



**Auditor of State  
Betty Montgomery**



**CITY OF POWELL  
DELAWARE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

City of Powell  
Delaware County  
47 Hall Street  
Powell, Ohio 43065

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Powell, Delaware County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprises 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Powell, Delaware County, Ohio, as of December 31, 2004, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Street Construction and Maintenance Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

August 17, 2005

City of Powell  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004

As management of the City of Powell, we offer readers of the City's financial statements this narrative overview and analysis of the City of Powell for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City financial performance as a whole.

### HIGHLIGHTS

Key highlights for 2004 are as follows:

In total, net assets increased \$977,947, or approximately 13 percent. The City's overall cash balance increased over \$1.4 million, primarily from unspent bond proceeds for park improvements.

By November 2004, sufficient voted property taxes had been collected to enable the City to retire the \$1,000,000 in bond anticipation notes issued in 2003 to design and prepare bid documents for improvements in seven City parks. The City issued \$6,000,000 in general obligation bonds in 2004 to begin construction. A significant portion of this construction was completed during 2004 resulting in a substantial increase in capital assets.

Two other construction projects also contributed to the increase in capital assets. During 2004, the City continued with the design of a new police facility which will be located in vacant space adjacent to the administrative offices at 47 Hall Street. The other project is the extension of Murphy Parkway, which will provide an alternative connection between South Liberty Street and West Olentangy Street.

As a result of these three projects, over \$5 million in construction in progress was added to the City's capital assets in 2004. In addition, the City received a donation of a parcel of land on Liberty Road from the Olentangy Local School District for the extension of Murphy Parkway.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Powell's financial position.

The statement of net assets and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's nonmajor funds in a single column. The City's major funds are the General, Street Construction and Maintenance, Golf Village, Capital Improvement Projects, and Parks and Recreation Construction funds.

### REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

City of Powell  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, etc). These factors must be considered when assessing the overall health of the City.

In the statement of net assets and the statement of activities, all of the City's activities are presented as governmental activities. This includes all of the City's programs and services including security of persons and property, leisure time activities, community environment, transportation, and general government. These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.

### REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Street Construction and Maintenance, Golf Village, Capital Improvement Projects, and Parks and Recreation Construction funds. While the City uses many funds to account for its financial transactions, these are the most significant.

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 two categories, governmental funds and fiduciary funds.

Governmental Funds - The City's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. All of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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 on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds use the accrual basis of accounting.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

City of Powell  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2004 and 2003.

	Governmental Activities	
	2004	2003
<u>Assets</u>		
Current and Other Assets	\$11,506,768	\$9,867,796
Capital Assets, Net	26,708,965	21,757,066
Total Assets	38,215,733	31,624,862
<u>Liabilities</u>		
Current and Other Liabilities	8,584,551	8,472,529
Long-Term Liabilities	21,258,411	15,757,509
Total Liabilities	29,842,962	24,230,038
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	8,224,448	8,461,206
Restricted	3,769,723	2,819,724
Unrestricted (Deficit)	(3,621,400)	(3,886,106)
Total Net Assets	\$8,372,771	\$7,394,824

As mentioned previously, the City had a 13 percent increase in total net assets and a review of the above table reflects a number of significant changes from the prior year. The City had an increase of over 16 percent in current and other assets, almost all of which is reflected in cash and cash equivalents. This is the result of unspent bond proceeds for park improvements. Another notable change was the increase in capital assets. The City completed a substantial portion of the park improvements during 2004, thus the almost \$5 million increase in capital assets. The corresponding side of this activity is reflected in the increase in long-term liabilities. Because the increase in capital assets is offset by the increase in long-term liabilities, this activity had no effect on invested in capital assets.

Table 2 reflects the change in net assets for 2004 and 2003.

Table 2  
Change in Net Assets

	Governmental Activities	
	2004	2003
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$1,298,002	\$1,457,881
Operating Grants, Contributions, and Interest	486,283	353,036
Capital Grants and Contributions	33,200	855,369
Total Program Revenues	1,817,485	2,666,286

(continued)

City of Powell  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004

Table 2  
Change in Net Assets  
(continued)

	Governmental Activities	
	2004	2003
General Revenues		
Property Taxes Levied for General Purposes	\$325,480	\$289,643
Property Taxes Levied for Parks and Recreation	615,105	603,475
Property Taxes Levied for Debt Service	389,224	386,141
Municipal Income Taxes	2,870,327	2,565,596
Grants and Entitlements not Restricted to Specific Programs	628,268	870,603
Cable Franchise Fee	41,607	38,326
Interest	92,453	57,758
Other	219,872	94,375
Total General Revenues	5,182,336	4,905,917
Total Revenues	6,999,821	7,572,203
<u>Program Expenses</u>		
Security of Persons and Property	1,485,194	1,400,471
Leisure Time Activities	279,825	249,788
Community Environment	517,027	488,123
Transportation	1,508,520	1,214,517
General Government	1,073,846	1,005,800
Interest and Fiscal Charges	1,157,462	1,034,196
Total Expenses	6,021,874	5,392,895
Increase in Net Assets	\$977,947	\$2,179,308

For 2004, program revenues were 26 percent of the City's total revenues; however, this is a 10 percent decrease from the prior year, therefore, increasing the City's dependence on general revenues. While each program revenue category fluctuated somewhat from 2003, the largest decrease occurred in capital grants and contributions. In 2003, the City received a fair amount of contributions of capital assets, primarily streets donated from developers and some land for Meadowview Park. Capital contributions in 2004 consisted of land for the extension of Murphy Parkway and a contribution from Delaware County for the Seldom Seen/Rutherford Road traffic signal. General revenues remained fairly comparable to 2003.

The cost of running the City's police department and maintenance of the City's streets, two of the City's greatest expenses, each represent 25 percent of the City's overall expenses. The general operation of the City's government was 18 percent of total expenses for 2004. As can be seen on the statement of activities, these three programs are primarily funded from property and income taxes and State shared revenues.

