,000)
Interest and fiscal charges.	(42,288)	-	-	(42,288)
Net cash used in capital and related financing activities	<u>(79,642)</u>	<u>(159,714)</u>	<u>-</u>	<u>(239,356)</u>
Net increase (decrease) in cash and cash equivalents	(8,766)	118,845	27,340	137,419
Cash and cash equivalents at beginning of year (restated)	<u>272,733</u>	<u>196,511</u>	<u>90,527</u>	<u>559,771</u>
Cash and cash equivalents at end of year.	<u>\$ 263,967</u>	<u>\$ 315,356</u>	<u>\$ 117,867</u>	<u>\$ 697,190</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 92,235	\$ 299,252	\$ 25,765	\$ 417,252
Adjustments:				
Depreciation and amortization.	3,207	12,343	780	16,330
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	414	-	120	534
Decrease (increase) in accounts receivable	1,967	(7,483)	-	(5,516)
Decrease in prepayments	273	110	328	711
Increase in accounts payable	14,097	7,616	4,598	26,311
Increase (decrease) in accrued wages and benefits	4,745	1,210	(115)	5,840
Increase (decrease) in compensated absences payable. . .	1,528	(7,418)	(2,131)	(8,021)
Increase in due to other governments.	14,097	46,944	-	61,041
Decrease in pension obligation payable.	(3,354)	(7,348)	(2,005)	(12,707)
Decrease in claims and judgements payable	(8,333)	(16,667)	-	(25,000)
Net cash provided by operating activities	<u>\$ 120,876</u>	<u>\$ 328,559</u>	<u>\$ 27,340</u>	<u>\$ 476,775</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2003**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 7,857
Cash in segregated accounts	<u>4,781</u>
Total assets.	<u>\$ 12,638</u>
Liabilities:	
Undistributed monies	<u>\$ 12,638</u>
Total liabilities	<u>\$ 12,638</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF THE CITY

The City of Bexley (the "City") is a home rule corporation established under the laws of the State of Ohio that operates under its own Charter. The current Charter, which provides for the mayor-council form of government, was adopted November 8, 1996, and became effective December 31, 1996.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The City's significant accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, refuse collection, street maintenance and repairs, building inspection, parks and recreation and water and sewer utilities. The preceding financial statements include all funds of the City (the primary government). The City has no component units, but is a member of two insurance purchasing pools, described in Note 13.

B. Basis of Presentation - Fund Accounting

The City's BFS consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Police Pension - The police pension fund accounts for all transactions relating to police officers' pension.

Roads and Sidewalks - The roads and sidewalks fund accounts for all transactions relating to street and sidewalk maintenance and construction.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise funds.

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer Fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Refuse Fund - This fund accounts for the operations providing refuse waste removal to the residents and commercial users located with the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - 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 sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 6.B.). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6.A.). Revenue from grants, entitlements and donations is recognized in the 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 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 nonexchange 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 year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, licenses and permits, and fees.

Deferred Revenue - 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. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - 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.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

F. Budgetary Data

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 appropriations resolution, 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. The legal level of budgetary control is at the line item level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

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 revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

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

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

G. 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, Cash Equivalents and Investments" on the financial statements.

During fiscal year 2003, investments were limited to STAR Ohio and federal agency securities.

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 not 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 December 31, 2003.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2003, interest revenue credited to the general fund amounted to \$24,809 which includes \$9,560 assigned from other City funds.

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

The City has segregated bank accounts for Mayor's Court monies and employee benefits held separate from the City's central bank account. These interest bearing depository accounts are presented on the financial statements as or "Cash in Segregated Accounts" since they are not required to be deposited into the City treasury.

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

H. Inventories of Materials and Supplies

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City increased its capitalization threshold from \$500 to \$5,000 during 2003. The City's infrastructure consists of curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. The City has opted to phase in the retroactive reporting of infrastructure capital assets. Therefore, only the infrastructure for fiscal year 2003 has been reported in the governmental activities capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	15 - 20 years	15 - 20 years
Buildings and improvements	20 - 50 years	20 - 45 years
Equipment	5 - 15 years	5 - 30 years
Vehicles	8 years	8 years
Infrastructure	25 years	25 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

N. Fund Balance Reserves and Designations

Reserved or designated fund balances indicate that portion of fund equity which are not available for current appropriation or use. The unreserved and undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, materials and supplies inventory and advances in the governmental fund financial statements. The City reports amounts set-aside by City Council for budget stabilization as a designation of fund balance in the governmental funds.

O. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. During 2003 the City had no contributions of capital.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and refuse programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" and GASB Statement No. 41, "Budgetary Comparison Schedule-Perspective Differences". At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2002. The beginning fund balance of the Roads and Sidewalks Fund has been restated to correct an error in the accounting for cash on deposit with the Franklin County Treasurer for permissive license tax. The correction of the accounting error, fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the City's governmental fund balances as previously reported:

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance					
December 31, 2002	\$ 3,053,465	\$ (60,772)	\$ -	\$ 715,781	\$ 3,708,474
Permissive tax monies held by other governments	-	-	65,216	-	65,216
Fund reclassifications	5,061	-	-	60,205	65,266
GASB Interpretation No. 6 adjustments	<u>12,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,658</u>
Restated fund balance					
December 31, 2002	<u>\$ 3,071,184</u>	<u>\$ (60,772)</u>	<u>\$ 65,216</u>	<u>\$ 775,986</u>	<u>\$ 3,851,614</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance	
December 31, 2002	\$ 3,851,614
GASB Statement No. 34 adjustments:	
Capital assets	1,915,426
Accrued interest	(14,991)
Long-term liabilities	(4,132,989)
Long-term (deferred assets)	<u>1,848,628</u>
Governmental activities net assets, December 31, 2002	<u>\$ 3,467,688</u>

Business-type Activities – Fund Reclassification and Restatement of Fund Equity - A prior period adjustment is required to report a fund reclassification to properly reflect its intended purpose in accordance with GASB Statement No. 34, a change in the City’s capital asset threshold from \$500 to \$5,000 and to correct errors and omissions in amounts previously reported. This prior period adjustment had the following effect on fund equity as previously reported:

<u>Business-Type Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Community Events</u>	<u>Enterprise Funds</u>
Fund equity at December 31, 2002	\$(773,878)	\$ 261,213	\$ 20,177	\$ 277	\$(492,211)
Fund reclassification	-	-	-	(277)	(277)
Adjustment for capital assets	<u>44,833</u>	<u>35,614</u>	<u>4,458</u>	<u>-</u>	<u>84,905</u>
Restated net assets at January 1, 2003	<u>\$(729,045)</u>	<u>\$ 296,827</u>	<u>\$ 24,635</u>	<u>\$ -</u>	<u>\$(407,583)</u>

B. Deficit Fund Balances/Net Assets

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

<u>Major Funds</u>	
Police Pension	\$ 36,515
Water	679,098

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Non-Compliance

The following fund had appropriations in excess of estimated resources for the year ended December 31, 2003, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Nonmajor Fund</u>	<u>Excess Amount</u>
Special Assessment Fund	\$76,500

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

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments." Statutes require the classification of monies held by the City into three categories:

Active Monies: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury; in depository accounts payable or withdrawable on demand; including negotiable order of withdrawal (NOW) account; or in money market deposit accounts.

Inactive Monies: those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies: 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of 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".

Cash in Segregated Accounts - At year-end, \$7,842 was on deposit in segregated accounts and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments".

Deposits: At year-end, the carrying amount of the City's deposits was \$559,035 and the bank balance was \$656,112. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$456,112 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

	Category 3	Fair Value
Federal agency securities	\$ 3,240,506	\$3,240,506
Investments not subject to categorization:		
Investment in STAR Ohio		50,043
Total investments		\$3,290,549

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

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 3,841,742	\$ -
Investments of the cash management pool:		
Federal agency securities	(3,240,506)	3,240,506
Investment in STAR Ohio	(50,043)	50,043
Total GASB Statement No. 3 Investments		\$ 3,290,549
Cash in segregated accounts	7,842	
GASB Statement No. 3	\$ 559,035	

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported in the fund financial statements:

Transfers from General fund to:

<u>Major fund</u>	
Police Pension	\$ 40,000
<u>Nonmajor funds</u>	
Special Revenue	355,000
Debt Service	<u>324,896</u>
Total	<u>\$ 719,896</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bexley. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2003 was \$10.59 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:

Real property tax	\$ 381,591,820
Public utility tangible personal property	4,008,880
Tangible personal property	<u>2,363,857</u>
Total assessed valuation	<u>\$ 387,964,557</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first sixty days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

B. Income Taxes

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 80 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Tax receipts are collected and distributed to the City by the Regional Income Tax Authority.

