



**Auditor of State
Betty Montgomery**

**CITY OF POWELL
DELAWARE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Powell, Delaware County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprises the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Powell, Delaware County, Ohio, as of December 31, 2003, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Street Construction and Maintenance Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and "Management's Discussion and Analysis" for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

November 1, 2004

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

The discussion and analysis of the City of Powell's financial performance provides an overview of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Key highlights for 2003 are as follows:

In total, net assets increased \$2,179,308, or approximately 42 percent, a significant change from the prior year. The results of this increase are reflected in additional assets on the City's statement of net assets. The City's overall cash balance increased by almost \$1.8 million which is made up primarily from increases in the General Fund and partially from unspent note proceeds in the capital projects funds. The General Fund experienced increases from most revenue sources while spending remained relatively constant. The City also had a substantial increase in capital assets resulting from donated assets.

Over \$1.9 million in purchased, constructed, and donated assets were added to the City's capital assets in 2003. Several streets in the Golf Village and Murphy Park subdivisions were contributed by developers of the property in 2003. In addition, the City purchased the final parcel needed for the extension of Murphy Parkway. The bike path in the Villages at Powell was also obtained through the development approval process.

The City issued \$1,000,000 in bond anticipation notes to finance the design and preparation of construction documents for the construction of park improvements in seven City parks and to purchase land for the expansion of the Village Green Park. The City also received land obtained through development of the Ashmoore subdivision to be used for Meadowview Park.

In 2002, the City annexed the property which makes up Golf Village, a subdivision of 1,000 acres. The annexation provided the opportunity for continued growth and development of the City as well as collection of additional income taxes from residents of this area. As part of the overall Golf Village project, the City issued debt, in the amount of \$16,915,000; \$6,000,000 in bond anticipation notes and \$10,915,000 in general obligation bonds. As a part of this transaction, the City received various assets and the right to receive future development charges which will be used to payoff this debt. The City did not, however, receive assets in an amount equal to the debt issued in this transaction, the current result of which is reflected as negative unrestricted net assets on the statement of net assets.

USING THIS ANNUAL REPORT

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

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

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

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the City discloses a single type of activity, governmental activities. All of the City's programs and services are reported as governmental activities including security of persons and property, leisure time activities, community environment, transportation, and general government. These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2003 compared to 2002.

	Governmental Activities	
	2003	2002
<u>Assets</u>		
Current and Other Assets	\$9,867,796	\$8,555,287
Capital Assets, Net	21,757,066	20,365,707
Total Assets	31,624,862	28,920,994
<u>Liabilities</u>		
Current and Other Liabilities	8,472,529	7,588,286
Long-Term Liabilities	15,757,509	16,117,192
Total Liabilities	24,230,038	23,705,478
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	8,461,206	7,191,142
Restricted	2,819,724	2,605,622
Unrestricted	(3,886,106)	(4,581,248)
Total Net Assets	\$7,394,824	\$5,215,516

As mentioned previously, the City had a 42 percent increase in total net assets; however, a review of the above table reflects few dramatic changes from the prior year in the categories identified. Further review of the accounts making up these categories demonstrates some fairly significant changes in several areas. The City's overall cash balance increased by almost \$1.8 million due to increased revenues and unspent note proceeds and there were a number of important additions to capital assets, many of which were donated to the City.

The City's liabilities remained very comparable to the prior year but there was the addition of \$1,000,000 in bond anticipation notes for park improvements.

Purchased, constructed, and donated assets are noted by the increase in invested in capital assets. The increase in unrestricted net assets is the result of the increase in the City's cash balance.

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

Table 2 reflects the change in net assets for 2003. Since this is the first year the City has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities
	2003
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$1,457,881
Operating Grants, Contributions, and Interest	353,036
Capital Grants and Contributions	855,369
Total Program Revenues	2,666,286
General Revenues	
Property Taxes Levied for General Purposes	289,643
Property Taxes Levied for Parks and Recreation	603,475
Property Taxes Levied for Parks and Recreation	386,141
Municipal Income Taxes	2,565,596
Grants and Entitlements not Restricted to Specific Programs	870,603
Cable Franchise Fee	38,326
Interest	57,758
Other	94,375
Total General Revenues	4,905,917
Total Revenues	7,572,203
<u>Program Expenses</u>	
Security of Persons and Property	1,400,471
Leisure Time Activities	249,788
Community Environment	488,123
Transportation	1,214,517
General Government	1,005,800
Interest and Fiscal Charges	1,034,196
Total Expenses	5,392,895
Increase in Net Assets	\$2,179,308

Program revenues make up 35 percent of total revenues, over half of which are charges for services. Most charges for services are associated with various licenses, permits, and development charges. The capital grants and contributions for 2003 were from assets donated to the City.

