

**CITY OF GAHANNA  
FRANKLIN COUNTY, OHIO**

***General Purpose  
Financial Statements***  
(Audited)

For The Year Ended  
December 31, 2002

**JERRY ISLER, DIRECTOR OF FINANCE**





**Auditor of State  
Betty Montgomery**

Members of Council and Mayor  
City of Gahanna  
Gahanna, Ohio

We have reviewed the Independent Auditor's Report of the City of Gahanna, Franklin County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 21, 2003

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**CITY OF GAHANNA  
FRANKLIN COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor's Report

Members of Council and Mayor  
City of Gahanna, Franklin County  
200 South Hamilton Road  
Gahanna, OH 43230

We have audited the accompanying general purpose financial statements of the City of Gahanna, Franklin County, Ohio as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Gahanna's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Gahanna, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2003, on our consideration of the City of Gahanna's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.  
May 30, 2003

**CITY OF GAHANNA, OHIO**  
 Combined Balance Sheet - All Fund Types and Account Groups  
 As of December 31, 2002

	<b>GOVERNMENTAL FUND TYPES</b>			
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>
<b><u>Assets And Other Debits</u></b>				
<b><u>Assets</u></b>				
Equity In Pooled Cash And Cash Equivalents	\$19,762,858	\$4,179,918	\$1,277,482	\$3,644,283
Cash And Cash Equivalents In Segregated Accounts	0	0	0	0
Cash With Fiscal And Escrow Agents	0	124,360	0	0
Receivables:				
Taxes	4,894,719	225,331	217,839	0
Accounts	343,291	710	0	0
Due From Other Governments	1,132,372	586,180	12,838	0
Special Assessments	6,541	0	0	0
Accrued Interest	115,878	73	0	0
Materials And Supplies Inventory	175,102	0	0	0
Prepaid Items	59,704	2,763	0	0
Restricted Assets:				
Cash And Cash Equivalents In Segregated Accounts	478,629	0	0	0
Fixed Assets (Net, Where Applicable, Of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits</u></b>				
Amount Available In General Fund For Compensated Absences	0	0	0	0
Amount Available In Debt Service Fund For Retirement of General Obligation Debt	0	0	0	0
Amount To Be Provided From General Government Resources	0	0	0	0
<b><u>Total Assets And Other Debits</u></b>	<b><u>\$26,969,094</u></b>	<b><u>\$5,119,335</u></b>	<b><u>\$1,508,159</u></b>	<b><u>\$3,644,283</u></b>

See Accompanying Notes to the General Purpose Financial Statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		<i>TOTALS (MEMORANDUM ONLY)</i>
		<i>GENERAL FIXED ASSETS</i>	<i>GENERAL LONG-TERM OBLIGATIONS</i>	
<i>ENTERPRISE</i>	<i>AGENCY</i>			
\$10,627,008	\$0	\$0	\$0	\$39,491,549
0	709,722	0	0	709,722
0	0			124,360
0	0	0	0	5,337,889
1,918,008	46,867	0	0	2,308,876
0	0	0	0	1,731,390
2,582	0	0	0	9,123
0	814	0	0	116,765
29,494	0	0	0	204,596
6,574	0	0	0	69,041
0	0	0	0	478,629
26,627,585	0	28,284,093	0	54,911,678
0	0	0	1,138,346	1,138,346
0	0	0	1,277,482	1,277,482
0	0	0	3,022,305	3,022,305
<u>\$39,211,251</u>	<u>\$757,403</u>	<u>\$28,284,093</u>	<u>\$5,438,133</u>	<u>\$110,931,751</u>

(continued)

**CITY OF GAHANNA, OHIO**  
 Combined Balance Sheet - All Fund Types and Account Groups  
 As of December 31, 2002  
 (continued)

	<b>GOVERNMENTAL FUND TYPES</b>			
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>
<b><u>Liabilities, Fund Equity, And Other Credits</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	\$258,266	\$49,557	\$0	\$1,840
Contracts Payable	559,641	148,357	0	406,553
Accrued Wages	166,856	12,347	0	0
Compensated Absences Payable	90,793	8,382	0	0
Contracts Retainage Payable	48,785	0	0	32,306
Due To Other Governments	144,692	24,707	0	198
Deferred Revenue	4,889,824	707,561	230,677	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>6,158,857</b>	<b>950,911</b>	<b>230,677</b>	<b>440,897</b>
 <b><u>Fund Equity And Other Credits</u></b>				
Investment In General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved For Encumbrances	5,717,585	651,276	0	705,643
Unreserved:				
Designated:				
Designated For ODOT Highway Improvement	478,629	0	0	0
Designated For Sick Leave/Vacation	1,138,346	0	0	0
Undesignated	13,475,677	3,517,148	1,277,482	2,497,743
<b>Total Fund Equity And Other Credits</b>	<b>20,810,237</b>	<b>4,168,424</b>	<b>1,277,482</b>	<b>3,203,386</b>
<b>Total Liabilities, Fund Equity And Other Credits</b>	<b>\$26,969,094</b>	<b>\$5,119,335</b>	<b>\$1,508,159</b>	<b>\$3,644,283</b>

See Accompanying Notes to the General Purpose Financial Statements.

