

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(Audited)**

*FOR THE YEAR ENDED
DECEMBER 31, 2005*

LARRY HEISER, AUDITOR



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Bexley, Franklin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2005. 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.

Finding For Recovery Repaid Under Audit

The City's Electronic Mail (e-mail) and Voice Mail, Internet, Cell Phone, and Computer Usage Policy (revised October 30, 2003) prohibits the use of cell phones for personal business, except for "occasional personal use." David Madison, former Mayor, was issued three city-owned cell phones, one of which was used solely by his spouse. The total cost incurred in 2005 and 2006 for the cell phone utilized by his spouse was \$ 981.80.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against David Madison, former Mayor, in the amount of \$981.80 in favor of the City's General fund.

David Madison repaid \$ 981.80 to the City's General fund on February 1, 2008.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 8, 2008

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CITY OF BEXLEY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Bexley, Franklin County, Ohio, (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bexley, Franklin County, Ohio as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund, police pension fund and roads and sidewalks fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the basic financial statements, net assets of the enterprise water and sewer funds have been restated due to errors and omissions related to capital assets.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 31, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Bexley
Independent Auditor's Report
Page Two

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
May 31, 2007

CITY OF BEXLEY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005

The discussion and analysis of the City of Bexley's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the City increased \$3,171,760. Net assets of governmental activities increased \$2,089,880 or 14.55% over 2004 and net assets of business-type activities increased \$1,081,880 or 36.46% over 2004.
- General revenues accounted for \$11,603,313 or 84.73% of total governmental activities revenue. Program specific revenues accounted for \$2,090,464 or 15.27% of total governmental activities revenue.
- The City had \$11,603,897 in expenses related to governmental activities; \$2,090,464 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,513,433 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$11,603,313.
- The general fund, police pension and roads and sidewalks are the City's major governmental funds. The general fund had revenues and other financing sources of \$10,703,339 in 2005. The expenditures and other financing uses for the general fund totaled \$9,823,444 in 2005. The net increase in fund balance for the general fund was \$879,895 or 12.79%.
- The police pension fund is a City major fund. The police pension fund had revenues and other financing sources of \$425,979 in 2005. The expenditures of the police pension fund, totaled \$422,060 in 2005. The net decrease in fund deficit for the police pension fund was \$3,919 or 6.20%.
- The roads and sidewalks fund is a City major fund. The roads and sidewalks fund had revenues and other financing sources of \$900,277 in 2005. The expenditures of the roads and sidewalks fund, totaled \$912,001 in 2005. The net decrease in fund balance for the roads and sidewalks fund was \$11,724 or 2.08%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Refuse enterprise funds, increased in 2005 by \$1,081,880. This increase in net assets was due primarily to operating revenues increasing faster than operating expenses in the enterprise funds.
- In the general fund, the actual revenues came in \$540,384 higher than they were in the final budget and actual expenditures were \$436,517 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted expenditures increased \$956,848 from the original to the final budget due primarily to an increase in the cost of general government expenditures.

Using this Annual Financial Report

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

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net assets and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF BEXLEY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-58 of this report.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Government-Wide Financial Analysis

The net assets of the governmental and business-type activities have been restated as described in Note 3.A to the financial statements. The table below provides a summary of the City's net assets for 2005 and 2004:

	Net Assets					
	Governmental Activities 2005	Business-type Activities 2005	Restated	Restated	2005 Total	Restated
			Governmental Activities 2004	Business-type Activities 2004		2004 Total
<u>Assets</u>						
Current and other assets	\$ 12,925,317	\$ 2,933,345	\$ 11,237,442	\$ 1,500,525	\$ 15,858,662	\$ 12,737,967
Capital assets	<u>10,280,578</u>	<u>4,597,106</u>	<u>9,574,881</u>	<u>2,935,913</u>	<u>14,877,684</u>	<u>12,510,794</u>
Total assets	<u>23,205,895</u>	<u>7,530,451</u>	<u>20,812,323</u>	<u>4,436,438</u>	<u>30,736,346</u>	<u>25,248,761</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	4,156,757	1,309,944	4,285,471	866,167	5,466,701	5,151,638
Other liabilities	<u>2,591,947</u>	<u>2,171,038</u>	<u>2,159,541</u>	<u>602,682</u>	<u>4,762,985</u>	<u>2,762,223</u>
Total liabilities	<u>6,748,704</u>	<u>3,480,982</u>	<u>6,445,012</u>	<u>1,468,849</u>	<u>10,229,686</u>	<u>7,913,861</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	6,982,065	2,132,606	6,160,242	2,105,913	9,114,671	8,266,155
Restricted	1,412,962	-	1,422,738	-	1,412,962	1,422,738
Unrestricted	<u>8,062,164</u>	<u>1,916,863</u>	<u>6,784,331</u>	<u>861,676</u>	<u>9,979,027</u>	<u>7,646,007</u>
Total net assets	<u>\$ 16,457,191</u>	<u>\$ 4,049,469</u>	<u>\$ 14,367,311</u>	<u>\$ 2,967,589</u>	<u>\$ 20,506,660</u>	<u>\$ 17,334,900</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$20,506,660. At year-end, net assets were \$16,457,191 and \$4,049,469 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 48.40% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$6,982,065 and \$2,132,606 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2005, the City is able to report positive balances in total net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$1,412,962, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$8,062,164 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BEXLEY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The table below shows the changes in net assets for fiscal year 2005 and 2004.

	Change in Net Assets					
	Governmental Activities <u>2005</u>	Business-type Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	2005 Total	2004 Total
Revenues						
Program revenues:						
Charges for services	\$ 1,376,705	\$ 4,313,567	\$ 901,301	\$ 3,896,315	\$ 5,690,272	\$ 4,797,616
Operating grants and contributions	713,759	-	742,145	-	713,759	742,145
Operating grants and contributions	-	471,773	-	-	471,773	-
Total program revenues	<u>2,090,464</u>	<u>4,785,340</u>	<u>1,643,446</u>	<u>3,896,315</u>	<u>6,875,804</u>	<u>5,539,761</u>
General revenues:						
Property taxes	1,715,714	-	1,683,547	-	1,715,714	1,683,547
Income taxes	6,268,512	-	4,735,857	-	6,268,512	4,735,857
Unrestricted grants and entitlements	3,136,814	-	6,234,001	-	3,136,814	6,234,001
Investment earnings	293,142	-	115,540	-	293,142	115,540
Miscellaneous	189,131	6,223	99,845	10,049	195,354	109,894
Total general revenues	<u>11,603,313</u>	<u>6,223</u>	<u>12,868,790</u>	<u>10,049</u>	<u>11,609,536</u>	<u>12,878,839</u>
Total revenues	<u>13,693,777</u>	<u>4,791,563</u>	<u>14,512,236</u>	<u>3,906,364</u>	<u>18,485,340</u>	<u>18,418,600</u>
Expenses:						
General government	3,494,960	-	3,454,541	-	3,494,960	3,454,541
Security of persons and property	4,672,681	-	4,327,542	-	4,672,681	4,327,542
Public health and welfare	79,874	-	71,776	-	79,874	71,776
Transportation	1,420,092	-	749,626	-	1,420,092	749,626
Community environment	464,391	-	222,898	-	464,391	222,898
Leisure time activity	1,282,566	-	1,160,546	-	1,282,566	1,160,546
Economic development	1,526	-	-	-	1,526	-
Other	6,295	-	687	-	6,295	687
Interest and fiscal charges	181,512	-	176,027	-	181,512	176,027
Water	-	1,318,217	-	1,308,318	1,318,217	1,308,318
Sewer	-	1,525,619	-	1,475,737	1,525,619	1,475,737
Refuse	-	865,847	-	849,211	865,847	849,211
Total expenses	<u>11,603,897</u>	<u>3,709,683</u>	<u>10,163,643</u>	<u>3,633,266</u>	<u>15,313,580</u>	<u>13,796,909</u>
Change in net assets	2,089,880	1,081,880	4,348,593	273,098	3,171,760	4,621,691
Net assets at beginning of year (restated)	<u>14,367,311</u>	<u>2,967,589</u>	<u>10,018,718</u>	<u>2,694,491</u>	<u>17,334,900</u>	<u>12,713,209</u>
Net assets at end of year	<u>\$ 16,457,191</u>	<u>\$ 4,049,469</u>	<u>\$ 14,367,311</u>	<u>\$ 2,967,589</u>	<u>\$ 20,506,660</u>	<u>\$ 17,334,900</u>

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental Activities

Governmental activities net assets increased \$2,089,880 in 2005. This increase is a result of slightly increasing expenses and a slight decrease in revenues versus amounts reported in the prior year.