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

With general revenues making up 65 percent of the City's total revenues, it is obvious the impact these sources (primarily property taxes and income taxes) have on the City's operations. These two sources alone make up over half of the City's total revenues.

The cost of running the City's police department is the City's greatest expense and represents 26 percent of the City's overall expenses. Maintenance of the City's streets, 23 percent of total expenses, and generally running the City's government, 19 percent of total expenses, also represent significant costs to the City's operations. As can be seen on the statement of activities, these three programs are funded almost entirely from property and income taxes and State shared revenues.

As a result of the considerable amount of outstanding debt incurred with the Golf Village project, the City's interest costs are also rather significant, 19 percent of overall expenses for 2003.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2002 have not been made since they are not available for this year.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
Security of Persons and Property	\$1,400,471	\$1,342,793
Leisure Time Activities	249,788	(23,435)
Community Environment	488,123	(830,723)
Transportation	1,214,517	205,762
General Government	1,005,800	998,016
Interest and Fiscal Charges	1,034,196	1,034,196
Total Expenses	\$5,392,895	\$2,726,609

Over 50 percent of the City's total governmental activities are funded by property and income taxes and State shared revenues. From the above table, it should be noted that program revenues exceeded the costs of providing services for two of the City's programs, leisure time activities and community environment. Leisure time activities are funded by various recreation fees and community environment costs are funded by various licenses, permits, and development charges. For 2003, the leisure time activities program also received a contribution of land which is reflected as a program revenue. One other important factor affecting both the leisure time activities and community environment programs is the City's policy related to development within the City. Developers are required to make a contribution to the City, in either land or a cash contribution. These cash contributions are reflected as charges for services, or program revenues. Since these charges are nonrecurring, they will not offset program costs in future years. While the table also reflects that transportation costs were heavily funded by program revenues in 2003 (83 percent), these program revenues consist of streets donated to the City. The remaining programs are funded almost entirely from general revenues.

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

The primary factors which contributed to the 16.5 percent increase in fund balance for the General Fund are increases in fees, licenses, and permits collected in 2003 as well as a sizable increase in intergovernmental revenues resulting from inheritance taxes.

The Street Construction and Maintenance Fund had a significant increase in fund balance from the prior year, over 122 percent. This increase is attributed to two sources, an operating transfer from the General Fund as well as an increase in State shared revenues. The State of Ohio enacted legislation to increase gasoline taxes in July 2003. This increase will allow the City to reduce the amount of the General Fund transfers to subsidize annual street maintenance costs.

The Capital Improvement Fund had a 47 percent decrease in fund balance from the prior year. In 2002, the City received Issue II funding for improvements to Seldom Seen Road. The City did not receive similar resources in 2003.

The Parks and Recreation Construction Fund also had a significant increase in fund balance from the prior year. During 2003, the City issued \$1,000,000 in bond anticipation notes for park improvements. A large portion of these proceeds were not spent as of the end of the year, thereby increasing the balance of the fund's cash.

BUDGETARY HIGHLIGHTS

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

The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal due to the City's practice of budgeting normal personnel and operating expenditures within estimated revenues from recurring sources. For 2003, however, the City also considered the beginning fund balance when preparing annual appropriations. As a result, budgeted expenditures for the year exceed revenue estimates.

The most significant changes from the original budget to the final budget include an additional appropriation of \$45,500 for a downtown revitalization study. As part of the final budget, the City also budgeted for several advances, \$780,407 from the General Fund to the Parks and Recreation Construction Fund for the design and preparation of construction documents for improvements in the City parks and, \$25,165 to the CJIS (Criminal Justice Information Systems) Consortium Project Fund to provide funding for project expenditures until grant resources were received.

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

The most significant change from the final budget to the actual revenues realized was an increase in fees, licenses, and permits for fees related to commercial and residential building construction. The majority of the fees were from residential building permits in Golf Village. Fees from this subdivision were not included in the original projections for 2003 due to the uncertainty of the annexation. The increase in intergovernmental revenues is due to inheritance taxes received in 2003. This source of revenue is gradually being eliminated through State legislation and has not been a consistent source of revenue for the City, so no funds are typically budgeted for this revenue source.