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		<i>TOTALS (MEMORANDUM ONLY)</i>
		<i>GENERAL FIXED ASSETS</i>	<i>GENERAL LONG-TERM OBLIGATIONS</i>	
<i>ENTERPRISE</i>	<i>AGENCY</i>			
\$8,278	\$0	\$0	\$0	\$317,941
47,899	0	0	0	1,162,450
11,320	0	0	0	190,523
57,850	0	0	917,990	1,075,015
0	0	0	0	81,091
19,031	355,240	0	260,925	804,793
0	0	0	0	5,828,062
0	402,163	0	0	402,163
7,813	0	0	0	7,813
0	0	0	1,500,395	1,500,395
16,997	0	0	73,823	90,820
110,566	0	0	0	110,566
1,435,000	0	0	2,685,000	4,120,000
<u>1,714,754</u>	<u>757,403</u>	<u>0</u>	<u>5,438,133</u>	<u>15,691,632</u>
0	0	28,284,093	0	28,284,093
37,496,497	0	0	0	37,496,497
0	0	0	0	7,074,504
0	0	0	0	478,629
0	0	0	0	1,138,346
0	0	0	0	20,768,050
<u>37,496,497</u>	<u>0</u>	<u>28,284,093</u>	<u>0</u>	<u>95,240,119</u>
<u>\$39,211,251</u>	<u>\$757,403</u>	<u>\$28,284,093</u>	<u>\$5,438,133</u>	<u>\$110,931,751</u>

**CITY OF GAHANNA, OHIO**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2002**

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<b><u>Revenues:</u></b>					
Property Taxes	\$1,181,575	\$195,841	\$188,727	\$0	\$1,566,143
Municipal Income Tax	12,330,215	0	0	0	12,330,215
Other Local Taxes	640,650	25,254	0	0	665,904
Intergovernmental	2,292,735	1,740,846	23,152	0	4,056,733
Charges For Services	633,867	0	0	0	633,867
Licenses And Permits	371,428	4,800	0	131,902	508,130
Fines And Forfeitures	353,900	3,021	0	0	356,921
Interest	1,042,692	0	0	0	1,042,692
Rent	101,191	105,318	0	0	206,509
Miscellaneous	175,146	35,376	0	0	210,522
<b>Total Revenues</b>	<u>19,123,399</u>	<u>2,110,456</u>	<u>211,879</u>	<u>131,902</u>	<u>21,577,636</u>
<b><u>Expenditures:</u></b>					
Current Operations And Maintenance:					
Security Of Persons And Property	4,827,432	905,822	0	0	5,733,254
Public Health	150,687	0	0	0	150,687
Leisure Time Activities	1,217,708	0	0	1,450	1,219,158
Community Development	2,578,714	368,430	0	0	2,947,144
Basic Utility Services	22,850	119,185	0	0	142,035
Transportation	1,200,409	1,069,454	0	0	2,269,863
General Government	3,014,823	104,207	0	0	3,119,030
Capital Outlay	3,671,350	23,322	0	1,090,078	4,784,750
Debt Service:					
Principal Retirement	131,007	0	365,000	0	496,007
Interest And Fiscal Charges	94,706	0	160,629	0	255,335
<b>Total Expenditures</b>	<u>16,909,686</u>	<u>2,590,420</u>	<u>525,629</u>	<u>1,091,528</u>	<u>21,117,263</u>
Excess Of Revenues Over (Under) Expenditures	<u>2,213,713</u>	<u>(479,964)</u>	<u>(313,750)</u>	<u>(959,626)</u>	<u>460,373</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds From Sale Of Fixed Assets	157,000	0	0	0	157,000
Inception Of Capital Lease	15,571	0	0	0	15,571
Operating Transfers - In	528,150	1,007,005	314,358	500,000	2,349,513
Operating Transfers - Out	<u>(1,798,080)</u>	<u>(20,925)</u>	<u>0</u>	<u>0</u>	<u>(1,819,005)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(1,097,359)</u>	<u>986,080</u>	<u>314,358</u>	<u>500,000</u>	<u>703,079</u>
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	1,116,354	506,116	608	(459,626)	1,163,452
Fund Balances At Beginning Of Year - Restated (Note 3)	<u>19,693,883</u>	<u>3,662,308</u>	<u>1,276,874</u>	<u>3,663,012</u>	<u>28,296,077</u>
<b>Fund Balances At End Of Year</b>	<u>\$20,810,237</u>	<u>\$4,168,424</u>	<u>\$1,277,482</u>	<u>\$3,203,386</u>	<u>\$29,459,529</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**CITY OF GAHANNA, OHIO**  
 Combined Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For The Year Ended December 31, 2002

	<b>GENERAL</b>			<b>SPECIAL REVENUE</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b><u>Revenues:</u></b>						
Property Taxes	\$1,144,058	\$1,181,575	\$37,517	\$189,623	\$195,841	\$6,218
Municipal Income Tax	12,572,234	12,475,918	(96,316)	0	0	0
Other Local Taxes	641,695	641,695	0	17,000	25,254	8,254
Intergovernmental	2,374,406	2,374,406	0	1,629,561	1,598,177	(31,384)
Charges For Services	1,554,121	505,444	(1,048,677)	0	0	0
Licenses And Permits	371,428	371,428	0	4,800	4,800	0
Fines And Forfeitures	353,575	353,575	0	0	0	0
Interest	1,012,577	1,012,577	0	0	0	0
Rent	101,191	101,191	0	104,865	105,566	701
Miscellaneous	171,390	172,766	1,376	38,021	37,124	(897)
<b>Total Revenues</b>	<b>20,296,675</b>	<b>19,190,575</b>	<b>(1,106,100)</b>	<b>1,983,870</b>	<b>1,966,762</b>	<b>(17,108)</b>
<b><u>Expenditures:</u></b>						
Current Operations And Maintenance:						
Security Of Persons And Property	5,438,219	4,924,406	513,813	1,300,675	1,090,061	210,614
Public Health	182,000	150,687	31,313	0	0	0
Leisure Time Activities	1,391,657	1,271,515	120,142	0	0	0
Community Development	3,921,641	3,623,861	297,780	507,890	404,846	103,044
Basic Utility Services	1,214,994	136,264	1,078,730	365,597	348,799	16,798
Transportation	1,422,151	1,204,205	217,946	1,408,219	1,298,692	109,527
General Government	4,789,272	4,391,924	397,348	163,503	113,473	50,030
Capital Outlay	7,987,873	7,370,727	617,146	25	0	25
Debt Service:						
Principal Retirement	111,365	111,365	0	0	0	0
Interest And Fiscal Charges	82,690	82,690	0	0	0	0
<b>Total Expenditures</b>	<b>26,541,862</b>	<b>23,267,644</b>	<b>3,274,218</b>	<b>3,745,909</b>	<b>3,255,871</b>	<b>490,038</b>
Excess of Revenues Over (Under)						
Expenditures	(6,245,187)	(4,077,069)	2,168,118	(1,762,039)	(1,289,109)	472,930
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds From Sale Of Fixed Assets	500	157,000	156,500	0	0	0
Operating Transfers - In	492,000	528,150	36,150	1,014,880	1,007,005	(7,875)
Operating Transfers - Out	(1,811,180)	(1,798,080)	13,100	(35,610)	(20,925)	14,685
<b>Total Other Financing Sources (Uses)</b>	<b>(1,318,680)</b>	<b>(1,112,930)</b>	<b>205,750</b>	<b>979,270</b>	<b>986,080</b>	<b>6,810</b>
Excess of Revenues And Other Financing Sources Over (Under) Expenditures And Other Financing Uses	(7,563,867)	(5,189,999)	2,373,868	(782,769)	(303,029)	479,740
Fund Balances At Beginning Of Year (Restated)	13,003,234	13,003,234	0	3,238,919	3,238,919	0
Prior Year Encumbrances Appropriated	5,368,564	5,368,564	0	403,462	403,462	0
<b>Fund Balances At End Of Year</b>	<b>\$10,807,931</b>	<b>\$13,181,799</b>	<b>\$2,373,868</b>	<b>\$2,859,612</b>	<b>\$3,339,352</b>	<b>\$479,740</b>