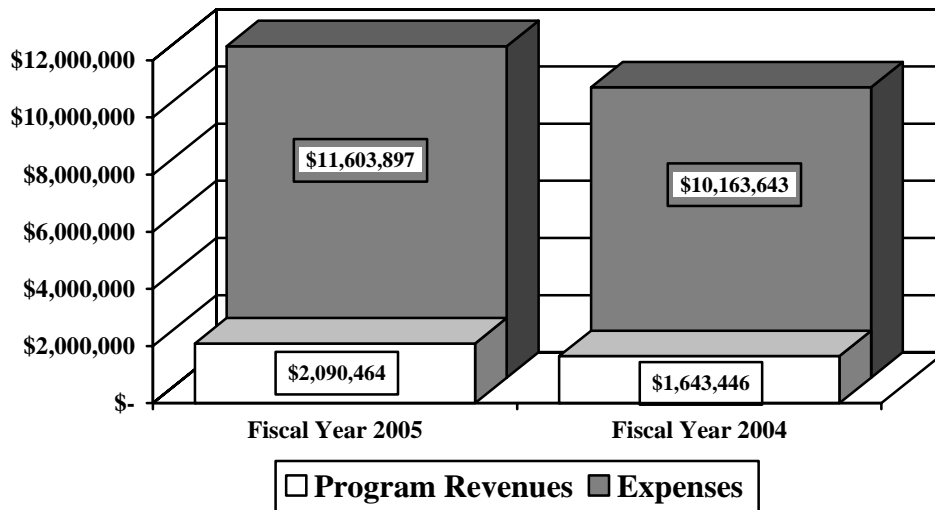
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,672,681 of the total expenses of the City. These expenses were partially funded by \$372,729 in direct charges to users of the services. General government expenses totaled \$3,494,960. General government expenses were partially funded by \$304,313 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$713,759 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$664,392 subsidized transportation programs, and \$49,367 subsidized security of persons and property.

General revenues totaled \$11,603,313, and amounted to 84.73% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,984,226. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$3,136,814.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



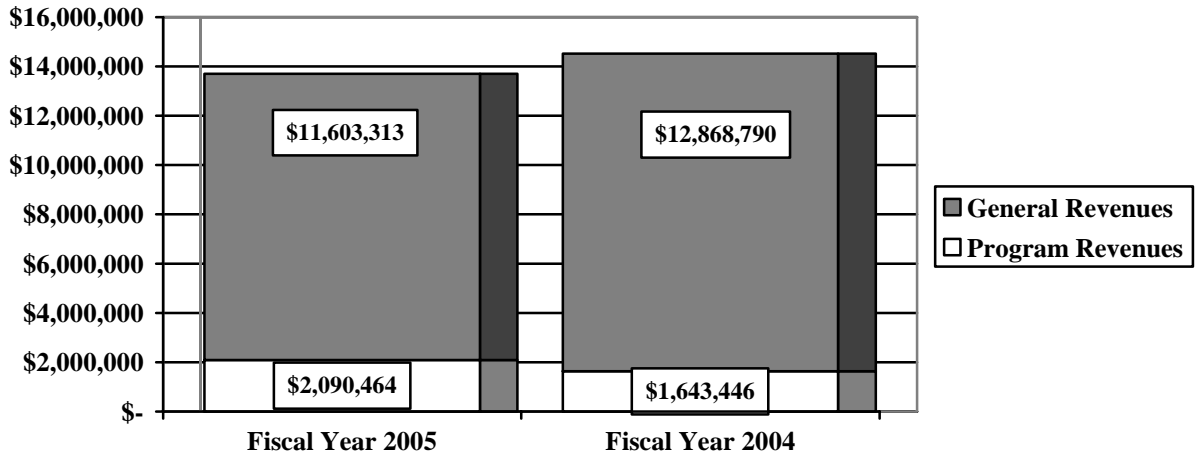
CITY OF BEXLEY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Program Expenses:				
General government	\$ 3,494,960	\$ 3,190,647	\$ 3,454,541	\$ 3,068,598
Security of persons and property	4,672,681	4,250,585	4,327,542	4,276,210
Public health and welfare	79,874	73,009	71,776	67,956
Transportation	1,420,092	650,297	749,626	56,402
Community environment	464,391	432,684	222,898	222,898
Leisure time activity	1,282,566	726,879	1,160,546	651,919
Economic development	1,526	1,525	-	-
Other	6,295	6,295	687	187
Interest and fiscal charges	<u>181,512</u>	<u>181,512</u>	<u>176,027</u>	<u>176,027</u>
Total	<u>\$ 11,603,897</u>	<u>\$ 9,513,433</u>	<u>\$ 10,163,643</u>	<u>\$ 8,520,197</u>

The dependence upon general revenues for governmental activities is apparent, with 81.98% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues

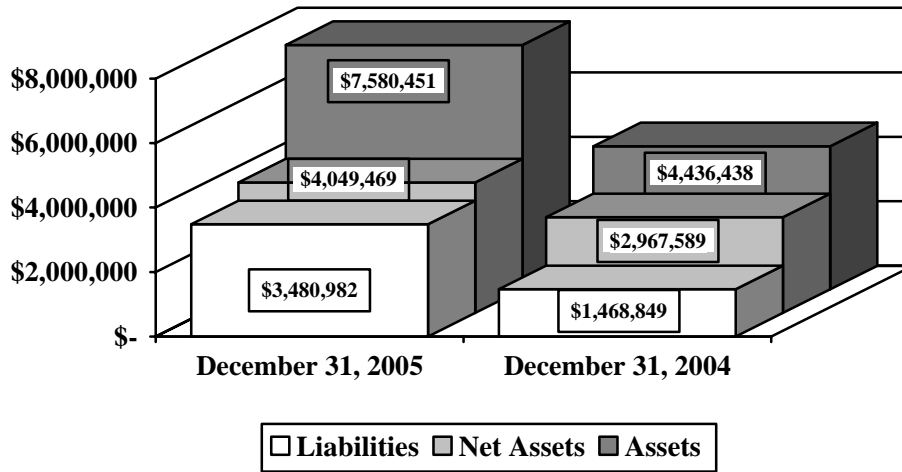


CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$4,785,340, general revenues of \$6,223 and expenses of \$3,709,683 for 2005. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$8,941,785 which is \$886,801 above last year's total of \$8,054,984. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

CITY OF BEXLEY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Fund Balances</u> <u>12/31/05</u>	<u>Fund Balances</u> <u>12/31/04</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 7,758,817	\$ 6,878,922	\$ 879,895
Police pension	(59,334)	(63,253)	3,919
Roads and sidewalks	550,689	562,413	(11,724)
Other nonmajor governmental funds	<u>691,613</u>	<u>676,902</u>	<u>14,711</u>
Total	<u>\$ 8,941,785</u>	<u>\$ 8,054,984</u>	<u>\$ 886,801</u>

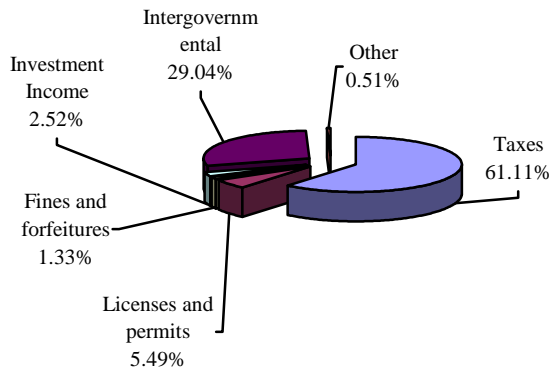
General Fund

The City's general fund balance increased \$879,895, primarily due to a decrease in transfers to other funds. The table that follows assists in illustrating the revenues of the general fund.

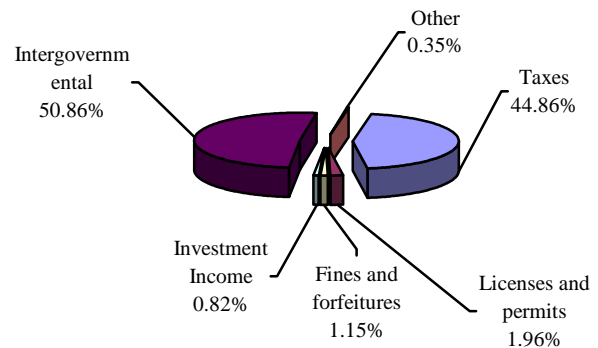
	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,503,272	\$ 5,571,054	16.73 %
Licenses and permits	584,769	243,352	140.30 %
Fines and forfeitures	141,971	142,344	(0.26) %
Investment income	268,564	101,853	163.68 %
Intergovernmental	3,091,543	6,316,702	(51.06) %
Other	<u>54,332</u>	<u>42,847</u>	26.80 %
Total	<u>\$ 10,644,451</u>	<u>\$ 12,418,152</u>	(14.28) %

Tax revenue represents 61.11% of all general fund revenue. Tax revenue increased by 16.73% over prior year. The increase in investment income is due to the increase in the amount of money the City had to invest throughout the year. The decrease in intergovernmental revenue is due to a decrease in the number of grants the City received. All other revenue remained comparable to 2004.