City of Powell  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3  
Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2004	2003	2004	2003
Security of Persons and Property	\$1,485,194	\$1,400,471	\$1,458,223	\$1,342,793
Leisure Time Activities	279,825	249,788	100,752	(23,435)
Community Environment	517,027	488,123	(607,686)	(830,723)
Transportation	1,508,520	1,214,517	1,028,453	205,762
General Government	1,073,846	1,005,800	1,067,185	998,016
Interest and Fiscal Charges	1,157,462	1,034,196	1,157,462	1,034,196
Total Expenses	<u>\$6,021,874</u>	<u>\$5,392,895</u>	<u>\$4,204,389</u>	<u>\$2,726,609</u>

The City's dependence on general revenues increased by more than 19 percent from 2003, largely due to the decrease in capital grants and contributions as discussed earlier. While program revenues continue to support the program for leisure time activities (63 percent), this is quite a change from the prior year where program revenues exceeded program costs. In 2003, the City received contributions of land and bike paths. Similar contributions cannot be expected every year. Once again in 2004, the community environment program experienced program revenues in excess of costs as charges for services, in the form of licenses, permits, and development charges were more than double the cost of the program. An important factor which affects both the leisure time activities and community environment programs is the City's policy related to development within the City. Developers are required to make a contribution to the City, either in land or a cash contribution.

Finally, the dependence on general revenues increased substantially from 2003 for the transportation program, from 17 percent in 2003 to 68 percent in 2004. In the prior year, the City received significant capital contributions in the form of land and donated streets. Similar contributions were not received in 2004.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major funds are the General Fund, Street Construction and Maintenance special revenue fund, and Golf Village, Capital Improvement Projects, and Parks and Recreation Construction capital projects funds.

City of Powell  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004

Changes in the General Fund and Golf Village capital projects fund were not significant. However, there were considerable increases in fund balance for the City's other three major funds. For the Street Construction and Maintenance fund, fund balance increased 36 percent. While expenditures in this fund increased from the prior year, this was outpaced by revenue increases. The two primary factors contributing to revenue increases were from intergovernmental sources and greater transfers from the General Fund to subsidize operations. The State of Ohio enacted legislation to increase gasoline taxes by two cents each year for a three-year period. This increase will allow the City to reduce operating subsidies from the General Fund in the future. It is also important to note the 72 percent increase in expenditures in this fund in 2004. The City has begun a sidewalk program in which residents are responsible for the costs to repair sidewalks on their property; however, the City bears the costs of improvements in intersection areas. Along with this increased cost, a difficult winter resulted in increased costs for snow and ice control.

As with the Street Construction and Maintenance fund, an increased General Fund subsidy to the Capital Improvement Projects fund contributed to the 28 percent increase in fund balance. Additionally, there was a 72 percent decrease in expenditures from this fund in 2004 as only a limited number of projects were accomplished. During 2004, the City adopted a 5-year capital improvement plan to effectively utilize accumulated resources for the most essential capital improvements.

During 2004, the City issued \$6,000,000 in general obligation bonds for park improvements. While a substantial amount of these improvements was accomplished in 2004, the remaining unspent proceeds led to the significant increase in fund balance in the Parks and Recreation Construction fund.

#### BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute. This includes the annual appropriations ordinance which is passed by City Council before December 23rd of the preceding year in accordance with the City's Charter.

The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal due to the City's practice of budgeting normal personnel and operating expenditures within estimated revenues from recurring sources. For 2004, however, the City also considered the beginning fund balance when preparing annual appropriations. As a result, budgeted expenditures for the year exceeded revenue estimates.

Changes from the original budget to the final budget were minimal for both revenues and expenditures. The most significant revenue change from the final budget to actual revenues received was for fees, licenses, and permits. This is largely due to residential and commercial building permits in Golf Village. The City anticipated one hundred ninety-five residential permits would be issued; however, two hundred nine single-family and one hundred thirty condominium units were issued. In addition, commercial projects were estimated at \$19,200 but two hundred seventy-one permits were issued exceeding \$117,000. The decrease in actual expenditures was simply anticipated activities which did not occur.

City of Powell  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets as of December 31, 2004, was \$8,224,448 (net of accumulated depreciation and related debt). Capital assets include land, construction in progress, land improvements, buildings, equipment, vehicles, and streets. Capital asset additions were significant in 2004, particularly for construction in progress (most of which was park improvements but also included design plans for the new police facility and construction at Murphy Parkway). The City also received a contribution of land to be used for the extension of Murphy Parkway from the Olentangy Local School District. For further information regarding the City's capital assets, refer to Note 10 to the basic financial statements.

Debt - At December 31, 2004, the City had \$6,210,000 in bond anticipation notes outstanding related to Golf Village. The City also had \$21,150,000 of outstanding general obligation bonds, the majority being \$10,590,000 related to Golf Village and \$5,900,000 related to park improvements. In addition to the bond anticipation notes and general obligation bonds, the City's long-term obligations also include compensated absences. For further information regarding the City's debt, see Notes 16 and 17 to the basic financial statements.

CURRENT ISSUES

As a result of improvements to seven City parks, the 2005 budget included an increase of over \$350,000 in annual operating expenses towards this activity. This additional expense combined with the continued cost to implement a federally-mandated storm water management program and increasing annual street maintenance expenses, the City has projected a reduction in the General Fund of \$726,000 from these operating subsidies.

This has prompted staff and City Council to consider an increase in the income tax rate. This increase would need to be submitted to the voters for approval. Staff and City Council have also begun to identify areas where expenditures might be reduced in order to prevent further reductions in the General Fund; however, these reductions would also reduce the level of service currently being provided to residents. Construction of the new police facility has therefore been delayed until additional revenues are available to ensure that the additional annual operating costs of the facility can be accommodated.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Nan Metz, Finance Director, 47 Hall Street, Powell, Ohio 43065 or through the City's website, [www.ci.powell.oh.us](http://www.ci.powell.oh.us).