Changes from the final budget and actual expenditures in the transportation program are due, in part, to vacancies in a laborer position and staff engineer position, monies not spent for an engineering plan review, a delay in the implementation of a sidewalk repair program, and monies not spent for Villagescape and storm drainage repairs. The decrease in general government expenditures is the result of funds appropriated for utility expenses, legal services, income tax collection services, and general liability insurance which were not needed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental activities as of December 31, 2003, was \$8,461,206 (net of accumulated depreciation and related debt). Capital assets include land, construction in progress, land improvements, buildings, equipment, vehicles, and streets. Capital asset additions were significant in 2003, particularly for land, construction in progress, and streets. The City purchased land to be used for the extension of Murphy Parkway and received a contribution of land for Meadowview Park. The additions to construction in progress are related to design plans for the new police facility, construction at Murphy Parkway, and park improvements. Street additions were for several newly constructed streets in the City. These streets were donated to the City by developers. Disposals in 2003 were minimal. For further information regarding the City's capital assets, see Note 10 to the basic financial statements.

Debt - At December 31, 2003, the City had \$7,000,000 in bond anticipation notes outstanding; \$6,000,000 related to Golf Village and \$1,000,000 for park improvements. The City also had \$15,660,000 of outstanding general obligation bonds, the most significant of which was related to Golf Village, in the amount of \$10,765,000. In addition to the bond anticipation notes and general obligation bonds, the City's long-term obligations also include compensated absences. For further information regarding the City's debt, see Notes 17 and 18 to the basic financial statements.

CURRENT ISSUES

On May 7, 2002, the voters approved a \$7,000,000 bond issue for the construction of improvements in the City's seven parks. In February 2004, the City issued bonds for these improvements, in the amount of \$6,000,000. The City has completed the design and preparation of construction bid documents and is looking forward to beginning construction of the improvements in 2004. The City received \$600,454 in property tax collections prior to December 31, 2003, for this project. These monies, along with property taxes that will be collected in 2004, will be used to retire the \$1,000,000 of notes maturing in November 2004.

The City also entered into a contract in 2003 for the design of a new police facility to be located in vacant building space adjacent to the administrative offices at 47 Hall Street. The new facility is essential due to the increased number of officers needed as the City continues to grow and to assure continued accreditation of the police department.

City of Powell
Management's Discussion and Analysis
For the Year Ended December 31, 2003
(Unaudited)

The City purchased the final parcel needed for the extension of Murphy Parkway. This roadway will provide an alternative connection between South Liberty Street and West Olentangy Street and will help alleviate congestion at the four-corners intersection. This parcel also includes a building which can be used for the City's public service department operations.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Nan Metz, Finance Director, 47 Hall Street, Powell, Ohio 43065.

City of Powell
Statement of Net Assets
December 31, 2003

	Governmental Activities
<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,484,856
Account Receivable	25,089
Accrued Interest Receivable	4,015
Due from Other Governments	358,958
Municipal Income Taxes Receivable	606,849
Other Local Taxes Receivable	30,786
Prepaid Items	11,745
Materials and Supplies Inventory	12,203
Property Taxes Receivable	1,333,295
Nondepreciable Capital Assets	3,171,556
Depreciable Capital Assets, Net	18,585,510
 Total Assets	 31,624,862
<u>Liabilities</u>	
Accrued Wages Payable	19,197
Accounts Payable	11,820
Contracts Payable	5,915
Due to Other Governments	31,057
Matured Compensated Absences Payable	4,938
Accrued Interest Payable	84,629
Notes Payable	7,000,000
Deferred Revenue	1,314,973
Long-Term Liabilities	
Due Within One Year	462,218
Due in More Than One Year	15,295,291
 Total Liabilities	 24,230,038
<u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	8,461,206
Restricted for	
Debt Service	60,763
Capital Projects	1,813,049
Other Purposes	945,912
Unrestricted (Deficit)	(3,886,106)
 Total Net Assets	 \$7,394,824

See Accompanying Notes to the Basic Financial Statements

City of Powell
Statement of Activities
For the Year Ended December 31, 2003

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
Security of Persons and Property	\$1,400,471	\$5,870	\$51,808	\$0
Leisure Time Activities	249,788	60,966	37,308	174,949
Community Environment	488,123	1,318,846	0	0
Transportation	1,214,517	64,415	263,920	680,420
General Government	1,005,800	7,784	0	0
Interest and Fiscal Charges	1,034,196	0	0	0
Total Governmental Activities	\$5,392,895	\$1,457,881	\$353,036	\$855,369

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Parks and Recreation
Property Taxes Levied for Debt Service
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Cable Franchise Fee
Interest
Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - (See Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets
Governmental
Activities