Revenues – Fiscal Year 2005



Revenues – Fiscal Year 2004

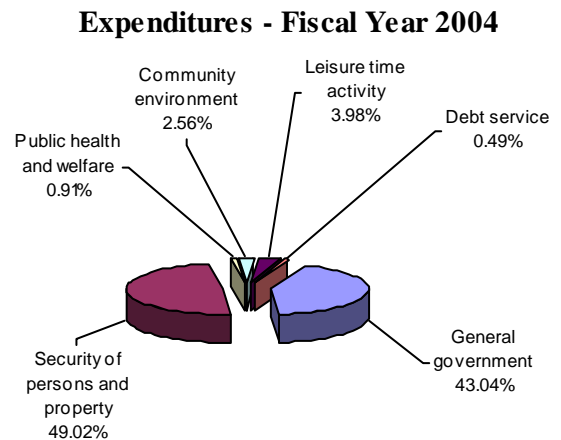
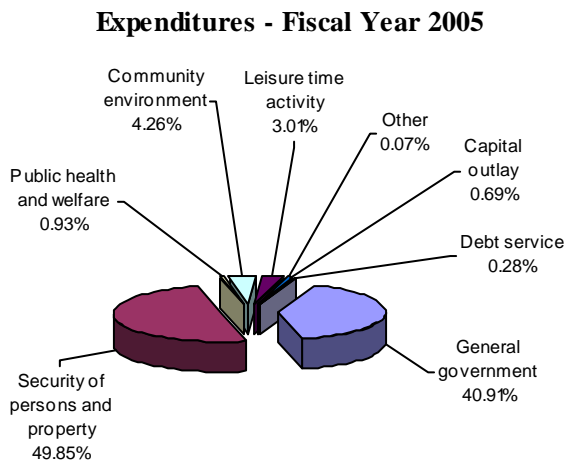


CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 3,467,240	\$ 3,399,831	1.98 %
Security of persons and property	4,225,624	3,872,495	9.12 %
Public health and welfare	78,449	71,776	9.30 %
Community environment	361,274	201,831	79.00 %
Leisure time activity	255,217	314,016	(18.72) %
Other	6,295	-	100.00 %
Capital outlay	58,888	-	100.00 %
Debt service	<u>23,890</u>	<u>38,421</u>	(37.82) %
Total	<u>\$ 8,476,877</u>	<u>\$ 7,898,370</u>	7.32 %

The most significant increase was in the area of other expenditures and capital outlay. These increases, while a large percentage, are not material when the amount is analyzed. Debt service expenditures decreased due to payments on capital leases. Community environment expenditures increased, while it is a good percentage increase the amount when analyzed is not material. All other expenditures remained comparable to 2004. The largest expenditure line item, security of persons and property, increased slightly, which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services.



Police Pension Fund

The police pension fund is a City major fund. The police pension fund had revenues and other financing sources of \$425,979 in 2005. The expenditures of the police pension fund, totaled \$422,060 in 2005. The net decrease in fund deficit for the police pension fund was \$3,919 or 6.20%.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Roads and Sidewalks Fund

The roads and sidewalks fund is a City major fund. The roads and sidewalks fund had revenues and other financing sources of \$900,277 in 2005. The expenditures of the roads and sidewalks fund, totaled \$912,001 in 2005. The net decrease in fund balance for the roads and sidewalks fund was \$11,724 or 2.08%.

Budgeting Highlights

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

Budgetary information is presented for the general fund, police pension fund, and roads and sidewalks fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$956,848 from \$9,631,851 to \$10,588,699. Actual revenues and other financing sources of \$11,226,508 were greater than final budgeted revenues by \$540,384. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$436,517 lower than the final budgeted amounts.

Actual revenues for the police pension fund exceeded final budgeted revenues by \$739 while actual expenditures were \$11,663 lower than final budgeted expenditures. Actual revenues and other financing sources for the Roads and Sidewalks Fund exceeded final budgeted revenues by \$28,566 while actual expenditures were \$24,343 less than final budgeted expenditures. There were no significant variances between the original and final budgeted amounts reported in the police pension fund. The only significant variance in the roads and sidewalks fund was that final budgeted expenditures exceeded original budgeted expenditures by \$152,194. As stated above, actual expenditures for the roads and sidewalks fund were less than final budgeted expenditures.

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the City had \$14,877,684 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$10,280,578 was reported in governmental activities and \$4,597,106 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

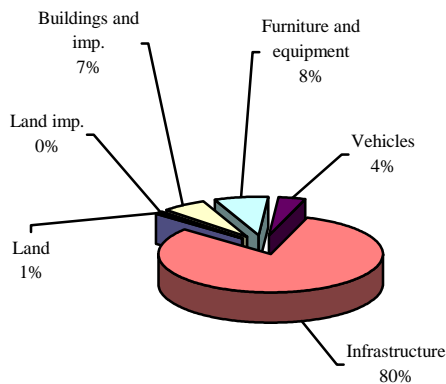
CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Capital Assets at December 31
(Net of Depreciation)

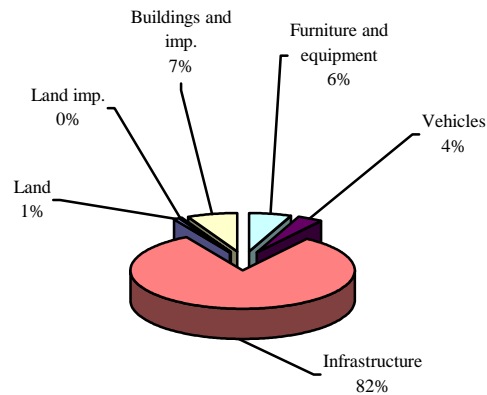
	Governmental Activities		Business-Type Activities		Total	
		Restated		Restated		
	2005	2004	2005	2004	2005	2004
Land	\$ 90,500	\$ 90,500	\$ -	\$ -	\$ 90,500	\$ 90,500
Land improvements	11,951	17,601	45	1,252	11,996	18,853
Buildings and improvements	678,266	701,567	8,910	9,372	687,176	710,939
Furniture and equipment	781,660	560,134	1,481	2,142	783,141	562,276
Vehicles	405,671	367,181	115,886	129,768	521,557	496,949
Infrastructure	8,312,530	7,837,898	4,470,784	2,793,379	12,783,314	10,631,277
Totals	<u>\$ 10,280,578</u>	<u>\$ 9,574,881</u>	<u>\$ 4,597,106</u>	<u>\$ 2,935,913</u>	<u>\$ 14,877,684</u>	<u>\$ 12,510,794</u>

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

Capital Assets - Governmental Activities 2005



Capital Assets - Governmental Activities 2004

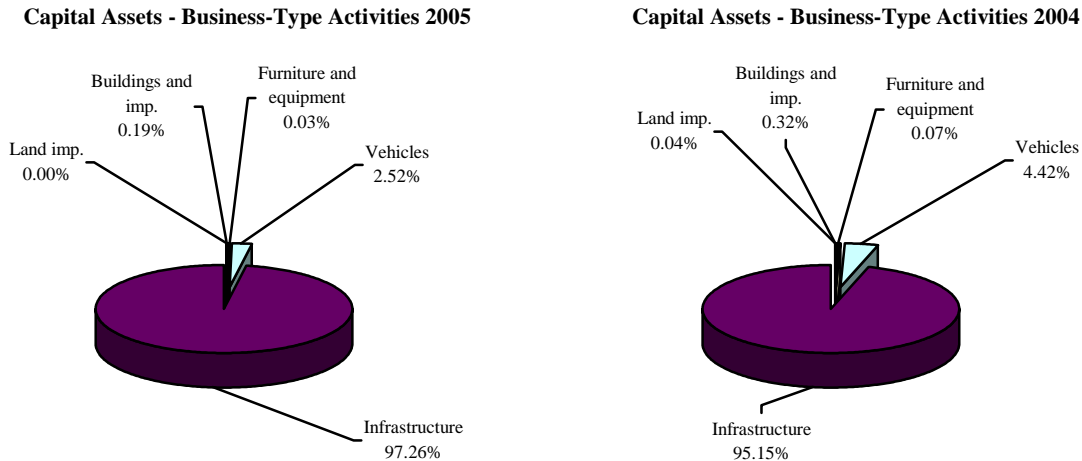


The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 80% of the City's total governmental capital assets. See Note 8 for further details on the City's governmental assets.

CITY OF BEXLEY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 97.26% of the City's total business-type capital assets. See Note 8 for further details on the City's business-type activities assets.