See Accompanying Notes to the General Purpose Financial Statements.

<i>DEBT SERVICE</i>			<i>CAPITAL PROJECTS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
\$183,302	\$188,727	\$5,425	\$0	\$0	\$0	\$1,516,983	\$1,566,143	\$49,160
0	0	0	0	0	0	12,572,234	12,475,918	(96,316)
0	0	0	0	0	0	658,695	666,949	8,254
21,598	23,152	1,554	0	0	0	4,025,565	3,995,735	(29,830)
0	0	0	0	0	0	1,554,121	505,444	(1,048,677)
0	0	0	65,664	131,902	66,238	441,892	508,130	66,238
0	0	0	0	0	0	353,575	353,575	0
0	0	0	0	0	0	1,012,577	1,012,577	0
0	0	0	0	0	0	206,056	206,757	701
0	0	0	0	0	0	209,411	209,890	479
204,900	211,879	6,979	65,664	131,902	66,238	22,551,109	21,501,118	(1,049,991)
0	0	0	0	0	0	6,738,894	6,014,467	724,427
0	0	0	0	0	0	182,000	150,687	31,313
0	0	0	0	0	0	1,391,657	1,271,515	120,142
0	0	0	0	0	0	4,429,531	4,028,707	400,824
0	0	0	0	0	0	1,580,591	485,063	1,095,528
0	0	0	0	0	0	2,830,370	2,502,897	327,473
0	0	0	0	0	0	4,952,775	4,505,397	447,378
0	0	0	1,866,975	1,816,284	50,691	9,854,873	9,187,011	667,862
693,578	693,578	0	0	0	0	804,943	804,943	0
264,322	258,193	6,129	0	0	0	347,012	340,883	6,129
957,900	951,771	6,129	1,866,975	1,816,284	50,691	33,112,646	29,291,570	3,821,076
(753,000)	(739,892)	13,108	(1,801,311)	(1,684,382)	116,929	(10,561,537)	(7,790,452)	2,771,085
0	0	0	0	0	0	500	157,000	156,500
752,700	740,500	(12,200)	213,000	500,000	287,000	2,472,580	2,775,655	303,075
0	0	0	0	0	0	(1,846,790)	(1,819,005)	27,785
752,700	740,500	(12,200)	213,000	500,000	287,000	626,290	1,113,650	487,360
(300)	608	908	(1,588,311)	(1,184,382)	403,929	(9,935,247)	(6,676,802)	3,258,445
1,276,874	1,276,874	0	3,656,343	3,656,343	0	21,175,370	21,175,370	0
0	0	0	31,975	31,975	0	5,804,001	5,804,001	0
\$1,276,574	\$1,277,482	\$908	\$2,100,007	\$2,503,936	\$403,929	\$17,044,124	\$20,302,569	\$3,258,445

**CITY OF GAHANNA, OHIO**  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings  
 Proprietary Fund Type  
 For the Year Ended December 31, 2002

	<b><u>ENTERPRISE</u></b>
<b><u>Operating Revenues:</u></b>	
Charges For Services	\$8,179,279
Miscellaneous	101,113
<b>Total Operating Revenues</b>	<b><u>8,280,392</u></b>
 <b><u>Operating Expenses:</u></b>	
Personal Services	643,560
Supplies And Materials	60,232
Contractual Services	4,789,616
Other Operating Charges	323,913
Depreciation	649,830
<b>Total Operating Expenses</b>	<b><u>6,467,151</u></b>
 Operating Income	 <u>1,813,241</u>
 <b><u>Non-Operating Expenses:</u></b>	
Loss On Disposal Of Fixed Assets	(25,865)
Interest And Fiscal Charges	(20,643)
Other Non-Operating Expenses	<u>(77,483)</u>
<b>Total Non-Operating Expenses</b>	<b><u>(123,991)</u></b>
 Income Before Operating Transfers	 1,689,250
 Operating Transfers - Out	 <u>(530,508)</u>
 Net Income	 1,158,742
 Retained Earnings At Beginning Of Year - Restated (Note 3)	 <u>36,337,755</u>
 Retained Earnings At End Of Year	 <u><u>\$37,496,497</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**CITY OF GAHANNA, OHIO**  
 Combined Statement of Revenues, Expenses, and Changes in  
 Fund Equity - Budget and Actual (Budget Basis)  
 Proprietary Fund Type  
 For The Year Ended December 31, 2002