(\$1,342,793)
23,435
830,723
(205,762)
(998,016)
(1,034,196)

(2,726,609)

289,643
603,475
386,141
2,565,596
870,603
38,326
57,758
94,375

4,905,917

2,179,308

5,215,516

\$7,394,824

City of Powell
Balance Sheet
Governmental Funds
December 31, 2003

	General	Street Construction and Maintenance	Golf Village	Capital Improvement Projects
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,312,038	\$330,541	\$425,626	\$345,756
Accounts Receivable	25,089	0	0	0
Accrued Interest Receivable	4,015	0	0	0
Due from Other Governments	177,390	101,517	0	0
Municipal Income Taxes Receivable	606,849	0	0	0
Other Local Taxes Receivable	0	28,477	0	0
Interfund Receivable	25,165	0	0	0
Prepaid Items	11,314	312	0	0
Materials and Supplies Inventory	0	12,203	0	0
Property Taxes Receivable	322,772	0	0	0
Total Assets	\$5,484,632	\$473,050	\$425,626	\$345,756
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$18,631	\$0	\$0	\$0
Accounts Payable	11,742	0	0	0
Contracts Payable	5,915	0	0	0
Due to Other Governments	27,124	0	0	0
Matured Compensated Absences Payable	4,938	0	0	0
Interfund Payable	0	0	0	0
Accrued Interest Payable	0	0	14,210	0
Notes Payable	0	0	6,000,000	0
Deferred Revenue	1,001,459	102,298	0	0
Total Liabilities	1,069,809	102,298	6,014,210	0
<u>Fund Balance</u>				
Reserved for Encumbrances	221,074	122,792	0	197,339
Unreserved, Reported in				
General Fund	4,193,749	0	0	0
Special Revenue Funds	0	247,960	0	0
Debt Service Fund	0	0	0	0
Capital Projects Funds (Deficit)	0	0	(5,588,584)	148,417
Total Fund Balance (Deficit)	4,414,823	370,752	(5,588,584)	345,756
Total Liabilities and Fund Balance	\$5,484,632	\$473,050	\$425,626	\$345,756

See Accompanying Notes to the Basic Financial Statements

<u>Parks and Recreation Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$1,090,313	\$980,582	\$7,484,856
0	0	25,089
0	0	4,015
39,842	40,209	358,958
0	0	606,849
0	2,309	30,786
0	0	25,165
0	119	11,745
0	0	12,203
<u>619,788</u>	<u>390,735</u>	<u>1,333,295</u>
<u>\$1,749,943</u>	<u>\$1,413,954</u>	<u>\$9,892,961</u>
\$0	\$566	\$19,197
0	78	11,820
0	0	5,915
0	811	27,935
0	0	4,938
0	25,165	25,165
2,605	0	16,815
1,000,000	0	7,000,000
<u>659,630</u>	<u>430,983</u>	<u>2,194,370</u>
<u>1,662,235</u>	<u>457,603</u>	<u>9,306,155</u>
369,620	15,077	925,902
0	0	4,193,749
0	445,397	693,357
0	51,703	51,703
<u>(281,912)</u>	<u>444,174</u>	<u>(5,277,905)</u>
<u>87,708</u>	<u>956,351</u>	<u>586,806</u>
<u>\$1,749,943</u>	<u>\$1,413,954</u>	<u>\$9,892,961</u>

City of Powell
 Reconciliation of Total Governmental Fund Balance
 to Net Assets of Governmental Activities
 December 31, 2003

Total Governmental Fund Balance	\$586,806
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,757,066
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	24,754	
Accrued Interest Receivable	4,015	
Due from Other Governments	312,254	
Municipal Income Taxes Receivable	496,174	
Other Local Taxes Receivable	23,878	
Property Taxes Receivable	18,322	
		879,397

Due to other governments includes contractually required pension contributions not expected to be paid with available expendable financial resources and, therefore, not reported in the funds.	(3,122)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(67,814)	
General Obligations Bonds Payable	(15,660,000)	
Compensated Absences Payable	(97,509)	
		(15,825,323)

Net Assets of Governmental Activities	<u>\$7,394,824</u>
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See Accompanying Notes to the Basic Financial Statements

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City of Powell
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2003