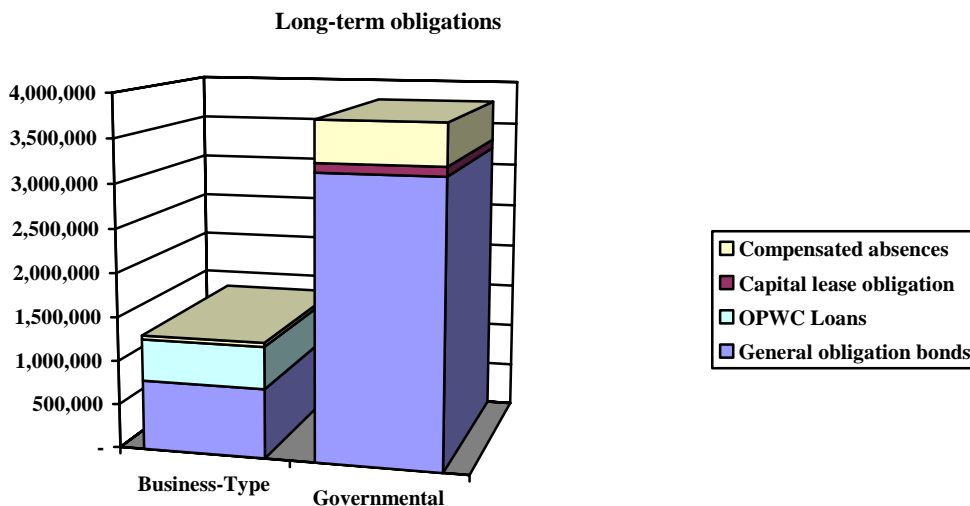
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 3,195,000	\$ 3,370,000
Capital lease obligation	103,513	44,639
Police and Fire pension liability	397,611	404,291
Compensated absences	<u>460,633</u>	<u>466,541</u>
Total long-term obligations	<u>\$ 4,156,757</u>	<u>\$ 4,285,471</u>
	Business-type Activities	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 790,000	\$ 830,000
OPWC Loans	474,500	-
Compensated absences	<u>45,444</u>	<u>36,167</u>
Total long-term obligations	<u>\$ 1,309,944</u>	<u>\$ 866,167</u>

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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



See Note 10 for further details on the City's long-term obligations.

Economic Conditions and Outlook

The City's Administration considers the impact of various economic factors when establishing the fiscal year 2006 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2006 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local income taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2006 budget, the City is aggressively pursuing new sources of revenue.

The average unemployment rate for Franklin County in 2005 was 4.3%, and the City Auditor anticipates the unemployment rate for 2006 to be similar to the 2005 rate. In order to meet these challenges, a strong and a balanced commitment to cost containment and continued revenue enhancement actions is essential. The City's financial position is anticipated to remain stable if conservative financial management is practiced.

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF BEXLEY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash, cash equivalents and investments . . .	\$ 7,627,938	\$ 2,249,406	\$ 9,877,344
Cash in segregated accounts	2,876	-	2,876
Receivables (net of allowances for uncollectibles):			
Income taxes	2,015,038	-	2,015,038
Real and other taxes	1,877,966	-	1,877,966
Accounts	109,000	713,768	822,768
Accrued interest	48,456	-	48,456
Due from other governments	1,086,038	-	1,086,038
Internal balances	50,000	(50,000)	-
Materials and supplies inventory.	21,005	11,266	32,271
Unamortized bond issue costs	-	8,905	8,905
Restricted assets:			
Cash with fiscal agent	87,000	-	87,000
Capital assets:			
Land.	90,500	-	90,500
Depreciable capital assets, net	10,190,078	4,597,106	14,787,184
Total capital assets.	10,280,578	4,597,106	14,877,684
 Total assets.	 23,205,895	 7,530,451	 30,736,346
 Liabilities:			
Accounts payable.	287,457	904,538	1,191,995
Contracts payable.	51,857	-	51,857
Accrued wages and benefits	265,213	17,061	282,274
Due to other governments	-	41,586	41,586
Deferred revenue.	1,812,774	-	1,812,774
Accrued interest payable.	13,168	-	13,168
Pension obligation payable	161,478	7,853	169,331
Notes payable	-	1,200,000	1,200,000
Long-term liabilities:			
Due within one year	382,259	81,499	463,758
Due in more than one year	3,774,498	1,228,445	5,002,943
 Total liabilities	 6,748,704	 3,480,982	 10,229,686
 Net assets:			
Invested in capital assets, net of related debt	6,982,065	2,132,606	9,114,671
Restricted for:			
Capital projects.	85,405	-	85,405
Debt service	319,473	-	319,473
Street construction, maintenance and repairs.	577,424	-	577,424
Other purposes	430,660	-	430,660
Unrestricted.	8,062,164	1,916,863	9,979,027
 Total net assets	 \$ 16,457,191	 \$ 4,049,469	 \$ 20,506,660

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 3,494,960	\$ 304,313	\$ -	\$ -
Security of persons and property.	4,672,681	372,729	49,367	-
Public health and welfare	79,874	6,865	-	-
Transportation	1,420,092	105,403	664,392	-
Community environment.	464,391	31,707	-	-
Leisure time activity.	1,282,566	555,687	-	-
Economic development	1,526	1	-	-
Other	6,295	-	-	-
Interest and fiscal charges.	181,512	-	-	-
Total governmental activities	<u>11,603,897</u>	<u>1,376,705</u>	<u>713,759</u>	<u>-</u>
Business-type Activities:				
Water	1,318,217	1,488,165	-	-
Sewer	1,525,619	1,920,757	-	471,773
Refuse	865,847	904,645	-	-
Total business-type activities	<u>3,709,683</u>	<u>4,313,567</u>	<u>-</u>	<u>471,773</u>
Total primary government.	<u>\$ 15,313,580</u>	<u>\$ 5,690,272</u>	<u>\$ 713,759</u>	<u>\$ 471,773</u>

General Revenues:

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,190,647)	\$ -	\$ (3,190,647)
(4,250,585)	-	(4,250,585)
(73,009)	-	(73,009)
(650,297)	-	(650,297)
(432,684)	-	(432,684)
(726,879)	-	(726,879)
(1,525)	-	(1,525)
(6,295)	-	(6,295)
(181,512)	-	(181,512)
<u>(9,513,433)</u>	<u>-</u>	<u>(9,513,433)</u>
-	169,948	169,948
-	866,911	866,911
-	38,798	38,798
<u>-</u>	<u>1,075,657</u>	<u>1,075,657</u>
<u>(9,513,433)</u>	<u>1,075,657</u>	<u>(8,437,776)</u>
647,738	-	647,738
750	-	750
330,988	-	330,988
736,238	-	736,238
6,110,923	-	6,110,923
157,589	-	157,589
3,136,814	-	3,136,814
293,142	-	293,142
189,131	6,223	195,354
<u>11,603,313</u>	<u>6,223</u>	<u>11,609,536</u>
2,089,880	1,081,880	3,171,760
<u>14,367,311</u>	<u>2,967,589</u>	<u>17,334,900</u>
<u>\$ 16,457,191</u>	<u>\$ 4,049,469</u>	<u>\$ 20,506,660</u>

CITY OF BEXLEY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash, cash equivalents and investments	\$ 6,382,305	\$ 33,632	\$ 556,474	\$ 655,527	\$ 7,627,938
Cash in segregated accounts	2,876	-	-	-	2,876
Receivables (net of allowance for uncollectibles):					
Income taxes.	1,964,662	-	-	50,376	2,015,038
Real and other taxes.	715,190	391,323	771,453	-	1,877,966
Accounts	109,000	-	-	-	109,000
Accrued interest	48,456	-	-	-	48,456
Due from other funds	-	-	-	4,135	4,135
Due from other governments	747,892	25,305	49,250	263,591	1,086,038
Loans to other funds.	50,000	-	-	-	50,000
Materials and supplies inventory	13,179	-	-	7,826	21,005
Restricted assets:					
Cash and cash equivalents with fiscal agents	-	-	87,000	-	87,000
Total assets	<u>\$ 10,033,560</u>	<u>\$ 450,260</u>	<u>\$ 1,464,177</u>	<u>\$ 981,455</u>	<u>\$ 12,929,452</u>
Liabilities:					
Accounts payable	\$ 112,320	\$ 1,336	\$ 93,921	\$ 79,880	\$ 287,457
Contracts payable	51,857	-	-	-	51,857
Accrued wages and benefits.	238,627	-	-	26,586	265,213
Due to other funds	4,135	-	-	-	4,135
Deferred revenue	1,812,970	416,196	819,567	168,794	3,217,527
Pension obligation payable	54,834	92,062	-	14,582	161,478
Total liabilities	<u>2,274,743</u>	<u>509,594</u>	<u>913,488</u>	<u>289,842</u>	<u>3,987,667</u>
Fund Balances:					
Reserved for encumbrances.	246,704	-	122,193	2,075,769	2,444,666
Reserved for materials and supplies inventory	13,179	-	-	7,826	21,005
Reserved for loans to other funds.	50,000	-	-	-	50,000
Reserved for debt service.	-	-	-	332,123	332,123
Reserved for restricted assets.	-	-	87,000	-	87,000
Unreserved:					
Designated for budget stabilization	1,000,000	-	-	-	1,000,000
Undesignated, reported in:					
General fund.	6,448,934	-	-	-	6,448,934
Special revenue funds.	-	(59,334)	341,496	213,139	495,301
Capital projects funds.	-	-	-	(1,937,244)	(1,937,244)
Total fund balances	<u>7,758,817</u>	<u>(59,334)</u>	<u>550,689</u>	<u>691,613</u>	<u>8,941,785</u>
Total liabilities and fund balances.	<u>\$ 10,033,560</u>	<u>\$ 450,260</u>	<u>\$ 1,464,177</u>	<u>\$ 981,455</u>	<u>\$ 12,929,452</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005