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City of Powell  
Statement of Net Assets  
December 31, 2004

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$8,922,321
Accounts Receivable	28,582
Accrued Interest Receivable	12,201
Due from Other Governments	499,316
Municipal Income Taxes Receivable	726,616
Other Local Taxes Receivable	35,681
Prepaid Items	39,393
Materials and Supplies Inventory	12,070
Property Taxes Receivable	1,230,588
Nondepreciable Capital Assets	8,501,847
Depreciable Capital Assets, Net	18,207,118
 Total Assets	 38,215,733
<u>Liabilities</u>	
Accrued Wages Payable	34,463
Accounts Payable	34,599
Contracts Payable	744,109
Due to Other Governments	13,674
Matured Compensated Absences Payable	4,975
Accrued Interest Payable	108,267
Notes Payable	6,210,000
Retainage Payable	238,936
Deferred Revenue	1,195,528
Long-Term Liabilities	
Due Within One Year	1,034,366
Due in More Than One Year	20,224,045
 Total Liabilities	 29,842,962
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	8,224,448
Restricted for	
Debt Service	74,566
Capital Projects	2,443,734
Other Purposes	1,251,423
Unrestricted (Deficit)	(3,621,400)
 Total Net Assets	 \$8,372,771

See Accompanying Notes to the Basic Financial Statements

City of Powell  
Statement of Activities  
For the Year Ended December 31, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets Governmental Activities
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities</u>					
Security of Persons and Property	\$1,485,194	\$7,299	\$19,672	\$0	(\$1,458,223)
Leisure Time Activities	279,825	96,780	82,293	0	(100,752)
Community Environment	517,027	1,110,945	13,768	0	607,686
Transportation	1,508,520	76,317	370,550	33,200	(1,028,453)
General Government	1,073,846	6,661	0	0	(1,067,185)
Interest and Fiscal Charges	1,157,462	0	0	0	(1,157,462)
<b>Total Governmental Activities</b>	<b>\$6,021,874</b>	<b>\$1,298,002</b>	<b>\$486,283</b>	<b>\$33,200</b>	<b>(4,204,389)</b>
<u>General Revenues</u>					
					325,480
					615,105
					389,224
					2,870,327
					628,268
					41,607
					92,453
					219,872
					<b>5,182,336</b>
					977,947
					7,394,824
					<b>\$8,372,771</b>

See Accompanying Notes to the Basic Financial Statements

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City of Powell  
Balance Sheet  
Governmental Funds  
December 31, 2004

	General	Street Construction and Maintenance	Golf Village	Capital Improvement Projects
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,339,945	\$474,463	\$11,609	\$443,754
Accounts Receivable	28,582	0	0	0
Accrued Interest Receivable	12,201	0	0	0
Due from Other Governments	276,269	141,537	0	0
Municipal Income Taxes Receivable	726,616	0	0	0
Other Local Taxes Receivable	0	33,005	0	0
Prepaid Items	39,243	12	0	0
Materials and Supplies Inventory	0	12,070	0	0
Property Taxes Receivable	365,641	0	0	0
<b>Total Assets</b>	<b>\$5,788,497</b>	<b>\$661,087</b>	<b>\$11,609</b>	<b>\$443,754</b>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$33,404	\$0	\$0	\$0
Accounts Payable	21,315	12,070	0	0
Contracts Payable	0	0	0	794
Due to Other Governments	13,215	0	0	0
Matured Compensated Absences Payable	4,975	0	0	0
Accrued Interest Payable	0	0	27,988	0
Notes Payable	0	0	6,210,000	0
Retainage Payable	0	0	0	0
Deferred Revenue	1,093,949	144,544	0	0
<b>Total Liabilities</b>	<b>1,166,858</b>	<b>156,614</b>	<b>6,237,988</b>	<b>794</b>
<u>Fund Balance</u>				
Reserved for Encumbrances	175,084	30,810	5,000	83,453
Unreserved, Reported in				
General Fund	4,446,555	0	0	0
Special Revenue Funds	0	473,663	0	0
Debt Service Fund	0	0	0	0
Capital Projects Funds (Deficit)	0	0	(6,231,379)	359,507
<b>Total Fund Balance (Deficit)</b>	<b>4,621,639</b>	<b>504,473</b>	<b>(6,226,379)</b>	<b>442,960</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$5,788,497</b>	<b>\$661,087</b>	<b>\$11,609</b>	<b>\$443,754</b>

See Accompanying Notes to the Basic Financial Statements

<u>Parks and Recreation Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$2,521,229	\$1,131,321	\$8,922,321
0	0	28,582
0	0	12,201
31,294	50,216	499,316
0	0	726,616
0	2,676	35,681
0	138	39,393
0	0	12,070
<u>501,731</u>	<u>363,216</u>	<u>1,230,588</u>
<u>\$3,054,254</u>	<u>\$1,547,567</u>	<u>\$11,506,768</u>
\$0	\$1,059	\$34,463
0	1,214	34,599
731,462	11,853	744,109
0	459	13,674
0	0	4,975
0	0	27,988
0	0	6,210,000
233,080	5,856	238,936
<u>533,025</u>	<u>413,525</u>	<u>2,185,043</u>
<u>1,497,567</u>	<u>433,966</u>	<u>9,493,787</u>
1,128,114	58,124	1,480,585
0	0	4,446,555
0	568,091	1,041,754
0	61,237	61,237
<u>428,573</u>	<u>426,149</u>	<u>(5,017,150)</u>
<u>1,556,687</u>	<u>1,113,601</u>	<u>2,012,981</u>
<u>\$3,054,254</u>	<u>\$1,547,567</u>	<u>\$11,506,768</u>