	<b>ENTERPRISE</b>		
	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
<b><u>Revenues:</u></b>			
Charges For Services	\$8,148,700	\$7,854,167	(\$294,533)
Miscellaneous	29,000	101,113	72,113
<b>Total Revenues</b>	<b>8,177,700</b>	<b>7,955,280</b>	<b>(222,420)</b>
<b><u>Expenses:</u></b>			
Personal Services	726,602	666,422	60,180
Supplies And Materials	253,475	171,354	82,121
Contractual Services	7,308,669	6,073,454	1,235,215
Capital Outlay	2,562,333	1,531,308	1,031,025
Other Operating Expenses	765,683	613,872	151,811
<b>Total Expenses</b>	<b>11,616,762</b>	<b>9,056,410</b>	<b>2,560,352</b>
Excess Of Revenues Over (Under) Expenses	(3,439,062)	(1,101,130)	2,337,932
Operating Transfers - Out	(1,099,500)	(956,650)	142,850
Excess Of Revenues Over (Under) Expenses And Transfers	(4,538,562)	(2,057,780)	2,480,782
Fund Equity At Beginning Of Year	8,334,946	8,334,946	0
Prior Year Encumbrances Appropriated	2,563,791	2,563,791	0
Fund Equity At End Of Year	<b>\$6,360,175</b>	<b>\$8,840,957</b>	<b>\$2,480,782</b>

See Accompanying Notes to the General Purpose Financial Statements.

**CITY OF GAHANNA, OHIO**  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Year Ended December 31, 2002

	<u>ENTERPRISE</u>
<b><u>Increase (Decrease) In Cash And Cash Equivalents</u></b>	
<b><u>Cash Flows From Operating Activities:</u></b>	
Cash Received From Customers	\$7,853,670
Cash Payments For Personal Services	(637,163)
Cash Payments For Contractual Services	(4,794,152)
Cash Payments To Vendors For Materials And Supplies	(239,682)
Other Operating Revenues	101,113
Other Operating Expenses	(573,120)
<b><i>Net Cash Provided By Operating Activities</i></b>	<b><u>1,710,666</u></b>
 <b><u>Cash Flows From Noncapital Financing Activities:</u></b>	
Operating Transfers-Out	<u>(530,508)</u>
 <b><u>Cash Flows From Capital And Related Financing Activities:</u></b>	
Cash Received From Special Assessments	497
Acquisition And Construction Of Capital Assets	(1,002,866)
Principal Paid On Capital Leases	(21,462)
Interest Paid On Capital Leases	(1,914)
Principal Paid On General Obligation Bonds	(320,000)
Principal Paid On OPWC Loans	(8,578)
Interest Paid On General Obligation Bonds	(93,468)
Interest Paid On OPWC Loans	(4,096)
<b><i>Net Cash Used For Capital And Related Financing Activities</i></b>	<b><u>(1,451,887)</u></b>
 Net Decrease In Cash And Cash Equivalents	 (271,729)
 Cash And Cash Equivalents At Beginning Of Year	 <u>10,898,737</u>
 Cash And Cash Equivalents At End Of Year	 <u><u>\$10,627,008</u></u>
 <b><u>Reconciliation Of Operating Income To Net</u></b>	
<b><u>Cash Provided By Operating Activities:</u></b>	
Operating Income	\$1,813,241
 <b><u>Adjustments To Reconcile Operating Income To</u></b>	
<b><u>Net Cash Provided By Operating Activities:</u></b>	
Depreciation	649,830
Changes In Assets And Liabilities:	
Increase In Accounts Receivable	(325,609)
Decrease In Materials And Supplies Inventory	2,868
Increase In Prepaid Items	(2,642)
Decrease In Accounts Payable	(64,044)
Decrease In Contracts Payable	(228,129)
Decrease In Contracts Retainage Payable	(78,413)
Decrease In Due To Other Governments	(72,218)
Increase In Accrued Wages	2,324
Increase In Compensated Absences Payable	13,458
<b><i>Net Cash Provided By Operating Activities</i></b>	<b><u><u>\$1,710,666</u></u></b>

See Accompanying Notes to the General Purpose Financial Statements.

# ***CITY OF GAHANNA, OHIO***

## Notes To The General Purpose Financial Statements

For The Year Ended December 31, 2002

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### **NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Gahanna is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council-administrator form of government, was adopted by the electorate June 27, 1961, and was completely renumbered by the Clerk of Council in January, 1992.

#### **REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They comprise the City's legal entity which provides various services including public safety, street maintenance, parks and recreation, senior center, and engineering. The City of Gahanna is also responsible for the construction, maintenance, and repairs associated with the water and sewer lines and provides water and sewer treatment services. Council and the Mayor have direct responsibility for these activities.

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

The Gahanna Mayor's Court has been included in the City's financial statements as an agency fund. The Mayor is an elected City official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

The City is a member of the Central Ohio Health Care Consortium (the "Pool"), a risk sharing pool which provides health insurance. The Pool, which commenced business on January 1, 1992, has twelve members consisting of various cities, villages and townships. The members originally entered into an irrevocable agreement to remain a member of the Pool for a minimum of three years. This agreement was renewed for an additional three years on January 1, 2001. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City has no ongoing financial responsibility other than the three year minimum membership. See Note 12.

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

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

The financial statements of the City of Gahanna 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 Standard Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

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

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

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

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

**GOVERNMENTAL FUND TYPES**

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

*GENERAL FUND*

The general fund is the operating fund of the City and it is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter of the City of Gahanna and/or the general laws of Ohio.

*SPECIAL REVENUE FUNDS*

The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

*DEBT SERVICE FUND*

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal, interest and related costs.

*CAPITAL PROJECTS FUNDS*

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

**PROPRIETARY FUND TYPE**

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

*ENTERPRISE FUNDS*

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

**FIDUCIARY FUND TYPE**

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**ACCOUNT GROUPS**

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

*GENERAL FIXED ASSETS ACCOUNT GROUP*

The General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the proprietary funds.

*GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP*

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

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

**B. BASIS OF ACCOUNTING**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

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

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

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables not collected within the available period have also been reported as deferred revenue.

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

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

**C. BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

*TAX BUDGET*

A tax budget of estimated revenue and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted.

*ESTIMATED RESOURCES*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates, and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

*ANNUAL ESTIMATE*

The Mayor, with the assistance of the Finance Director, is required by charter to submit to Council, on or before December 7 of each year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

*APPROPRIATIONS*

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds, except agency funds, must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations passed during the year. Sixty-five supplemental appropriation measures were legally enacted during 2002 by Council.