Total governmental fund balances		\$ 8,941,785
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,280,578
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 89,760	
Income taxes	641,689	
Intergovernmental revenues	641,821	
Accrued interest	31,483	
Total		1,404,753
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Accrued interest payable	13,168	
Compensated absences	460,633	
General obligation bonds	3,195,000	
Police and Fire pension liability	397,611	
Capital lease payable	103,513	
		(4,169,925)
Net assets of governmental activities		\$ 16,457,191

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$ 5,882,230	\$ -	\$ -	\$ 150,826	\$ 6,033,056
Property and other taxes	621,042	329,105	735,701	750	1,686,598
Charges for services	-	-	104,752	534,970	639,722
Licenses and permits	584,769	-	-	866	585,635
Fines and forfeitures	141,971	-	-	31	142,002
Intergovernmental	3,091,543	46,874	49,296	579,842	3,767,555
Special assessments	-	-	-	9,346	9,346
Investment income	268,564	-	-	5,810	274,374
Other	54,332	-	-	134,799	189,131
Total revenues	<u>10,644,451</u>	<u>375,979</u>	<u>889,749</u>	<u>1,417,240</u>	<u>13,327,419</u>
Expenditures:					
Current:					
General government	3,467,240	-	-	1,036	3,468,276
Security of persons and property	4,225,624	398,267	-	8,544	4,632,435
Public health and welfare	78,449	-	-	-	78,449
Transportation	-	-	6,946	736,574	743,520
Community environment	361,274	-	-	101,497	462,771
Leisure time activity	255,217	-	-	1,010,872	1,266,089
Economic development and assistance.	-	-	-	1,526	1,526
Other	6,295	-	-	-	6,295
Capital outlay	58,888	-	905,055	510,686	1,474,629
Debt service:					
Principal retirement	21,676	6,680	-	205,668	234,024
Interest and fiscal charges	2,214	17,113	-	164,495	183,822
Total expenditures	<u>8,476,877</u>	<u>422,060</u>	<u>912,001</u>	<u>2,740,898</u>	<u>12,551,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,167,574</u>	<u>(46,081)</u>	<u>(22,252)</u>	<u>(1,323,658)</u>	<u>775,583</u>
Other financing sources (uses):					
Transfers in	-	50,000	10,528	1,296,567	1,357,095
Transfers out	(1,346,567)	-	-	(10,528)	(1,357,095)
Capital lease transaction	58,888	-	-	52,330	111,218
Total other financing sources (uses).	<u>(1,287,679)</u>	<u>50,000</u>	<u>10,528</u>	<u>1,338,369</u>	<u>111,218</u>
Net change in fund balances	879,895	3,919	(11,724)	14,711	886,801
Fund balances (deficit) at beginning of year	<u>6,878,922</u>	<u>(63,253)</u>	<u>562,413</u>	<u>676,902</u>	<u>8,054,984</u>
Fund balances (deficit) at end of year.	<u>\$ 7,758,817</u>	<u>\$ (59,334)</u>	<u>\$ 550,689</u>	<u>\$ 691,613</u>	<u>\$ 8,941,785</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - total governmental funds	\$	886,801
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,520,446) exceeded depreciation expense (\$780,467) in the current period.		739,979
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(34,282)
Capital lease transactions are recorded as an other financing source in the funds, however, on the statement of activities, they are not reported as an other financing source as they increase the liabilities on the statement of net assets.		(111,218)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		366,358
Repayment of bond, capital lease, and long-term pension principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		234,024
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		2,310
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		5,908
		5,908
Change in net assets of governmental activities	\$	2,089,880

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 5,352,372	\$ 5,050,000	\$ 5,140,169	\$ 90,169
Property and other taxes	634,099	625,597	621,042	(4,555)
Licenses and permits.	242,000	252,000	344,753	92,753
Fines and forfeitures.	136,000	136,000	142,166	6,166
Intergovernmental	1,585,000	4,116,927	4,436,730	319,803
Investment income	100,000	274,000	306,623	32,623
Other	161,624	180,600	182,501	1,901
Total revenues.	<u>8,211,095</u>	<u>10,635,124</u>	<u>11,173,984</u>	<u>538,860</u>
Expenditures:				
Current:				
General government	3,627,776	4,017,615	3,730,516	287,099
Security of persons and property	4,352,837	4,396,359	4,309,532	86,827
Public health and welfare.	74,000	86,900	78,899	8,001
Community environment	228,367	365,920	364,477	1,443
Leisure time activity	365,775	322,338	322,191	147
Total expenditures	<u>8,648,755</u>	<u>9,189,132</u>	<u>8,805,615</u>	<u>383,517</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(437,660)</u>	<u>1,445,992</u>	<u>2,368,369</u>	<u>922,377</u>
Other financing sources (uses):				
Sale of capital assets	1,000	1,000	2,524	1,524
Transfers out	(983,096)	(1,399,567)	(1,346,567)	53,000
Advances in.	50,000	50,000	50,000	-
Total other financing sources (uses)	<u>(932,096)</u>	<u>(1,348,567)</u>	<u>(1,294,043)</u>	<u>54,524</u>
Net change in fund balance	(1,369,756)	97,425	1,074,326	976,901
Fund balance at beginning of year.	4,535,990	4,535,990	4,535,990	-
Prior year encumbrances appropriated	<u>536,366</u>	<u>536,366</u>	<u>536,366</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 3,702,600</u>	<u>\$ 5,169,781</u>	<u>\$ 6,146,682</u>	<u>\$ 976,901</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE PENSION
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 326,971	\$ 330,755	\$ 329,105	\$ (1,650)
Intergovernmental	43,255	44,053	46,442	2,389
Total revenues.	<u>370,226</u>	<u>374,808</u>	<u>375,547</u>	<u>739</u>
Expenditures:				
Current:				
Security of persons and property	406,000	406,000	394,337	11,663
Debt service:				
Principal retirement	6,680	6,680	6,680	-
Interest and fiscal charges	<u>17,113</u>	<u>17,113</u>	<u>17,113</u>	<u>-</u>
Total expenditures	<u>429,793</u>	<u>429,793</u>	<u>418,130</u>	<u>11,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59,567)</u>	<u>(54,985)</u>	<u>(42,583)</u>	<u>12,402</u>
Other financing sources:				
Transfers in.	<u>60,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources	<u>60,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	433	(4,985)	7,417	12,402
Fund balance at beginning of year	<u>26,215</u>	<u>26,215</u>	<u>26,215</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 26,648</u>	<u>\$ 21,230</u>	<u>\$ 33,632</u>	<u>\$ 12,402</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ROADS AND SIDEWALKS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 733,211	\$ 724,210	\$ 735,701	11,491
Intergovernmental	99,659	98,205	104,752	6,547
Total revenues.	<u>832,870</u>	<u>822,415</u>	<u>840,453</u>	<u>18,038</u>
Expenditures:				
Current:				
Transportation	<u>820,000</u>	<u>972,194</u>	<u>947,851</u>	<u>24,343</u>
Total expenditures	<u>820,000</u>	<u>972,194</u>	<u>947,851</u>	<u>24,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,870</u>	<u>(149,779)</u>	<u>(107,398)</u>	<u>42,381</u>
Other financing sources:				
Transfers in.	-	-	10,528	10,528
Total other financing sources	<u>-</u>	<u>-</u>	<u>10,528</u>	<u>10,528</u>
Net change in fund balance	12,870	(149,779)	(96,870)	52,909
Fund balance at beginning of year	386,820	386,820	386,820	-
Prior year encumbrances appropriated	<u>141,666</u>	<u>141,666</u>	<u>141,666</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 541,356</u>	<u>\$ 378,707</u>	<u>\$ 431,616</u>	<u>\$ 52,909</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2005