City of Powell  
 Reconciliation of Total Governmental Fund Balance  
 to Net Assets of Governmental Activities  
 December 31, 2004

Total Governmental Fund Balance		\$2,012,981
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		26,708,965
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	7,638	
Accrued Interest Receivable	12,201	
Due from Other Governments	377,084	
Municipal Income Taxes Receivable	527,769	
Other Local Taxes Receivable	29,763	
Property Taxes Receivable	35,060	
		989,515
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(80,279)	
General Obligations Bonds Payable	(21,150,000)	
Compensated Absences Payable	(108,411)	
		(21,338,690)
Net Assets of Governmental Activities		\$8,372,771

See Accompanying Notes to the Basic Financial Statements

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City of Powell  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2004

	General	Street Construction and Maintenance	Golf Village	Capital Improvement Projects
<u>Revenues</u>				
Property Taxes	\$321,129	\$0	\$0	\$0
Municipal Income Taxes	2,838,732	0	0	0
Other Local Taxes	0	65,094	0	0
Charges for Services	5,784	0	0	0
Development Charges	0	0	150,450	0
Fees, Licenses, and Permits	889,517	0	0	0
Fines and Forfeitures	7,181	0	0	0
Intergovernmental	484,638	286,291	0	5,500
Interest	72,495	5,248	0	0
Other	25,024	0	57,310	16,445
<b>Total Revenues</b>	<b>4,644,500</b>	<b>356,633</b>	<b>207,760</b>	<b>21,945</b>
<u>Expenditures</u>				
Current:				
Security of Persons and Property	1,442,615	0	0	0
Leisure Time Activities	49,316	0	0	0
Community Environment	514,002	0	0	0
Transportation	751,559	432,912	0	0
General Government	1,014,842	0	0	0
Capital Outlay	0	0	0	147,741
Debt Service:				
Principal Retirement	0	0	175,000	0
Interest and Fiscal Charges	0	0	670,555	0
<b>Total Expenditures</b>	<b>3,772,334</b>	<b>432,912</b>	<b>845,555</b>	<b>147,741</b>
Excess of Revenues Over (Under) Expenditures	872,166	(76,279)	(637,795)	(125,796)
<u>Other Financing Sources (Uses)</u>				
General Obligation Bonds Issued	0	0	0	0
Transfers In	0	210,000	0	223,000
Transfers Out	(665,350)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(665,350)</b>	<b>210,000</b>	<b>0</b>	<b>223,000</b>
Changes in Fund Balance	206,816	133,721	(637,795)	97,204
Fund Balance (Deficit) Beginning of Year	4,414,823	370,752	(5,588,584)	345,756
Fund Balance (Deficit) End of Year	<u>\$4,621,639</u>	<u>\$504,473</u>	<u>(\$6,226,379)</u>	<u>\$442,960</u>

See Accompanying Notes to the Basic Financial Statements

<u>Parks and Recreation Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$608,391	\$383,551	\$1,313,071
0	0	2,838,732
0	5,278	70,372
0	228,905	234,689
0	0	150,450
0	0	889,517
0	895	8,076
81,906	100,015	958,350
47,927	622	126,292
118,769	54,906	272,454
<u>856,993</u>	<u>774,172</u>	<u>6,862,003</u>
0	18,990	1,461,605
0	223,129	272,445
0	0	514,002
0	5,115	1,189,586
0	5,839	1,020,681
5,072,036	102,735	5,322,512
100,000	235,000	510,000
215,978	258,464	1,144,997
<u>5,388,014</u>	<u>849,272</u>	<u>11,435,828</u>
<u>(4,531,021)</u>	<u>(75,100)</u>	<u>(4,573,825)</u>
6,000,000	0	6,000,000
0	232,350	665,350
0	0	(665,350)
<u>6,000,000</u>	<u>232,350</u>	<u>6,000,000</u>
1,468,979	157,250	1,426,175
87,708	956,351	586,806
<u>\$1,556,687</u>	<u>\$1,113,601</u>	<u>\$2,012,981</u>

City of Powell  
 Reconciliation of Statement of Revenues, Expenditures,  
 and Changes in Fund Balance  
 of Governmental Funds to Statement of Activities  
 For the Year Ended December 31, 2004

Changes in Fund Balance - Total Governmental Funds \$1,426,175

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Outlay	5,546,438	
Capital Contributions	33,200	
Depreciation	(619,373)	
	4,960,265	4,960,265

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities. (8,366)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Property Taxes	16,738	
Municipal Income Taxes	31,595	
Other Local Taxes	5,885	
Fees, Licenses, and Permits	(19,540)	
Fines and Forfeitures	100	
Intergovernmental	64,830	
Interest	8,186	
Other	2,324	
	110,118	110,118

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 510,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. (12,465)

Bond proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (6,000,000)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Due to Other Governments	3,122	
Compensated Absences Payable	(10,902)	
	(7,780)	(7,780)