During 2003, income tax proceeds were distributed to the general fund and capital projects funds, and totaled \$5,515,779 in the fund financial statements for 2003.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2003, as well as intended to finance fiscal 2003 operations.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Income taxes	\$1,439,541
Real and other taxes	1,749,347
Due from other governments	1,072,325

Business-type Activities:

Accounts	628,376
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Receivables have been disaggregated on the face of the BFS. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to the reporting of infrastructure in governmental activities and due to an increase in the capital asset threshold from \$500 to \$5,000 and the reporting of errors and omissions in the prior year in governmental activities and business-type activities. The City has elected to “phase in” the retroactive reporting of infrastructure assets. The City plans to retroactively report governmental activities infrastructure capital assets in the 2005 basic financial statements. Only governmental activities infrastructure capital assets acquired or constructed in 2003 are reflected in the basic financial statements for the fiscal year ended December 31, 2003.

	Balance		Restated
	<u>12/31/02</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>12/31/02</u>
<u>Governmental Activities:</u>			
Land	\$ 92,500	\$ (2,000)	\$ 90,500
Land improvements	528,352	63,064	591,416
Buildings and improvements	1,326,624	513,921	1,840,545
Equipment	850,999	450,359	1,301,358
Vehicles	1,223,797	(344,995)	878,802
Less: accumulated depreciation	<u>-</u>	<u>(2,787,195)</u>	<u>(2,787,195)</u>
Total	<u>\$ 4,022,272</u>	<u>\$ (2,106,846)</u>	<u>\$ 1,915,426</u>
<u>Business-type Activities:</u>			
Land improvements	\$ -	\$ 36,421	\$ 36,421
Buildings and improvements	-	45,947	45,947
Equipment	7,622	10,142	17,764
Vehicles	20,137	46,363	66,500
Infrastructure	-	90,670	90,670
Less: accumulated depreciation	<u>(24,985)</u>	<u>(144,638)</u>	<u>(169,623)</u>
Total	<u>\$ 2,774</u>	<u>\$ 84,905</u>	<u>\$ 87,679</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2003, was as follows:

<u>Governmental Activities:</u>	Restated Balance 12/31/02	<u>Additions</u>	<u>Disposals</u>	Balance 12/31/03
<i>Capital assets, not being depreciated:</i>				
Land	\$ 90,500	\$ -	\$ -	\$ 90,500
Total capital assets, not being depreciated	<u>90,500</u>	<u>-</u>	<u>-</u>	<u>90,500</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	591,416	-	-	591,416
Buildings and improvements	1,840,545	-	-	1,840,545
Equipment	1,301,358	103,745	-	1,405,103
Vehicles	878,802	57,738	(9,929)	926,611
Infrastructure	<u>-</u>	<u>763,834</u>	<u>-</u>	<u>763,834</u>
Total capital assets, being depreciated	<u>4,612,121</u>	<u>925,317</u>	<u>(9,929)</u>	<u>5,527,509</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(527,167)	(24,732)	-	(551,899)
Buildings and improvements	(1,091,805)	(23,588)	-	(1,115,393)
Equipment	(653,753)	(110,342)	-	(764,095)
Vehicles	(514,470)	(69,119)	9,929	(573,660)
Infrastructure	<u>-</u>	<u>(30,553)</u>	<u>-</u>	<u>(30,553)</u>
Total accumulated depreciation	<u>(2,787,195)</u>	<u>(258,334)</u>	<u>9,929</u>	<u>(3,035,600)</u>
Total capital assets, being depreciated, net	<u>1,824,926</u>	<u>666,983</u>	<u>-</u>	<u>2,491,909</u>
Governmental activities capital assets, net	<u>\$ 1,915,426</u>	<u>\$ 666,983</u>	<u>\$ -</u>	<u>\$ 2,582,409</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 8 - CAPITAL ASSETS - (Continued)

<u>Business-type Activities:</u>	Restated Balance 12/31/02	<u>Additions</u>	<u>Disposals</u>	Balance 12/31/03
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 36,421	\$ -	\$ -	\$ 36,421
Buildings and improvements	45,947	-	-	45,947
Equipment	17,764	2,354	-	20,118
Vehicles	66,500	159,714	(66,500)	159,714
Infrastructure	<u>90,670</u>	<u>-</u>	<u>-</u>	<u>90,670</u>
Total capital assets, being depreciated	<u>257,302</u>	<u>162,068</u>	<u>(66,500)</u>	<u>352,870</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(30,373)	(2,398)	-	(32,771)
Buildings and improvements	(35,651)	(462)	-	(36,113)
Equipment	(16,325)	(990)	-	(17,315)
Vehicles	(66,500)	(9,982)	66,500	(9,982)
Infrastructure	<u>(20,774)</u>	<u>(1,813)</u>	<u>-</u>	<u>(22,587)</u>
Total accumulated depreciation	<u>(169,623)</u>	<u>(15,645)</u>	<u>66,500</u>	<u>(118,768)</u>
Business-type activities capital assets, net	<u>\$ 87,679</u>	<u>\$ 146,423</u>	<u>\$ -</u>	<u>\$ 234,102</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 55,518
Security of persons and property	28,827
Transportation	124,044
Community environment	2,685
Leisure time activity	<u>47,260</u>
Total depreciation expense - governmental activities	<u>\$ 258,334</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police and dispatchers may carry over 40 hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 960 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$135,847 at December 31, 2003. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Accumulated Unpaid Sick Leave