	Business-type Activities -Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash, cash equivalents and investments	\$ 629,731	\$ 1,401,668	\$ 218,007	\$ 2,249,406
Receivables (net of allowance for uncollectibles):				
Accounts.	289,354	424,414	-	713,768
Unamortized bond issue costs	8,905	-	-	8,905
Materials and supplies inventory.	9,309	-	1,957	11,266
Total current assets	<u>937,299</u>	<u>1,826,082</u>	<u>219,964</u>	<u>2,983,345</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	2,367,896	2,226,767	2,443	4,597,106
Total capital assets	<u>2,367,896</u>	<u>2,226,767</u>	<u>2,443</u>	<u>4,597,106</u>
Total assets.	<u>3,305,195</u>	<u>4,052,849</u>	<u>222,407</u>	<u>7,580,451</u>
Liabilities:				
Current liabilities:				
Accounts payable.	387,094	441,351	76,093	904,538
Accrued wages and benefits	7,973	9,088	-	17,061
Due to other governments	-	41,586	-	41,586
Current portion of compensated absences	8,901	3,873	-	12,774
Loans from other funds.	50,000	-	-	50,000
Pension obligation	3,460	4,393	-	7,853
Current portion of general obligation bonds payable	45,000	-	-	45,000
Notes payable	275,000	925,000	-	1,200,000
Current portion of OPWC loans	-	23,725	-	23,725
Total current liabilities	<u>777,428</u>	<u>1,449,016</u>	<u>76,093</u>	<u>2,302,537</u>
Long-term liabilities:				
OPWC loans	-	450,775	-	450,775
General obligation bonds	745,000	-	-	745,000
Compensated absences	22,299	10,371	-	32,670
Total long-term liabilities	<u>767,299</u>	<u>461,146</u>	<u>-</u>	<u>1,228,445</u>
Total liabilities.	<u>1,544,727</u>	<u>1,910,162</u>	<u>76,093</u>	<u>3,530,982</u>
Net assets:				
Invested in capital assets, net of related debt	1,302,896	827,267	2,443	2,132,606
Unrestricted.	<u>457,572</u>	<u>1,315,420</u>	<u>143,871</u>	<u>1,916,863</u>
Total net assets	<u>\$ 1,760,468</u>	<u>\$ 2,142,687</u>	<u>\$ 146,314</u>	<u>4,049,469</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 1,488,165	\$ 1,857,021	\$ 904,645	\$ 4,249,831
Tap-in fees.	-	63,736	-	63,736
Other.	6,223	-	-	6,223
Total operating revenues	<u>1,494,388</u>	<u>1,920,757</u>	<u>904,645</u>	<u>4,319,790</u>
Operating expenses:				
Personal services	207,712	240,437	4,790	452,939
Contract services	909,494	1,162,334	833,455	2,905,283
Materials and supplies	13,066	23,993	27,147	64,206
Depreciation.	144,406	98,855	455	243,716
Other	3,786	-	-	3,786
Total operating expenses.	<u>1,278,464</u>	<u>1,525,619</u>	<u>865,847</u>	<u>3,669,930</u>
Operating income	<u>215,924</u>	<u>395,138</u>	<u>38,798</u>	<u>649,860</u>
Nonoperating revenues (expenses):				
Intergovernmental.	-	471,773	-	471,773
Interest expense and fiscal charges	(39,753)	-	-	(39,753)
Total nonoperating revenues (expenses)	<u>(39,753)</u>	<u>471,773</u>	<u>-</u>	<u>432,020</u>
Change in net assets.	176,171	866,911	38,798	1,081,880
Net assets at beginning of year (restated)	<u>1,584,297</u>	<u>1,275,776</u>	<u>107,516</u>	<u>2,967,589</u>
Net assets at end of year.	<u>\$ 1,760,468</u>	<u>\$ 2,142,687</u>	<u>\$ 146,314</u>	<u>\$ 4,049,469</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers	\$ 1,477,493	\$ 1,847,537	\$ 904,645	\$ 4,229,675
Cash received from other operations	6,223	-	-	6,223
Cash payments for personal services	(199,073)	(238,770)	(4,790)	(442,633)
Cash payments for contract services.	(767,705)	(947,738)	(827,807)	(2,543,250)
Cash payments for materials and supplies.	(13,096)	(16,381)	(32,383)	(61,860)
Cash payments for other expenses	(4,118)	-	-	(4,118)
Net cash provided by operating activities.	<u>499,724</u>	<u>644,648</u>	<u>39,665</u>	<u>1,184,037</u>
Cash flows from noncapital financing activities:				
Cash used in repayment of interfund loans	(50,000)	-	-	(50,000)
Net cash used in noncapital financing activities	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets.	(237,619)	(1,667,290)	-	(1,904,909)
Principal retirement on bonds.	(40,000)	-	-	(40,000)
Issuance of notes	275,000	925,000	-	1,200,000
Issuance of loans	-	474,500	-	474,500
Intergovernmental	-	471,773	-	471,773
Interest and fiscal charges.	(39,068)	-	-	(39,068)
Net cash provided by (used in) capital and related financing activities	<u>(41,687)</u>	<u>203,983</u>	<u>-</u>	<u>162,296</u>
Net increase in cash and cash equivalents	408,037	848,631	39,665	1,296,333
Cash and cash equivalents at beginning of year.	<u>221,694</u>	<u>553,037</u>	<u>178,342</u>	<u>953,073</u>
Cash and cash equivalents at end of year.	<u><u>\$ 629,731</u></u>	<u><u>\$ 1,401,668</u></u>	<u><u>\$ 218,007</u></u>	<u><u>\$ 2,249,406</u></u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 215,924	\$ 395,138	\$ 38,798	\$ 649,860
Adjustments:				
Depreciation and amortization.	144,406	98,855	455	243,716
Changes in assets and liabilities:				
(Increase) in materials and supplies inventory	(3,114)	-	(166)	(3,280)
(Increase) in accounts receivable	(10,672)	(73,220)	-	(83,892)
Increase in accounts payable	144,541	222,208	578	367,327
(Decrease) in accrued wages and benefits	(4,013)	(67)	-	(4,080)
Increase (decrease) in compensated absences payable.	11,204	(1,927)	-	9,277
Increase in pension obligation payable.	1,448	3,661	-	5,109
Net cash provided by operating activities	<u><u>\$ 499,724</u></u>	<u><u>\$ 644,648</u></u>	<u><u>\$ 39,665</u></u>	<u><u>\$ 1,184,037</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2005**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 14,060
Cash in segregated accounts	<u>8,848</u>
Total assets.	<u>\$ 22,908</u>
 Liabilities:	
Undistributed monies	<u>\$ 22,908</u>
Total liabilities	<u>\$ 22,908</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

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

C. Fund Accounting

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

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

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

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

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

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

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

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

E. Basis of Accounting

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, licenses and permits, and fees.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the line item level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that estimates need to be either increased or decreased.

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

G. Cash and Cash Equivalents

To improve cash management, cash received by the City except cash held by a fiscal agent, is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for December 31, 2005.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2005, interest revenue credited to the general fund amounted to \$268,564 which includes \$87,161 assigned from other City funds.

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

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

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

H. Inventories of Materials and Supplies

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. During 2005, the City has elected to retroactively report governmental infrastructure that was acquired reconstructed, improved, etc. between 1980 and 2002 (see Note 8). Governmental infrastructure acquired or constructed in 2003 and 2004 was previously reported. The City's governmental infrastructure consists of curbs, sidewalks, storm sewers, streets, and irrigation systems. The City's business-type infrastructure consists of water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

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

J. Compensated Absences

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

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Balances

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

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

M. Interfund Activity

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

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

N. Fund Balance Reserves and Designations

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

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, debt service, restricted assets, materials and supplies inventory and long-term loans to other funds in the governmental fund financial statements. The City reports amounts set-aside by City Council for budget stabilization as a designation of fund balance in the governmental funds.

O. Estimates

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

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. During 2005, the City had no contributions of capital.

Q. Net Assets

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

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Restatement of Net Assets

Governmental and business-type activities net assets as well as the net assets of the Water and Sewer enterprise funds have been restated as of December 31, 2004. The governmental activities net assets have been restated to retroactively report infrastructure in the capital assets balances (see Note 2.I) and to properly report the balance of the Ohio Police and Fire pension liability. The enterprise funds and business-type activities net assets have been restated to include infrastructure assets previously not reported. The restatements had the following effect on net assets as previously reported:

	<u>Governmental Activities</u>	<u>Enterprise Funds</u>		<u>Business-Type Activities</u>
		<u>Water</u>	<u>Sewer</u>	
Net assets, December 31, 2004	\$ 8,117,857	\$ (645,562)	\$ 778,525	\$ 240,479
Capital assets restatement	6,653,745	2,229,859	497,251	2,727,110
Ohio Police and Fire pension liability restatement	<u>(404,291)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restated net assets, January 1, 2005	<u>\$ 14,367,311</u>	<u>\$ 1,584,297</u>	<u>\$ 1,275,776</u>	<u>\$ 2,967,589</u>

B. Deficit Fund Balances

The following funds had deficit fund balances as of December 31, 2005:

Major Funds

Police Pension \$ 59,334

Nonmajor Funds

Bexley Beautification 20,760

These funds complied with State law, which does not allow a cash-basis deficit at year-end. These fund deficits are the result of adjustments for accrued liabilities. The general fund is liable for any deficit and provides transfers when cash is required, not when accruals occur.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Noncompliance

The following fund had expenditures in excess of appropriations for the year ended December 31, 2005, in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Non-Major Fund</u>	<u>Excess</u>
Cassidy Avenue	\$ 221,473

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

Cash with Fiscal Agent - At year-end, the City had \$87,000 on deposit with the Franklin County Treasurer for permissive funds collected but not distributed yet to the City. The data regarding insurance and collateralization can be obtained from Franklin County's audit report. This amount is not included in the City's depository balance reported below.