Change in Net Assets of Governmental Activities \$977,947

See Accompanying Notes to the Basic Financial Statements

City of Powell  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
General Fund  
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$316,555	\$316,555	\$321,129	\$4,574
Municipal Income Taxes	2,750,000	2,750,000	2,750,560	560
Charges for Services	4,875	4,875	5,784	909
Fees, Licenses, and Permits	482,250	482,250	868,593	386,343
Fines and Forfeitures	8,000	8,000	7,141	(859)
Intergovernmental	466,404	466,404	412,765	(53,639)
Interest	35,000	35,000	72,495	37,495
Other	30,000	30,000	25,329	(4,671)
Total Revenues	4,093,084	4,093,084	4,463,796	370,712
<u>Expenditures</u>				
Current:				
Security of Persons and Property	1,563,167	1,563,167	1,467,050	96,117
Leisure Time Activities	195,476	232,062	87,758	144,304
Community Environment	554,271	575,771	530,583	45,188
Transportation	996,644	987,644	780,129	207,515
General Government	1,481,362	1,332,276	1,125,587	206,689
Total Expenditures	4,790,920	4,690,920	3,991,107	699,813
Excess of Revenues Over (Under) Expenditures	(697,836)	(597,836)	472,689	1,070,525
<u>Other Financing Sources (Uses)</u>				
Advances In	25,165	25,165	25,165	0
Transfers Out	(565,350)	(665,350)	(665,350)	0
Total Other Financing Sources (Uses)	(540,185)	(640,185)	(640,185)	0
Changes in Fund Balance	(1,238,021)	(1,238,021)	(167,496)	1,070,525
Fund Balance Beginning of Year	4,075,963	4,075,963	4,075,963	0
Prior Year Encumbrances Appropriated	236,075	236,075	236,075	0
Fund Balance End of Year	\$3,074,017	\$3,074,017	\$4,144,542	\$1,070,525

See Accompanying Notes to the Basic Financial Statements

City of Powell  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
Street Construction and Maintenance Fund  
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Other Local Taxes	\$45,000	\$45,000	\$66,010	\$21,010
Intergovernmental	181,400	181,400	283,073	101,673
Interest	1,000	1,000	5,248	4,248
	<u>227,400</u>	<u>227,400</u>	<u>354,331</u>	<u>126,931</u>
<u>Expenditures</u>				
Current:				
Transportation	475,792	575,792	463,289	112,503
	<u>475,792</u>	<u>575,792</u>	<u>463,289</u>	<u>112,503</u>
Excess of Revenues Under Expenditures	(248,392)	(348,392)	(108,958)	239,434
<u>Other Financing Sources</u>				
Transfers In	110,000	210,000	210,000	0
	<u>110,000</u>	<u>210,000</u>	<u>210,000</u>	<u>0</u>
Changes in Fund Balance	(138,392)	(138,392)	101,042	239,434
Fund Balance Beginning of Year	207,749	207,749	207,749	0
Prior Year Encumbrances Appropriated	122,792	122,792	122,792	0
	<u>122,792</u>	<u>122,792</u>	<u>122,792</u>	<u>0</u>
Fund Balance End of Year	<u>\$192,149</u>	<u>\$192,149</u>	<u>\$431,583</u>	<u>\$239,434</u>

See Accompanying Notes to the Basic Financial Statements

City of Powell  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2004

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$553,536</u></u>
 <u>Liabilities</u>	
Undistributed Assets	<u><u>\$553,536</u></u>

See Accompanying Notes to the Basic Financial Statements

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**NOTE 1 - DESCRIPTION OF THE CITY OF POWELL AND THE REPORTING ENTITY**

**A. The City**

The City of Powell (City) is a home rule municipal corporation established and operated under the laws of the State of Ohio. Powell became a village in 1947 and was incorporated as a city in 2001.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member City Council, each elected to four-year terms. The Mayor is selected from the City Council members by a majority vote and serves a two-year term as President of City Council. The City Council appoints a Municipal Manager who serves as the chief executive officer of the City. All city officials, with the exception of the City Council members are appointed positions.

The City is divided into various departments and financial management and control systems. Services provided include police protection, parks and recreation, and street maintenance and repair as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Municipal Manager through administrative and managerial requirements and procedures.

**B. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Powell consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Powell in 2004.

The City participates in an insurance pool, the Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan, and two jointly governed organizations, the Liberty Community Infrastructure Financing Authority and the Powell Community Infrastructure Financing Authority. These organizations are presented in Notes 19 and 20 to the basic financial statements.

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

The financial statements of the City of Powell have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the City's accounting policies.

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide financial 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.

**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 statement of net assets presents the financial condition of the governmental 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. 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 and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of 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 governmental program is self-financing or draws 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 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.

**B. 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. The funds of the City are reported in two categories, governmental and fiduciary.

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

Governmental Funds

Governmental funds are those through which most governmental functions of the City 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 purpose 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. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction and Maintenance Fund - The Street Construction and Maintenance Fund accounts for ninety-two and one-half percent of the state gasoline tax and motor vehicle registration fees.

Golf Village Fund - The Golf Village Fund accounts for the Golf Village development project.

Capital Improvement Projects Fund - The Capital Improvement Projects Fund accounts for various capital projects in the City.

Parks and Recreation Construction Fund - The Parks and Recreation Construction Fund accounts for the construction of improvements at the City's parks.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

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 not available to support the City's own programs. The City did not have any trust funds in 2004. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for various fees charged by the City and remitted to other government agencies and for deposits held pending compliance with established requirements.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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

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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects 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 financial statements and the fund financial statements for governmental funds.

D. 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; fiduciary funds 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 Nonexchange Transactions

Revenues 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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. 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 the 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 both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

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

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2004, but were levied to finance 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis, 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.

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. For all funds, council appropriations are made to the fund, department, and object level for each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by City Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

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

**F. Cash and Investments**

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2004, the City invested in repurchase agreements and nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2004.

Interest earnings are allocated to City funds according to State statutes. Interest revenue credited to the General Fund during 2004 was \$72,495, which includes \$29,359 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of salt used on roadways during winter.

**I. Capital Assets**

All of the City’s capital assets are general capital assets generally resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars. 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 capitalized.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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

All capital assets, except for land and construction in progress, are depreciated. 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>Estimated Lives</u>
Land Improvements	20-60 years
Buildings	50 years
Equipment	5-10 years
Vehicles	3-10 years
Streets	15-45 years

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in City policies or by union contracts. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds are recognized as liabilities on the fund financial statements when due.

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

L. 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 balance 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 constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for construction, repair, and maintenance of streets and highways, recreation, various police department grants, and special events including the Powell Festival, Safety Town program, and Powell Cycling Classic program. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of December 31, 2004, net assets restricted by enabling legislation was \$1,381,253.

M. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

N. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

O. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. 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 management and are either unusual in nature or infrequent in occurrence.

Q. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For 2004, the City has implemented GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Technical Bulletin 2004-2 establishes new guidance addressing the amount that should be recognized as expenditures/expenses and as liabilities each period by employers participating in cost-sharing multiple-employer pension and other postemployment benefit plans. The implementation of this bulletin did not result in any change to the City's financial statements.

GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

**NOTE 4 - ACCOUNTABILITY**

At December 31, 2004, the Golf Village capital projects fund had a deficit fund balance, in the amount of \$6,226,379. The deficit was due to the requirement to report the bond anticipation note liability in the fund receiving the note proceeds. The deficit will be alleviated when the notes are paid.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund and Street Construction and Maintenance special revenue fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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

	Changes in Fund Balance	
	General	Street Construction and Maintenance
GAAP Basis	\$206,816	\$133,721
<b><u>Increases (Decreases) Due To</u></b>		
Revenue Accruals:		
Accrued 2003, Received in Cash 2004	134,656	27,696
Accrued 2004, Not Yet Received in Cash	(315,360)	(29,998)
Expenditure Accruals:		
Accrued 2003, Paid in Cash 2004	(68,350)	0
Accrued 2004, Not Yet Paid in Cash	72,909	12,070
Prepaid Items	(27,929)	300
Materials and Supplies Inventory	0	133
Advances In	25,165	0
Encumbrances Outstanding at Year End (Budget Basis)	(195,403)	(42,880)
Budget Basis	(\$167,496)	\$101,042

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

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

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

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

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

At year end, the City had \$30 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

At year end, the carrying amount of the City's deposits was \$6,057,023 and the bank balance was \$6,617,371. Of the bank balance, \$100,000 was covered by federal depository insurance and \$6,517,371 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City's investments are 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 for which the securities are held by the City or the City's 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. At December 31, 2004, the fair value of funds on deposit with Star Ohio was \$3,418,804.

The classification of cash and cash equivalents and investments on the 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 classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$9,475,857	\$0
Cash on Hand	(30)	0
Investments:		
STAR Ohio	(3,418,804)	3,418,804
GASB Statement No. 3	\$6,057,023	\$3,418,804

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2004, consisted of accounts; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; and property taxes. All receivables are considered collectible in full within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Liquor Permits	\$4,923
Local Government	151,937
Homestead and Rollback	23,038
Municipal Court	415
Estate Tax	95,831
Juvenile Court	125
Total General Fund	276,269
Street Construction and Maintenance	
Gasoline Tax	108,380
Motor Vehicle License Tax	33,157
Total Street Construction and Maintenance	141,537
Parks and Recreation Construction	
Homestead and Rollback	31,294
Total Major Funds	449,100
Nonmajor Funds	
State Highway	
Gasoline Tax	8,788
Motor Vehicle License Tax	2,688
Total State Highway	11,476
Parks and Recreation	
OCJS Grant	544
CJIS Consortium	
Office of Justice/Byrne Grant	15,391

(continued)

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 7 - RECEIVABLES** (continued)

	Amount
Governmental Activities (continued)	
DUI Enforcement	
Municipal Court	\$150
General Obligation 1995 Road Levy Bond Retirement	
Homestead and Rollback	6,336
General Obligation 1997 Land Acquisition Bond Retirement	
Homestead and Rollback	5,376
General Obligation Bond Retirement	
Homestead and Rollback	10,943
Total Nonmajor Funds	50,216
Total Governmental Activities	\$499,316

**NOTE 8 - MUNICIPAL INCOME TAXES**

The City levies and collects an income tax of .75 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 25 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax revenue is credited to the General Fund.

**NOTE 9 - PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**NOTE 9 - PROPERTY TAXES** (continued)

Tangible personal property tax revenues received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2004, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2004 operations.

Collectible delinquent real property taxes have been recorded as a receivable and revenue on the full accrual basis. On the modified accrual basis, the entire receivable is deferred.

The full tax rate for all City operations for the year ended December 31, 2004, was \$4.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural/Residential	\$263,244,760
Commercial/Industrial	25,628,270
Public Utility Property	
Real	5,300
Personal	3,424,520
Tangible Personal Property	4,341,184
Total Assessed Value	\$296,644,034

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$2,590,484	\$27,700	\$0	\$2,618,184
Construction in Progress	581,072	5,302,591	0	5,883,663
Total Nondepreciable Capital Assets	<u>3,171,556</u>	<u>5,330,291</u>	<u>0</u>	<u>8,501,847</u>
Depreciable Capital Assets				
Land Improvements	2,453,395	0	0	2,453,395
Buildings	1,595,514	0	0	1,595,514
Equipment	221,307	52,924	(14,300)	259,931
Vehicles	514,839	196,423	(20,912)	690,350
Streets	18,606,217	0	0	18,606,217
Total Depreciable Capital Assets	<u>23,391,272</u>	<u>249,347</u>	<u>(35,212)</u>	<u>23,605,407</u>
Less Accumulated Depreciation for				
Land Improvements	(308,636)	(53,648)	0	(362,284)
Buildings	(215,027)	(31,910)	0	(246,937)
Equipment	(148,823)	(25,751)	14,300	(160,274)
Vehicles	(298,845)	(94,586)	12,546	(380,885)
Streets	(3,834,431)	(413,478)	0	(4,247,909)
Total Accumulated Depreciation	<u>(4,805,762)</u>	<u>(619,373)</u>	<u>26,846</u>	<u>(5,398,289)</u>
Total Depreciable Capital Assets, Net	<u>18,585,510</u>	<u>(370,026)</u>	<u>(8,366)</u>	<u>18,207,118</u>
Governmental Activities Capital Assets, Net	<u>\$21,757,066</u>	<u>\$4,960,265</u>	<u>(\$8,366)</u>	<u>\$26,708,965</u>