*BUDGETED LEVEL OF EXPENDITURE*

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made to personal services, contractual services, supplies and materials, capital outlay, debt service, operating transfers, and other operating charges within each function. The appropriations set by Council remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

*ENCUMBRANCES*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

*LAPSING OF APPROPRIATIONS*

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding calendar year and is not re-appropriated.

**D. CASH AND CASH EQUIVALENTS**

To improve cash management, cash received by the City is pooled. Monies for all funds, except agency funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity In Pooled Cash And Cash Equivalents" on the balance sheet.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

The Gahanna Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the combined balance sheet as "Cash And Cash Equivalents In Segregated Accounts." The City maintains an escrow bank account in the General Fund to provide for the receipts and disbursements of Ohio Department of Transportation (ODOT) monies used for highway improvements. The balance held in the escrow account is presented as "Restricted Assets: Cash And Cash Equivalents In Segregated Accounts" on the balance sheet.

During the year, investments were limited to certificates of deposit, Money Market Funds, U.S. Treasury Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Corporation Bonds, Mutual Funds, Short-Term Bonds Fund, and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and Money Market Funds are reported at cost. Mutual funds are reported at fair value which is determined by the mutual fund's current share price.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2002. 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, 2002.

For purposes of the Combined Statement Of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less, and investments from the City's cash management pool are considered to be cash equivalents.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements unless otherwise directed by the City's Charter. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$1,042,692, which includes \$672,522 assigned from other funds.

**E. MATERIALS AND SUPPLIES INVENTORY**

Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure/expense when used.

**F. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

**G. FIXED ASSETS**

The fixed asset values were initially determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at fair market value on the date donated. The City has established \$500 or a useful life of one year or greater, as the threshold for which fixed assets are to be reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency are capitalized at cost.

*GENERAL FIXED ASSETS*

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Assets in the General Fixed Assets Account Group are not depreciated.

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

*PROPRIETARY FUND FIXED ASSETS*

Fixed assets associated with the enterprise funds are accounted for in those funds. Depreciation is calculated using the straight line method over the estimated useful life of each asset. The assets of the enterprise funds are depreciated on the following basis:

	<u>YEARS</u>
Buildings	50
Improvements Other Than Buildings	10 to 50
Machinery And Equipment	30
Vehicles	3 to 10
Sewer and Water Lines	65

*CAPITALIZATION OF INTEREST*

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

**H. COMPENSATED ABSENCES**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the individuals who have accumulated the unpaid leave are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

**I. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than thirty-one days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases and long-term notes are recognized as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principals requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the City's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**J. RESERVES OF FUND EQUITY**

Reserves of fund equity indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances.

**K. FUND DESIGNATIONS**

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

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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

**L. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. ESTIMATES**

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

**N. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS**

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

**NOTE 3 - PRIOR YEAR RESTATEMENTS**

A. During 2002, errors were discovered in the previous reporting of cash and compensated absences. The correction of these errors resulted in the following restatement of beginning balances as of December 31, 2002:

	Balance at 12/31/2001	Cash	Compensated Absences	Restated Balance at 1/1/02
General Fund	\$19,389,372	\$304,511	\$0	\$19,693,883
Special Revenue	3,677,463	(15,155)	0	3,662,308
Enterprise	36,317,093	0	20,662	36,337,755
General Long-Term Obligations Account Group	6,251,660	0	(499,461)	5,752,199

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 3 - PRIOR YEAR RESTATEMENTS (Continued)**

B. The City has presented a restatement of the General, Special Revenue and Capital Projects funds January 1, 2002 unencumbered balance as presented on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Budget basis) All Government Fund Types to reflect the correction of an error at December 31, 2001. The effect of the restatement is as follows:

	Balance as Previously Reported <u>December 31, 2001</u>	<u>Adjustment</u>	Restated Balance <u>January 1, 2002</u>
General	\$ 12,983,704	\$ 19,530	\$ 13,003,234
Special Revenue	3,254,073	(15,154)	3,238,919

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations, and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year-end encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure in the proprietary fund type (GAAP basis).
- (d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis.)
- (e) The City repays debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

(f) The City does not budget for the activities of the agents who hold the restricted assets used for certain projects under control of a third party. However, the activities of the agents are included in their respective funds for GAAP reporting purposes.

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$1,116,354	\$506,116	\$608	(\$459,626)
<u>Increases (decreases) Due To:</u>				
Revenue Accruals	77,440	(143,694)	0	0
Expenditure Accruals	371,848	175,115	0	415,591
Encumbrances Outstanding				
At Year-End (Budget Basis)	(6,729,806)	(840,566)	0	(1,140,347)
Principal Retirement	0	0	(328,578)	0
Interest Payments	0	0	(97,564)	0
Decrease In Fair Value Of				
Investments	(34,087)	0	0	0
Reallocation Of Debt	0	0	426,142	0
Unbudgeted Activity	8,252	0	0	0
Budget Basis	(\$5,189,999)	(\$303,029)	\$608	(\$1,184,382)

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

	<u>Enterprise</u>
Net Income	\$1,158,742
<u>Increase (decrease) Due To:</u>	
Revenue Accruals	(325,112)
Expense Accruals	(352,046)
Depreciation Expense	649,830
Encumbrances Outstanding	
At Year End (Budget Basis)	(1,786,051)
Acquisition Of Fixed Assets	(1,002,866)
Reallocation Of Debt	(426,142)
Loss On Sale Of Fixed Assets	25,865
Budget Basis Excess	<u><u>(\$2,057,780)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

At year-end, the carrying amount of the City's deposits was \$8,512,771, and the bank balance was \$9,372,598. Of the bank balance, \$2,391,067 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the balance was collateralized by securities held by the financial institutions' trust departments in the City's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

*GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements"* requires that local governments disclose the carrying amounts and fair value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	Category 2	Unclassified	Carrying/ Fair Value
U.S. Treasury Notes	\$114,875		\$114,875
Federal Home Loan Bank Bonds	1,916,589		1,916,589
Federal Home Loan Mortgage Corp. Bonds	2,629,272		2,629,272
Federal National Mortgage Corp. Bonds	4,287,836		4,287,836
Mutual Funds		1,732,623	1,732,623
Short-Term Bonds Fund		981,499	981,499
STAR Ohio		20,504,435	20,504,435
Total Investments	\$8,948,572	\$23,218,557	\$32,167,129

Investments in Mutual Funds, Short-Term Bonds Fund, and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* Cash equivalents are defined to include investments with original maturities of three months or less, and the City's cash management pool.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investment</u>
<i>GASB Statement No. 9</i>	\$40,679,900	\$0
Investments:		
U.S. Treasury Notes	(114,875)	114,875
Federal Home Loan Bank Bonds	(1,916,589)	1,916,589
Federal Home Loan Mortgage Corp. Bonds	(2,629,272)	2,629,272
Federal National Mortgage Corp. Bonds	(4,287,836)	4,287,836
Mutual Funds	(1,732,623)	1,732,623
Short-Term Bonds Fund	(981,499)	981,499
STAR Ohio	(20,504,435)	20,504,435
<i>GASB Statement No. 3</i>	<u>\$8,512,771</u>	<u>\$32,167,129</u>

**NOTE 6 - MUNICIPAL INCOME TAX**

The City levies and collects an income tax of one and one-half percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of eighty-three and one-third percent of the tax paid to another municipality that has a tax rate of one and one-half percent or less, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. During 2002, proceeds of the income tax amounted to \$12,330,215. All proceeds go to the general fund.

**NOTE 7 - PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) are for 2002 taxes.

2002 real property taxes are levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2003.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 7 - PROPERTY TAX (Continued)**

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2002, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$742,339,330
Public Utility Property	10,605,510
Tangible Personal	46,275,392
Total Property Taxes	<u>\$799,220,232</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Gahanna. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is offset by deferred revenue.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2002, consisted of taxes, accounts derived from charges for services, intergovernmental receivables arising from grants, entitlements or shared revenues, special assessments and interest on investments. All receivables are considered fully collectible.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 8 – RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

<u>Fund Type / Fund</u>	<u>Amount</u>
General Fund	
Local Government	\$856,623
Local Government Revenue Assistance	79,743
Liquor Permit	32,863
DARE Grant	4,600
Estate Taxes	48,604
Fines And Forfeitures	28,286
Homestead And Rollback	80,128
Gahanna Jefferson Local School District	1,525
Total General Fund	<u>1,132,372</u>
Special Revenue Funds	
Street Maintenance Fund	
Gasoline Tax	243,008
Permissive Tax	132,201
Motor Vehicle License Tax	134,094
Total Street Maintenance Fund	<u>509,303</u>
State Highway Fund	
Gasoline Tax	19,703
Motor Vehicle License Tax	10,872
Total State Highway Fund	<u>\$30,575</u>

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 8 – RECEIVABLES (Continued)**

<u>Fund Type / Fund</u>	<u>Amount</u>
COPS FAST Grant Fund	
Grants	<u>\$30,000</u>
Enforcement And Education Fund	
Fines And Forfeitures	<u>271</u>
Court Computer Fund	
Fines And Forfeitures	<u>2,750</u>
Police Pension Fund	
Personal Property Exemption	<u>13,281</u>
Total Special Revenue Funds	<u>586,180</u>
Debt Service Fund	
Personal Property Exemption	<u>12,838</u>
Total Intergovernmental Receivable	<u><u>\$1,731,390</u></u>

**NOTE 9 - FIXED ASSETS**

**A. GENERAL FIXED ASSETS**

Changes in general fixed assets during 2002 were as follows:

	Balance As Of <u>12/31/01</u>	Additions	Deletions	Balance As Of <u>12/31/02</u>
Land	\$10,220,772	\$528,385	\$0	\$10,749,157
Buildings	8,933,699	670,000	0	9,603,699
Improvements Other Than Bulidings	2,234,532	363,172	0	2,597,704
Machinery And Equipment	3,211,511	315,589	179,197	3,347,903
Vehicles	1,777,013	230,445	21,828	1,985,630
Construction In Progress	133,306	0	133,306	0
Total General Fixed Assets	<u>\$26,510,833</u>	<u>\$2,107,591</u>	<u>\$334,331</u>	<u>\$28,284,093</u>

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements

(Continued)

**NOTE 9 - FIXED ASSETS (Continued)**

**B. FUND FIXED ASSETS**

All fund fixed assets relate to the water and sewer enterprise funds. The balances as of December 31, 2002, were as follows:

	<u>Water</u>	<u>Sewer</u>	Balance As Of 12/31/02
Land	\$29,790	\$0	\$29,790
Buildings	994,158	5,578	999,736
Improvements Other Than Buildings	225,521	0	225,521
Machinery and Equipment	258,840	214,423	473,263
Sewer and Water Lines	15,779,223	19,682,019	35,461,242
Construction In Progress	159,979	69,850	229,829
Total Fund Fixed Assets	<u>17,447,511</u>	<u>19,971,870</u>	<u>37,419,381</u>
Less: Accumulated Depreciation	<u>(4,710,670)</u>	<u>(6,081,126)</u>	<u>(10,791,796)</u>
Total Fund Fixed Assets (net of accumulated depreciation)	<u>\$12,736,841</u>	<u>\$13,890,744</u>	<u>\$26,627,585</u>

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll, a decrease from 9.25 percent in 2001. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$309,093, \$427,899, and \$180,272, respectively. The full amount has been contributed for 2001 and 2000. The amount contributed for 2002 was 71.91 percent with the remainder being reported as a fund liability and within the General Long-Term Obligations Account Group.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. OHIO POLICE AND FIRE PENSION FUND**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police. The City has no firefighters. For 2001, the City contributions were 12.00 percent for police. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2002, 2001, and 2000 were \$368,521, \$351,047, and \$337,713, respectively, equal to the required contributions for each year. The full amount has been contributed for 2001 and 2000. The amount contributed for 2002 was 77.33 percent with the remainder being reported as a fund liability within the General Long-Term Obligations Account Group.