Cash in Segregated Accounts - At year-end, \$11,724 was on deposit in segregated accounts and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments".

A. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all City deposits was \$1,212,427. As of December 31, 2005, \$266,368 of the City's bank balance of \$1,312,422 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$1,046,054 was exposed to custodial risk as discussed below.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2005, the City had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 Months</u>
FHLB	\$ 4,703,630	\$ 747,900	\$ 992,150	\$ 499,830	\$ 496,250	\$ 1,967,500
FHLMC	1,471,005	-	492,650	-	487,055	491,300
FNMA	2,465,895	-	-	990,570	-	1,475,325
STAR Ohio	50,171	50,171	-	-	-	-
	<u>\$ 8,690,701</u>	<u>\$ 798,071</u>	<u>\$ 1,484,800</u>	<u>\$ 1,490,400</u>	<u>\$ 983,305</u>	<u>\$ 3,934,125</u>

The weighted average maturity of investments is 1.97 years.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The City's investments in federal agency securities are collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's other investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 4,703,630	54.12%
FHLMC	1,471,005	16.93%
FNMA	2,465,895	28.37%
STAR Ohio	50,171	0.58%
Total	<u>\$ 8,690,701</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

Cash and Investments per footnote

Carrying amount of deposits	\$ 1,212,427
Investments	8,690,701
Cash with fiscal agent	<u>87,000</u>
Total	<u>\$ 9,990,128</u>

Cash and investments per Statement of Net Assets

Governmental activities	\$ 7,717,814
Business type activities	2,249,406
Agency funds	<u>22,908</u>
Total	<u>\$ 9,990,128</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported in the fund financial statements:

Transfers out of General fund to:

Police Pension fund	\$ 50,000
Nonmajor Governmental funds	1,296,567

Transfers out of Nonmajor Governmental funds to:

Roads and Sidewalks fund	<u>10,528</u>
Total	<u>\$ 1,357,095</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

Transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - TAXES

A. Property Taxes

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bexley. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2005 was \$7.85 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real property tax	\$ 385,001,480
Public utility tangible personal property	3,972,670
Tangible personal property	<u>2,191,566</u>
Total	<u>\$ 391,165,716</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 6 - TAXES - (Continued)

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005. Although total property tax collections for the next year are measurable, they are generally not collected during the available period.

B. Income Taxes

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

During 2005, income tax proceeds were distributed to the general fund and capital projects funds, and totaled \$6,033,056 in the fund financial statements for 2005.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, accrued interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2005, as well as intended to finance fiscal 2005 operations.

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

Governmental Activities:

Income taxes	\$2,015,038
Real and other taxes	1,877,966
Intergovernmental	1,086,038
Accounts	109,000
Accrued interest	48,456

Business-type Activities:

Accounts	713,768
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Receivables have been disaggregated on the face of the BFS. All receivables are expected to be collected within the subsequent year.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 8 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to the retroactive reporting of infrastructure. Prior to 2005, the City only reported governmental infrastructure to the extent that it was acquired or constructed in 2003 and 2004. The City elected to “phase in” the retroactive reporting of infrastructure assets. In addition, certain infrastructure assets of the Water and Sewer enterprise funds were not previously reported. Capital asset activity for the year ended December 31, 2005, was as follows:

<u>Governmental Activities:</u>	<u>Restated Balance 12/31/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 90,500	\$ -	\$ -	\$ 90,500
Total capital assets, not being depreciated	<u>90,500</u>	<u>-</u>	<u>-</u>	<u>90,500</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	591,416	6,469	-	597,885
Buildings and improvements	1,840,545	-	-	1,840,545
Equipment	1,420,503	325,240	-	1,745,743
Vehicles	986,868	156,174	(67,613)	1,075,429
Infrastructure	<u>14,580,974</u>	<u>1,032,563</u>	<u>-</u>	<u>15,613,537</u>
Total capital assets, being depreciated	<u>19,420,306</u>	<u>1,520,446</u>	<u>(67,613)</u>	<u>20,873,139</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(573,815)	(12,119)	-	(585,934)
Buildings and improvements	(1,138,978)	(23,301)	-	(1,162,279)
Equipment	(860,369)	(103,714)	-	(964,083)
Vehicles	(619,687)	(83,402)	33,331	(669,758)
Infrastructure	<u>(6,743,076)</u>	<u>(557,931)</u>	<u>-</u>	<u>(7,301,007)</u>
Total accumulated depreciation	<u>(9,935,925)</u>	<u>(780,467)</u>	<u>33,331</u>	<u>(10,683,061)</u>
Total capital assets, being depreciated, net	<u>9,484,381</u>	<u>739,979</u>	<u>(34,282)</u>	<u>10,190,078</u>
Governmental activities capital assets, net	<u>\$ 9,574,881</u>	<u>\$ 739,979</u>	<u>\$ (34,282)</u>	<u>\$ 10,280,578</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8 - CAPITAL ASSETS - (Continued)

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

Governmental Activities:

General government	\$ 38,090
Security of persons and property	55,359
Public health and welfare	1,550
Transportation	644,356
Community environment	1,075
Leisure time activities	<u>40,037</u>
 Total depreciation expense	 <u>\$ 780,467</u>

	<u>Restated Balance 12/31/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/05</u>
<u>Business-type Activities:</u>				
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 36,421	\$ -	\$ -	\$ 36,421
Buildings and improvements	45,947	-	-	45,947
Equipment	20,118	-	-	20,118
Vehicles	159,714	6,951	-	166,665
Infrastructure	<u>5,006,782</u>	<u>1,897,958</u>	<u>-</u>	<u>6,904,740</u>
 Total capital assets, being depreciated	 <u>5,268,982</u>	 <u>1,904,909</u>	 <u>-</u>	 <u>7,173,891</u>
 <i>Less: accumulated depreciation:</i>				
Land improvements	(35,169)	(1,207)	-	(36,376)
Buildings and improvements	(36,575)	(462)	-	(37,037)
Equipment	(17,976)	(661)	-	(18,637)
Vehicles	(29,946)	(20,833)	-	(50,779)
Infrastructure	<u>(2,213,403)</u>	<u>(220,553)</u>	<u>-</u>	<u>(2,433,956)</u>
 Total accumulated depreciation	 <u>(2,333,069)</u>	 <u>(243,716)</u>	 <u>-</u>	 <u>(2,576,785)</u>
 Business-type activities capital assets, net	 <u>\$ 2,935,913</u>	 <u>\$ 1,661,193</u>	 <u>\$ -</u>	 <u>\$ 4,597,106</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds of the City as follows:

Business-Type Activities:

Major Funds

Water Fund	\$ 144,406
Sewer Fund	98,855
Refuse Fund	<u>455</u>
Total depreciation expense	<u>\$ 243,716</u>

NOTE 9 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

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

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$168,143 at December 31, 2005. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Accumulated Unpaid Sick Leave

Upon retirement an employee is paid for one half of his/her accumulated hours of sick leave, except fire department employees, who are part time and do not accumulate sick leave. The total obligation for sick leave accrual for the City as a whole amounted to \$337,934 at December 31, 2005. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 10 - LONG-TERM OBLIGATIONS

A. During 2005, the following changes occurred in governmental activities long-term obligations:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/05</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
General obligation bonds:					
Street construction bond - 4.875%	\$ 3,370,000	\$ -	\$ (175,000)	\$ 3,195,000	\$ 180,000
Total general obligations	<u>3,370,000</u>	<u>-</u>	<u>(175,000)</u>	<u>3,195,000</u>	<u>180,000</u>
Capital lease obligation	44,639	111,218	(52,344)	103,513	39,922
Ohio Police and Fire pension liability	404,291	-	(6,680)	397,611	6,968
Compensated absences	<u>466,541</u>	<u>32,049</u>	<u>(37,957)</u>	<u>460,633</u>	<u>155,369</u>
Total	<u>\$ 4,285,471</u>	<u>\$ 143,267</u>	<u>\$ (271,981)</u>	<u>\$ 4,156,757</u>	<u>\$ 382,259</u>

During 2005, the following changes occurred in the business-type activities long-term obligations:

<u>Business-type Activities:</u>	<u>Balance</u> <u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/05</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
General obligation bonds:					
General obligation bonds	\$ 830,000	\$ -	\$ (40,000)	\$ 790,000	\$ 45,000
Total general obligation bonds	<u>830,000</u>	<u>-</u>	<u>(40,000)</u>	<u>790,000</u>	<u>45,000</u>
OPWC loans:					
OPWC loans	-	474,500	-	474,500	23,725
Compensated absences	<u>36,167</u>	<u>12,730</u>	<u>(3,453)</u>	<u>45,444</u>	<u>12,774</u>
Total	<u>\$ 866,167</u>	<u>\$ 487,230</u>	<u>\$ (43,453)</u>	<u>\$ 1,309,944</u>	<u>\$ 81,499</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

<u>Year</u>	<u>Governmental Activities</u> <u>General Obligation Bonds</u>			<u>Governmental Activities</u> <u>Ohio Police and Fire Pension Liability</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 180,000	\$ 153,909	\$ 333,909	\$ 6,968	\$ 16,825	\$ 23,793
2007	195,000	144,459	339,459	7,266	16,526	23,792
2008	200,000	134,221	334,221	7,579	16,214	23,793
2009	210,000	124,621	334,621	7,904	15,889	23,793
2010	220,000	114,961	334,961	8,244	15,549	23,793
2011 - 2015	1,275,000	410,436	1,685,436	46,844	72,119	118,963
2016 - 2020	915,000	90,676	1,005,676	57,807	61,158	118,965
2021 - 2025	-	-	-	71,334	47,630	118,964
2026 - 2030	-	-	-	88,027	30,936	118,963
2031 - 2035	-	-	-	95,638	10,359	105,997
Totals	\$ 3,195,000	\$ 1,173,283	\$ 4,368,283	\$ 397,611	\$ 303,205	\$ 700,816

<u>Year</u>	<u>Business-Type Activities</u> <u>General Obligation Bonds</u>			<u>Business-Type Activities</u> <u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 45,000	\$ 37,227	\$ 82,227	\$ 23,725	\$ -	\$ 23,725
2007	40,000	35,158	75,158	23,725	-	23,725
2008	45,000	33,317	78,317	23,725	-	23,725
2009	50,000	31,248	81,248	23,725	-	23,725
2010	50,000	28,947	78,947	23,725	-	23,725
2011 - 2015	280,000	109,129	389,129	118,625	-	118,625
2016 - 2020	280,000	34,932	314,932	118,625	-	118,625
2021 - 2025	-	-	-	118,625	-	118,625
Totals	\$ 790,000	\$ 309,958	\$ 1,099,958	\$ 474,500	\$ -	\$ 474,500

C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2005, the City's legal voted debt margin was \$37,419,523, and the legal unvoted debt margin was \$21,056,237; both amounts include available funds of \$332,123.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the City entered into capitalized leases for the acquisition of vehicles. During fiscal year 2005, the City entered into capitalized leases for the acquisition of vehicles and copiers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements.

General capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$259,572. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2005 totaled \$21,676 in the general fund and \$30,668 in the capital improvement fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2005:

<u>Year Ending December 31,</u>	<u>Amount</u>
2006	\$ 46,226
2007	32,461
2008	14,160
2009	14,160
2010	<u>10,620</u>
Total future minimum lease payments	117,627
Less: amount representing interest	<u>(14,114)</u>
Present value of future minimum lease payments	<u>\$ 103,513</u>

NOTE 12 - NOTES PAYABLE

During fiscal 2005, the City issued bond anticipation notes in the amount of \$1,200,000 in order to provide financing for improvements to water lines and sewer lines. The Series 2005 bond anticipation notes were issued on May 4, 2005, mature on May 3, 2006, and have an interest rate of 2.946%. These notes are a liability of the Water fund (\$275,000) and the Sewer fund (\$925,000). The bond anticipation notes will be retired with the proceeds of bonds or notes issued in the subsequent fiscal year, with any difference to be paid from operating revenues of the Water fund and Sewer fund. The following note activity occurred during 2005:

<u>Bond Anticipation Notes</u>	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>
<u>Enterprise Funds:</u>				
2005 Water Line Improvements	\$ -	\$ 275,000	\$ -	\$ 275,000
2005 Sewer Line Improvements	<u>-</u>	<u>925,000</u>	<u>-</u>	<u>925,000</u>
Total Notes Payable	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 13 - INTERFUND ASSETS/LIABILITIES

- A.** Loans to/from other funds consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water fund	\$ 50,000

- B.** Due from/to other funds consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor special revenue funds	General	\$ 4,135

The balances resulted from the time lag between the dates that payments between the funds are made. Amounts "due from/to other funds" between governmental funds are eliminated for reporting on the statement of net assets.

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

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

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Limits of Coverage</u>	
Property	\$ 500	\$4,159,900	
General Liability	0	3,000,000	per occurrence/
		5,000,000	annual aggregate
Inland Marine	500	1,048,127	
EDP	500	152,500	
Vehicles		3,000,000	
Comprehensive	500		
Collision	500		
Wrongful Acts	10,000	5,000,000	per occurrence/
		7,000,000	annual aggregate
Police	1,000	5,000,000	per occurrence,
		7,000,000	annual aggregate
Public Officials Bond	0	10,000	

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 14 - RISK MANAGEMENT - (Continued)

B. Health Insurance

During 2005, the City provided its employees group health, life, dental, vision, and drug insurance in a traditionally-funded manner through commercial carriers.

C. Workers' Compensation

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

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

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

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 15 - PENSION PLANS - (Continued)

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$347,496, \$339,469, and \$299,337, respectively; 92.79% has been contributed for 2005 and 100% has been contributed for 2004 and 2003. The unpaid portion for 2005 of \$25,053 is recorded as a liability within the respective funds. The City and plan members did not make any contributions to the member-directed plan for 2005.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers. The City has no firefighter employees. Contributions are authorized by State statute. The City's required contributions to fund pension obligations were \$235,128, \$248,869, and \$240,528 for the years ended December 31, 2005, 2004, and 2003, respectively. 100% has been contributed for fiscal years 2004 and 2003. \$179,655, or 76.41%, has been contributed for 2005 with the remainder being reported as a liability in the respective funds.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

At December 31, 2005, the number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$145,548. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. At December 31, 2005, the actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll of which 7.75% of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's actual contributions for 2005 that were used to fund postemployment benefits were \$155,084 for police. The OP&F's total health care expense for the year ended December 31, 2005 was \$108.039 million, which was net of member contributions of \$55.272 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general, Police Pension and Roads and Sidewalks funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

Net Change in Fund Balance

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>
Budget basis	\$ 1,074,326	\$ 7,417	\$ (96,870)
Net adjustment for revenue accruals	(529,533)	432	49,296
Net adjustment for expenditure accruals	32,235	(3,930)	(89,008)
Net adjustment for other sources/uses	6,364	-	-
Adjustment for encumbrances	<u>296,503</u>	<u>-</u>	<u>124,858</u>
GAAP basis	<u>\$ 879,895</u>	<u>\$ 3,919</u>	<u>\$ (11,724)</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2005.

B. Litigation

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

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

On May 3, 2006, the City issued Series 2006 bond anticipation notes in the amount of \$1,000,000 in order to refinance the Series 2005 bond anticipation notes, which were originally issued to provide financial resources for improvements to water lines and sewer lines (see Note 12). The Series 2005 bond anticipation notes were recorded as liabilities of the Water and Sewer enterprise funds. The Series 2006 bond anticipation notes were issued on May 3, 2006, mature on May 3, 2007, and have an interest rate of 3.75%.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bexley, as of and for the year ended December 31, 2005, which collectively comprise the City of Bexley's basic financial statements and have issued our report thereon dated May 31, 2007. As disclosed in Note 3 to the basic financial statements, net assets of the enterprise water and sewer funds have been restated due to errors and omissions related to capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bexley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bexley's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Bexley's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Bexley's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Bexley's financial statements that is more than inconsequential will not be prevented or detected by the City of Bexley's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Bexley's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of Council and Mayor
City of Bexley

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bexley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2005-COB-001.

We noted certain matters that we reported to management of the City of Bexley in a separate letter dated May 31, 2007.

The City of Bexley's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Bexley's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 31, 2007

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2005**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2005-COB-001
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Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

It was noted during the audit that for the year ended December 31, 2005, the City had expenditures in excess of appropriations in the following fund:

<u>Non-Major Fund</u>	<u>Excess</u>
Cassidy Avenue	\$ 221,473

With expenditures exceeding appropriations, the City is expending monies that have not been appropriated and approved by Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the City comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget and certify the amendments to the County Budget Commission or County Auditor prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: While only one fund was in noncompliance, the Director of Finance is going to prepare amendments throughout the year and certify them to the County Budget Commission or County Auditor.



Mary Taylor, CPA
Auditor of State

CITY OF BEXLEY
FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 18, 2008