The City accepted contributions of nondepreciable capital assets for governmental activities with a fair value of \$33,200 during 2004.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$60,107
Leisure Time Activities	45,999
Community Environment	1,670
Transportation	469,238
General Government	42,359
Total Depreciation Expense - Governmental Activities	<u>\$619,373</u>

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has entered into contracts with various insurance agencies for the following types of coverage:

Type of Coverage	Coverage	Deductible
General Liability		
Occurrence	\$1,000,000	\$0
Aggregate	3,000,000	0
Public Official Liability		
Occurrence	1,000,000	2,500
Aggregate	3,000,000	2,500
Commercial Liability		
Occurrence	1,000,000	0
Aggregate	3,000,000	0
Automobile Liability	1,000,000	1,000
Property	3,481,600	1,000

There have been significant reductions in insurance coverage from 2003. Coverage for all liability insurance policies each decreased by \$4,000,000 per occurrence and per aggregate. No insurance settlement has exceeded insurance coverage during the last three years.

For 2004, the City participated in the Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

**NOTE 12 - CONTRACTUAL COMMITMENTS**

At December 31, 2004, the City had contractual commitments as follows:

Company	Contract Amount	Amount Remaining on Contract
Police Facility Design		
Horne & King Architects	\$49,300	\$42,224

(continued)

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 12 - CONTRACTUAL COMMITMENTS** (continued)

Company	Contract Amount	Amount Remaining on Contract
Park Improvements		
CW Design Group LLC	\$750	\$187
Edsall & Associates	107,508	19,012
Buckeye Landscape Services Inc	312,262	131,557
Corna/Kokosing Construction Co.	4,513,718	1,740,752
Don Walsh & Associates Inc.	158,232	57,691
Jennings, Inc.	72,000	19,800
Miracle Recreation Equipment Co.	109,058	109,058
Service Supply LTD, Inc.	109,000	15,494
Seldom Seen/Rutherford Road Traffic Signals		
M.P. Dory Co.	123,137	65,124

**NOTE 13 - 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 percent 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 OPERS 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 publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2004, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS** (continued)

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 was \$98,304, \$78,771, and \$69,450, respectively; 97 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2004, in the amount of \$2,752, is recorded as a liability. Contributions to the member-directed plan for 2004 were \$3,656 made by the City and \$2,293 made by plan members.

**B. Ohio Police and Fire Pension Fund**

The City participates in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan. OPF 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 by Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The City's contributions to the OPF for the years ended December 31, 2004, 2003, and 2002 were \$104,406, \$95,703, and \$82,310, respectively; 97 percent has been contributed for 2004 and 100 percent has been contributed for 2003 and 2002. The unpaid contribution for 2003, in the amount of \$2,760, is recorded as a liability.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**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 OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental 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 2004 employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

**NOTE 14 - POSTEMPLOYMENT BENEFITS** (continued)

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits was \$42,706. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In September 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OPF) 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 eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by OPF is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OPF's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll; 7.75 percent was applied to the postemployment health care program during 2004. 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 2004 that were used to fund postemployment benefits were \$68,864 for police. The OPF's total health care expense for the year ended December 31, 2003 (the latest information available), was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OPF participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**NOTE 15 - COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws.

City employees earn vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 15 - COMPENSATED ABSENCES** (continued)

Sick leave is earned at a rate of four and six-tenths hours for every eighty hours worked. Full-time employees with more than ten years of public service under the applicable retirement system, who retire from the City, are entitled to receive one-fourth of the value of their accumulated unused sick leave up to a maximum payment of two hundred sixty hours.

**NOTE 16 - NOTES PAYABLE**

The City's note transactions for the year ended December 31, 2004, were as follows:

	Interest Rate	Balance 12/31/03	Additions	Reductions	Balance 12/31/04
Governmental Activities					
Capital Projects Funds					
Various Purpose Bond Anticipation Notes	1.50%	\$6,000,000	\$0	\$6,000,000	\$0
Park and Recreation Bond Anticipation Notes	1.65	1,000,000	0	1,000,000	0
Various Purpose Bond Anticipation Notes	2.75	0	6,210,000	0	6,210,000
Total Governmental Activities		<u>\$7,000,000</u>	<u>\$6,210,000</u>	<u>\$7,000,000</u>	<u>\$6,210,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City's bond anticipation notes are supported by full faith and credit of the City and have a maturity of one year. The liability is presented in the fund receiving the proceeds. The various purpose bond anticipation notes were issued to retire notes previously issued for various activities related to the Liberty Community Infrastructure Financing Authority. These notes will be repaid from a community development charge received from the Financing Authority. The notes will continue to be reissued until such time as the development charges are sufficient to retire the notes. The park and recreation bond anticipation notes were issued to construct improvements at the City's parks.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**NOTE 17 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance 12/31/03	Additions	Reductions	Balance 12/31/04	Due Within One Year
<u>General Obligation Bonds</u>						
Various Purpose 1997A (Original Amount \$2,725,000)	7.10%	\$2,305,000	\$0	\$85,000	\$2,220,000	\$90,000
Various Purpose 1997B (Original Amount \$720,000)	5.75	435,000	0	50,000	385,000	55,000
Road Improvement (Original Amount \$2,571,501)	3.20	2,155,000	0	100,000	2,055,000	100,000
Golf Village 2002 (Original Amount \$10,915,000)	3-5.5	10,765,000	0	175,000	10,590,000	225,000
Park Improvements 2004 (Original Amount \$6,000,000)	2-3.5	0	6,000,000	100,000	5,900,000	505,000
Total General Obligation Bonds		15,660,000	6,000,000	510,000	21,150,000	975,000
<u>Other Long-Term Obligations</u>						
Compensated Absences Payable		97,509	18,895	7,993	108,411	59,366
Total Long-Term Obligations		\$15,757,509	\$6,018,895	\$517,993	\$21,258,411	\$1,034,366

As of December 31, 2004, the City had unspent bond proceeds, in the amount of \$315,489.