**NOTE 11 - 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. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

## **CITY OF GAHANNA, OHIO**

### Notes To The General Purpose Financial Statements (Continued)

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#### **NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$180,756. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

#### **B. OHIO POLICE AND FIRE PENSION FUND**

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. For 2001, the percent used to fund healthcare was 7.5 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Gahanna has no fire personnel; therefore, OP&F covers police personnel only.

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$243,067 for police. The OP&F's total health care expense for the year ended December 31, 2001, (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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**NOTE 12 - EMPLOYEE BENEFITS**

**A. COMPENSATED ABSENCES**

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date and allows the unused balance to be accrued at levels which depend upon years of service. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at variable rates based on years of service worked and can be accumulated without limit. Each employee with the City is paid, according to their contract, their earned unused sick leave upon termination from the City, or the full balance may be transferred to another governmental agency. In the event that an employee dies as the result of injuries sustained on the job, his or her estate will be paid the total allowable amount of all earned unused sick leave.

Unpaid compensated absences of \$99,175 at December 31, 2002, were reported as an accrued liability in the governmental fund types. The balance of the governmental liability is reported in the General Long-Term Obligations Account Group in the amount of \$917,990. The liability for compensated absences in the proprietary funds at December 31, 2002, was \$57,850.

**B. DEFERRED COMPENSATION PLAN**

Employees of the City may elect to participate in the ING Life Insurance and Annuity Company, or the Ohio Public Employees Deferred Compensation plans created in accordance with Internal Revenue Code Section 457. Under these programs, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and state income taxation until actually received by the employee. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

**C. HEALTH CARE BENEFITS**

On January 1, 1992, the City joined the Central Ohio Health Care Consortium, a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The pool consists of twelve political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The City pays monthly contributions to the Consortium, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the plan. The Consortium has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Plan for medical claims paid for an individual in excess of \$150,000 per claim per year, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Plan for aggregate claims paid in excess of \$7,772,042 to a maximum of \$1,000,000 annually. In the event that the losses of the Consortium in any year exceeds amounts paid to the Consortium, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made.

Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Sun Life of Canada Insurance Companies, respectively.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

During 2002, and in prior years, the City has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the General Fixed Assets Account Group and in the Enterprise Funds in the amount of \$100,898 and \$63,477, respectively. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Long-Term Obligations Account Group and the Enterprise Funds. The carrying value of the Enterprise Funds capital lease fixed asset was \$15,869 at December 31, 2002. The accumulated depreciation for the Enterprise Funds capital lease fixed asset was \$47,608 at December 31, 2002. Principal payments in 2002 totaled \$19,642 in the governmental funds and \$21,462 in the proprietary funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002.

Year Ending December 31,	GLTOAG
2003	\$30,031
2004	30,031
2005	30,031
2006	4,960
Total	95,053
Less: Amount representing Interest	(21,230)
Present Value of Minimum Lease Payment	\$73,823
Year Ending December 31,	Enterprise
2003	\$17,532
Less: Amount representing Interest	(535)
Present Value of Minimum Lease Payment	\$16,997

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

**A. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS**

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2002, was as follows:

Types / Issues	Balance 12/31/01	Issued	Retired	Balance 12/31/02
<b><u>Enterprise Fund Obligations</u></b>				
<b><u>General Obligation Bonds</u></b>				
Water Fund				
1991 - Star Bank Series 6.10%	\$255,000	\$0	\$80,000	\$175,000
1994 - Star Bank Series 4.90%	1,210,000	0	150,000	1,060,000
Total Water Fund	1,465,000	0	230,000	1,235,000
Sewer Fund				
1991 - Star Bank Series 6.10%	290,000	0	90,000	200,000
Total General Obligation Bonds	1,755,000	0	320,000	1,435,000
<b><u>Other Long-Term Obligations</u></b>				
Capital Lease	38,459	0	21,462	16,997
OPWC Loan 3.5 %	119,144	0	8,578	110,566
Total Enterprise Fund Obligations	<u>\$1,912,603</u>	<u>\$0</u>	<u>\$350,040</u>	<u>\$1,562,563</u>
 <b><u>General Long-Term Obligations</u></b>				
<b><u>General Obligation Bonds</u></b>				
1994 - Star Bank Series 4.60%	\$3,050,000	\$0	\$365,000	\$2,685,000
<b><u>Long-Term Notes</u></b>				
1999 - McCorkle Park variable	322,800	0	107,600	215,200
1998 - Post Office Building				
Notes 6.00%	1,288,960	0	3,765	1,285,195
Total Long-Term Notes	1,611,760	0	111,365	1,500,395
<b><u>Other Long-Term Obligations</u></b>				
Pension Obligation	244,786	260,925	244,786	260,925
Compensated Absences -				
Restated (Note 3)	767,759	150,231	0	917,990
Capital Lease	77,894	15,571	19,642	73,823
Total Other Long-Term Obligations	1,090,439	426,727	264,428	1,252,738
Total All General Long-Term Obligations	<u>\$5,752,199</u>	<u>\$426,727</u>	<u>\$740,793</u>	<u>\$5,438,133</u>

The City's overall legal debt margin was \$81,010,211, with an unvoted debt margin of \$41,049,200 at December 31, 2002.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
**(Continued)**

Annual debt service requirements to maturity for general long-term obligations including interest of \$575,140 are:

Year	General Obligation Bonds	Long-Term Notes	Total
2003	\$525,509	\$188,600	\$714,109
2004	529,038	1,401,609	1,930,647
2005	525,933	0	525,933
2006	531,005	0	531,005
2007	533,923	0	533,923
2008	524,918	0	524,918
Totals	\$3,170,326	\$1,590,209	\$4,760,535

Annual debt service requirements to maturity for Enterprise Fund Obligations including interest of \$238,281 are:

Year	Water General Obligation Bonds	Sewer General Obligation Bonds	Sewer OPWC Loans	Total
2003	\$304,077	\$105,018	\$12,674	\$421,769
2004	299,837	108,465	12,674	420,976
2005	212,651	0	12,674	225,325
2006	207,710	0	12,674	220,384
2007	207,162	0	12,674	219,836
2008 - 2012	205,850	0	63,370	269,220
2013	0	0	6,337	6,337
Totals	\$1,437,287	\$213,483	\$133,077	\$1,783,847

**B. GENERAL OBLIGATION BONDS**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and refinancing of bond anticipation notes. General obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 20 year serial bonds with equal amounts of principal maturing each year and are paid with property taxes from the Debt Service Fund.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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**NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
**(Continued)**

**C. ENTERPRISE FUND GENERAL OBLIGATION BONDS**

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

**D. LONG-TERM NOTES**

On August 31, 1998, the City entered into an agreement to pay a promissory note in the amount of \$1,300,000 at 6.00% interest in exchange for property at 109 Mill Street, Gahanna, Ohio, 43230. The note is payable from resources from the General Fund and will be paid in full on February 28, 2004.