Upon retirement an employee is paid for one half of his/her accumulated hours of sick leave, except fire department employees, who are part time and do not accumulate sick leave. The total obligation for sick leave accrual for the City as a whole amounted to \$303,491 at December 31, 2003. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 10 - LONG-TERM OBLIGATIONS

A. The balance of the City's governmental activities long-term obligations at December 31, 2002 has been restated. The compensated absences liability increased from \$378,416 to \$393,369 due to the implementation of GASB Interpretation No. 6 described in Note 3. The effect on the total governmental activities long-term obligations at January 1, 2003 was an increase of \$14,953 from \$4,118,036 to \$4,132,989. During 2003, the following changes occurred in governmental activities long-term obligations:

<u>Governmental Activities:</u>	Restated Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Amounts Due in One Year
<u>General obligation bonds</u>					
Street construction bond - 4.875%	\$ 3,690,000	\$ -	\$ (155,000)	\$ 3,535,000	\$ 165,000
Total general obligation bonds	3,690,000	-	(155,000)	3,535,000	165,000
<u>Capital lease obligation</u>	49,620	57,738	(52,840)	54,518	35,292
<u>Compensated Absences</u>					
Severance	278,535	682	-	279,217	22,000
Vacation leave	114,834	15,188	-	130,022	130,022
Total compensated absences	393,369	15,870	-	409,239	152,022
Total	<u>\$ 4,132,989</u>	<u>\$ 73,608</u>	<u>\$ (207,840)</u>	<u>\$ 3,998,757</u>	<u>\$ 352,314</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

During 2003, the following changes occurred in the business-type activities long-term obligations:

<u>Business-type Activities:</u>	Restated Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Amounts Due in One Year
<u>General obligation bonds</u>					
General obligation bonds	\$ 900,000	\$ -	\$ (35,000)	\$ 865,000	\$ 35,000
Total general obligation bonds	<u>900,000</u>	<u>-</u>	<u>(35,000)</u>	<u>865,000</u>	<u>35,000</u>
<u>Compensated Absences</u>					
Severance	32,777	-	(8,503)	24,274	-
Vacation leave	<u>5,343</u>	<u>482</u>	<u>-</u>	<u>5,825</u>	<u>5,825</u>
Total compensated absences	<u>38,120</u>	<u>482</u>	<u>(8,503)</u>	<u>30,099</u>	<u>5,825</u>
<u>Claims and Judgements</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 963,120</u>	<u>\$ 482</u>	<u>\$ (68,503)</u>	<u>\$ 895,099</u>	<u>\$ 40,825</u>

- B.** The following is a summary of the City's future annual debt service requirements to maturity for general obligation bonds:

Year	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 165,000	\$ 171,759	\$ 336,759	\$ 35,000	\$ 40,678	\$ 75,678
2005	175,000	163,096	338,096	40,000	39,067	79,067
2006	180,000	153,909	333,909	45,000	37,227	82,227
2007	195,000	144,459	339,459	40,000	35,157	75,157
2008	200,000	134,221	334,221	45,000	33,318	78,318
2009 - 2013	1,160,000	521,206	1,681,206	260,000	133,407	393,407
2014 - 2018	1,460,000	219,488	1,679,488	325,000	67,174	392,174
2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>3,675</u>	<u>78,675</u>
Totals	<u>\$ 3,535,000</u>	<u>\$ 1,508,138</u>	<u>\$ 5,043,138</u>	<u>\$ 865,000</u>	<u>\$ 389,703</u>	<u>\$ 1,254,703</u>

- C.** The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2003, the City's total debt margin was \$36,664,728, and the unvoted debt margin was \$20,801,501; both amounts include available funds of \$328,450.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the City entered into capitalized leases for the acquisition of vehicles. During fiscal year 2003, the City entered into a capitalized lease for the acquisition of three police cruisers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements.

General capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$157,916. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2003 totaled \$52,840 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2003:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2004	\$ 38,421
2005	<u>20,350</u>
Total future minimum lease payments	58,771
Less: amount representing interest	<u>(4,253)</u>
Present value of future minimum lease payments	<u>\$ 54,518</u>

The City does not have capitalized lease obligations after fiscal year 2005.

NOTE 12 - INTERFUND ASSETS/LIABILITIES

A. Long-term advances consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water fund	\$ 150,000

B. Due from/to other funds consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor special revenue funds	General	\$ 1,001

The balances resulted from the time lag between the dates that payments between the funds are made.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was part of the Ohio Municipal Alliance, an insurance purchasing pool, for all property, crime, liability, boiler and machinery, and public official liability. The City has transferred its risk of loss to the insurance carrier to the extent of the limits shown below.

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>	
Property	\$ 500	\$4,159,900	
General Liability	0	3,000,000	per occurrence/
		5,000,000	annual aggregate
Inland Marine	500	1,048,127	
EDP	500	152,500	
Vehicles		3,000,000	
Comprehensive	500		
Collision	500		
Wrongful Acts	1,000	3,000,000	per occurrence/
		4,000,000	annual aggregate
Police	1,000	3,000,000	per occurrence,
		4,000,000	annual aggregate
Public Officials Bond	0	10,000	

B. Health Insurance

During 2003, the City provided its employees group health, life, dental, vision, and drug insurance in a traditionally-funded manner through commercial carriers.

C. Workers' Compensation

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

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the City.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 14 - 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% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2003 was 8.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7% 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 \$299,337, \$432,755, and \$378,928, respectively; 88.19% has been contributed for 2003 and 100% has been contributed for 2002 and 2001. The unpaid portion for 2003 of \$35,359 is recorded as a liability within the respective funds. The City and plan members did not make any contributions to the member-directed plan for 2003.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements 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.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers. Contributions are authorized by State statute. The City's contributions to the Fund were \$413,017, \$399,174, and \$333,888 for the years ended December 31, 2003, 2002, and 2001, respectively. The full amount has been contributed for 2002 and 2001. 79.76% has been contributed for 2003. The remainder is being reported as a liability in the respective funds of \$329,422.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". 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% of covered payroll (16.70% for public safety and law enforcement); 5.00% 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 OPER's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00%, 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% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% 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 \$110,456. 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.

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.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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. Ohio Police and Fire 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, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". 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% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% 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 \$163,968 for police officers. 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 (the latest information available), was 13,527 for police and 10,396 for firefighters.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of 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 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

Net Change in Fund Balance

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>
Budget basis	\$ (494,612)	\$ 17,578	\$ 9,029
Net adjustment for revenue accruals	51,933	-	(91,219)
Net adjustment for expenditure accruals	(88,542)	6,679	(52,220)
Net adjustment for other sources/uses	(52,474)	-	-
Adjustment for encumbrances	471,410	-	137,515
GAAP basis	<u>\$ (112,285)</u>	<u>\$ 24,257</u>	<u>\$ 3,105</u>

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2003.

B. Litigation

The City is currently involved in litigation that's outcome is indeterminable.

JULIAN & GRUBE, INC.

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Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of Council and Mayor
City of Bexley
2242 East Main Street
Bexley, OH 43209

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the City of Bexley as of and for the year ended December 31, 2003, and have issued our report thereon dated July 22, 2005. As disclosed in Note 3 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the year ended December 31, 2003. In addition, the City had prior period adjustments for permissive tax monies held by other governments and a change in capitalization threshold as disclosed in Note 3. 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.

Internal Control Over Financial Reporting

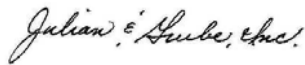
In planning and performing our audit, we considered the City of Bexley’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the City of Bexley in a separate letter dated July 22, 2005.

Members of Council and Mayor
City of Bexley

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bexley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003-COB-001.

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



Julian & Grube, Inc.
July 22, 2005

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2003-COB-001
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Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following fund:

<u>NonMajor Funds</u>	
Special Assessment	\$ 76,500

With appropriations exceeding estimated resources the City is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the City comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the City should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the City should monitor its budgetary process on a regular basis.

Client Response: The City Auditor is attempting to prepare modifications to amended certificates throughout the year and certify them to the County Auditor in a more timely manner.

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	The Parks and Recreation Department Supervisor should perform a daily review that ensures that receipts match deposit slips, the date of receipt reconcile to the class roster and that there is supporting documentation for each receipt.	Yes	N/A



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CITY OF BEXLEY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 4, 2005**