General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of the City of Powell and are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest expenditures.

Golf Village 2002

In 2002, the City issued \$10,915,000 in general obligation bonds to purchase certain assets from the Liberty Community Infrastructure Financing Authority (Financing Authority), currently known as Golf Village. Assets acquired primarily consisted of various roads and infrastructure improvements. As part of the agreement, the Financing Authority is required to collect, and remit to the City, the entire Community Development Charge and in an amount at least sufficient to pay annual principal and interest costs on the City's general obligation bonds. The Community Development Charge is calculated and collected annually by the Financing Authority.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**NOTE 17 - LONG-TERM OBLIGATIONS** (continued)

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount to be redeemed plus accrued interest to the redemption date, on December 1 in each of the years and in the respective principal amounts as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
2012	\$200,000
2013	225,000
2014	225,000
2015	250,000
2016	275,000
2017	275,000
2018	300,000
2019	300,000
2020	325,000
2021	350,000
2022	350,000
2023	375,000
2024	400,000

The remaining principal, in the amount of \$400,000, will mature at stated maturity on December 1, 2025.

The term bonds maturing on December 1, 2032, are subject to mandatory sinking fund redemption, at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the redemption date, on December 1 in each of the years and in the respective principal amounts as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
2026	\$600,000
2027	625,000
2028	650,000
2029	675,000
2030	700,000
2031	700,000

The remaining principal, in the amount of \$730,000, will mature at stated maturity on December 1, 2032.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**NOTE 18 - LONG-TERM OBLIGATIONS** (continued)

Compensated Absences

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Parks and Recreation special revenue fund.

The City's legal debt margin was \$3,848,861 at December 31, 2004.

The following is a summary of the City's future annual debt service requirements for general obligation bonds:

Year	General Obligation Bonds	
	Principal	Interest
2005	\$975,000	\$963,343
2006	1,005,000	933,090
2007	1,115,000	898,705
2008	1,200,000	860,130
2009	1,140,000	797,233
2010-2014	5,720,000	3,396,796
2015-2019	2,835,000	2,399,958
2020-2024	2,080,000	1,735,265
2025-2029	2,950,000	1,105,496
2030-2032	2,130,000	235,950
	\$21,150,000	\$13,325,966

**NOTE 18 - INTERFUND TRANSFERS**

During 2004, the General Fund made transfers to the Street Construction and Maintenance special revenue fund, Capital Improvement Projects capital projects fund, and other governmental funds, in the amount of \$210,000, \$223,000, and \$232,350, respectively, to subsidize various programs in other funds and to move receipts to debt service funds as debt payments came due.

**NOTE 19 - INSURANCE POOL**

The City is a participant in the Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Liberty Community Infrastructure Financing Authority**

The Liberty Community Infrastructure Financing Authority (Financing Authority) is a jointly governed organization created according to Chapter 349 of the Ohio Revised Code. The Financing Authority was established to encourage the orderly development of a well planned, diversified, and economically sound community; to encourage initiative and participation of private enterprise in this undertaking; and to encourage cooperation between the developer and the financing authority to carry out the new community development program. The Financing Authority is governed by a board of trustees consisting of three citizen members (two appointed by the Delaware County Commissioners and one elected by the residents of the community), three developer members appointed by the developer, and the Finance Director of the City of Powell. Financial information can be obtained from the Liberty Community Infrastructure Financing Authority, 470 Olde Worthington Road, Westerville, Ohio 43082.

**B. Powell Community Infrastructure Financing Authority**

The Powell Community Infrastructure Financing Authority (Financing Authority) is a jointly governed organization created according to Chapter 349 of the Ohio Revised Code. The Financing Authority was established to encourage the orderly development of a well planned, diversified, and economically sound community; to encourage initiative and participation of private enterprise in this undertaking; and to encourage cooperation between the developer and the financing authority to carry out the new community development program. The Financing Authority is governed by a board of trustees consisting of three citizen members elected by the residents of the community, three developer members appointed by the developer, and the Finance Director of the City of Powell. Financial information can be obtained from the Powell Community Infrastructure Financing Authority, 470 Olde Worthington Road, Westerville, Ohio 43082.

**NOTE 21 - CONTINGENT LIABILITIES**

**A. Litigation**

There are currently no matters in litigation with the City as defendant.

City of Powell  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**NOTE 21 - CONTINGENT LIABILITIES** (continued)

**B. Federal and State Grants**

For the period January 1, 2004, to December 31, 2004, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Powell  
Delaware County  
47 Hall Street  
Powell, Ohio 43065

To the Members of Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Powell, Delaware County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprises the City's basic financial statements and have issued our report thereon dated August 17, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures in order to express opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we considered material weaknesses. In a separate letter to the City's management dated August 17, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2004-001. In a separate letter to the City's management dated August 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of the management, the finance committee, and the City Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

August 17, 2005

**CITY OF POWELL  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2004-001</b>
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**Prior Certification of Expenditures**

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be considered null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate-** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the City.

2. **Blanket Certificate-** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate-** The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for specific recurring and reasonably predictable operating expenses. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-one percent of the transactions tested were not certified prior to the commitment being incurred, nor was there evidence that the City followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**CITY OF POWELL  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004  
(Continued)**

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

<b>Finding Number</b>	<b>2004-001 (Continued)</b>
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We recommend the City certify expenditures to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**CITY OF POWELL  
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	The City did not properly encumber funds ORC 5705.41 (D)	Not Corrected	Repeated in Current Year Schedule of Findings





**Auditor of State  
Betty Montgomery**

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**CITY OF POWELL  
DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 27, 2005**