On June 17, 1999, the City entered into an agreement to pay a promissory note in the amount of \$538,000 at variable interest rates in exchange for 12.596 acres of land located within the corporation limits. The interest rate is based on the 90 day T-bill interest rate on January 1<sup>st</sup>, for each year of the loan. The note is payable from resources from the General Fund and will be paid in full on June 17, 2004.

**E. OHIO PUBLIC WORKS COMMISSION (OPWC) LOANS**

The OPWC loans consist of money owed to the Ohio Public Works Commission for various construction projects within the City. These consist of 15 or 20 year loans payable from gross revenues of the Sewer Enterprise Fund.

**F. COMPENSATED ABSENCES / PENSION OBLIGATIONS / CAPITAL LEASES**

Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately. Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid. Capital leases will be paid from the General Fund and the Enterprise Funds.

**G. HEALTHCARE FACILITIES BONDS**

The City has one outstanding issue of Healthcare facilities bonds in the amount of \$3,240,000 at December 31, 2002 for facilities used by private corporations or other entities. The City is not obligated in any way to pay debt charges on the bonds from any of its funds, and therefore they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bonds or the related financing instruments.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 15 - CONSTRUCTION COMMITMENTS**

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2002, the significant outstanding construction commitments were:

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/02</u>
Columbus Asphalt Paving	\$934,408	\$427,079	\$507,329
Complete General Construction	606,739	344,398	262,341
Double Z Construction	99,299	79,138	20,161
Pizzuti Properties	989,614	129,713	859,901
EMH&T	453,122	195,504	257,618
Inter-tel Technologies	193,000	183,000	10,000
Moody / Nolan LTD	241,195	222,589	18,606
MS Consultants	94,500	67,720	26,780
The Shelly Company	406,047	358,993	47,054
Stilson Consulting Group	114,185	29,423	84,762
Total	<u>\$4,132,109</u>	<u>\$2,037,557</u>	<u>\$2,094,552</u>

**NOTE 16 - RISK MANAGEMENT**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and general liability insurance and police professional liability insurance. The City also carries Public Officials liability insurance. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

**NOTE 17 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The City maintains two enterprise funds which are intended to be self-supporting through user fees charged for services to the public. The water and sewer funds account for the City's water and sewer services provided to its residents. Financial segment information as of and for the year ended December 31, 2002, is presented below:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$3,267,287	\$5,013,105	\$8,280,392
Depreciation Expense	291,814	358,016	649,830
Operating Income	466,580	1,346,661	1,813,241
Net Non-Operating Expenses	(90,682)	(33,309)	(123,991)
Operating Transfers-Out	(212,317)	(318,191)	(530,508)
Net Income	163,581	995,161	1,158,742
Net Working Capital	6,261,288	5,845,211	12,106,499
Property, Plant and Equipment Additions	697,917	304,949	1,002,866
Total Assets	19,322,678	19,888,573	39,211,251
Bonds and Other Long-Term Liabilities Payable From Revenues	1,021,446	233,133	1,254,579
Total Fund Equity	17,994,057	19,502,440	37,496,497
Encumbrances Outstanding At December 31, 2002	\$810,391	\$975,660	\$1,786,051

**CITY OF GAHANNA, OHIO**

Notes To The General Purpose Financial Statements  
(Continued)

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**NOTE 18 - UNDIVIDED INTEREST**

On February 21, 1996, a contract was entered into between the Gahanna Jefferson City School District (District) and the City of Gahanna, to construct and operate a vehicle maintenance facility and fueling station. Based on the terms of the agreement, the entities equally bear the cost related to the construction and maintenance of the facility. In addition, the City received a credit of \$93,980 on the construction and maintenance of this facility, representing the fair value of the 4.699 acres of land that the City deeded to the District for this project. The City's undivided interest in this facility is being shown as a fixed asset in the General Fixed Assets Account Group.

**NOTE 19 - OPERATING LEASES - LESSOR DISCLOSURE**

The City has entered into a lease for land with the United States Postal Service. The City receives monthly payments in the amount of \$6,750. During 2002, the City received lease payments totaling \$81,000. The City will receive lease payments of \$6,750 a month until the end of the lease in February 2004.

**NOTE 20 - CONTINGENT LIABILITIES**

**A. LITIGATION**

The City of Gahanna is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City is a defendant in a civil action filed in U.S. District Court concerning fair housing that occurred in March, 1997. The ultimate disposition of this case, or any other such proceedings, is not presently determinable, but will not, in the opinion of the City Law Director, have a material adverse effect on the financial condition of the City.

**B. FEDERAL AND STATE GRANTS**

For the period January 1, 2002, to December 31, 2002, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard  
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Worthington, Ohio 43085

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Facsimile 614.846.2799

## **Report on Compliance and on Internal Control Over General Purpose Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards***

Members of Council and Mayor  
City of Gahanna  
200 South Hamilton Road  
Gahanna, OH 43230

We have audited the general purpose financial statements of the City of Gahanna as of and for the year ended December 31, 2002, and have issued our report thereon dated May 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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

Members of Council and Mayor  
City of Gahanna

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gahanna's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Trimble, Julian & Grube, Inc.  
May 30, 2003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
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**CITY OF GAHANNA**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 12, 2003**