	General	Street Construction and Maintenance	Golf Village	Capital Improvement Projects
<u>Revenues</u>				
Property Taxes	\$288,218	\$0	\$0	\$0
Municipal Income Taxes	2,472,209	0	0	0
Other Local Taxes	0	58,558	0	0
Charges for Services	4,692	0	380,380	0
Fees, Licenses, and Permits	857,125	0	0	0
Fines and Forfeitures	8,134	0	0	0
Intergovernmental	752,428	213,242	0	34,190
Interest	59,124	2,907	0	0
Other	70,560	0	20,760	0
Total Revenues	4,512,490	274,707	401,140	34,190
<u>Expenditures</u>				
Current:				
Security of Persons and Property	1,335,770	0	0	0
Leisure Time Activities	38,876	0	0	0
Community Environment	487,558	0	0	0
Transportation	541,772	251,738	0	0
General Government	959,536	0	0	0
Capital Outlay	0	0	0	503,333
Debt Service:				
Principal Retirement	0	0	150,000	0
Interest and Fiscal Charges	0	0	769,640	0
Total Expenditures	3,363,512	251,738	919,640	503,333
Excess of Revenues Over (Under) Expenditures	1,148,978	22,969	(518,500)	(469,143)
<u>Other Financing Sources (Uses)</u>				
Transfers In	0	180,951	0	156,700
Transfers Out	(523,400)	0	0	0
Total Other Financing Sources (Uses)	(523,400)	180,951	0	156,700
Net Change in Fund Balance	625,578	203,920	(518,500)	(312,443)
Fund Balance (Deficit) Beginning of Year - Restated (Note 3)	3,789,245	166,832	(5,070,084)	658,199
Fund Balance (Deficit) End of Year	\$4,414,823	\$370,752	(\$5,588,584)	\$345,756

See Accompanying Notes to the Basic Financial Statements

<u>Parks and Recreation Construction</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$600,454	\$384,291	\$1,272,963
0	0	2,472,209
0	4,748	63,306
0	181,335	566,407
0	0	857,125
0	828	8,962
80,901	215,206	1,295,967
0	334	62,365
4,940	37,308	133,568
<u>686,295</u>	<u>824,050</u>	<u>6,732,872</u>
0	50,467	1,386,237
0	168,789	207,665
0	0	487,558
0	497	794,007
9,338	5,977	974,851
551,160	0	1,054,493
0	220,000	370,000
7,545	270,295	1,047,480
<u>568,043</u>	<u>716,025</u>	<u>6,322,291</u>
<u>118,252</u>	<u>108,025</u>	<u>410,581</u>
0	191,700	529,351
0	(5,951)	(529,351)
<u>0</u>	<u>185,749</u>	<u>0</u>
118,252	293,774	410,581
<u>(30,544)</u>	<u>662,577</u>	<u>176,225</u>
<u>\$87,708</u>	<u>\$956,351</u>	<u>\$586,806</u>

City of Powell
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2003

Net Change in Fund Balance - Total Governmental Funds \$410,581

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

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

Capital Outlay	1,128,770	
Capital Contributions	855,369	
Depreciation	<u>(579,228)</u>	
		1,404,911

The cost of capital assets is removed from the capital asset account on the statement of net assets when disposed, resulting in a loss on disposal of capital assets on the statement of activities.		(13,552)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Property Taxes	6,296	
Municipal Income Taxes	93,387	
Other Local Taxes	1,109	
Fees, Licenses, and Permits	(702)	
Intergovernmental	(112,877)	
Interest	(1,366)	
Other	<u>(1,885)</u>	
		(16,038)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		370,000
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets.		13,284
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Due to Other Governments	20,439	
Compensated Absences Payable	<u>(10,317)</u>	
		<u>10,122</u>

Change in Net Assets of Governmental Activities		<u><u>\$2,179,308</u></u>
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See Accompanying Notes to the Basic Financial Statements

City of Powell
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Property Taxes	\$287,227	\$287,227	\$288,218	\$991
Municipal Income Taxes	2,500,000	2,500,000	2,656,054	156,054
Charges for Services	3,750	3,750	4,692	942
Fees, Licenses, and Permits	323,334	323,334	857,125	533,791
Fines and Forfeitures	11,000	11,000	9,791	(1,209)
Intergovernmental	444,118	444,118	810,877	366,759
Interest	35,000	35,000	59,124	24,124
Other	28,000	28,000	71,497	43,497
Total Revenues	3,632,429	3,632,429	4,757,378	1,124,949
<u>Expenditures</u>				
Current:				
Security of Persons and Property	1,432,781	1,433,781	1,370,658	63,123
Leisure Time Activities	72,193	72,193	50,037	22,156
Community Environment	486,033	537,433	502,871	34,562
Transportation	870,570	876,320	660,887	215,433
General Government	1,248,193	1,221,943	1,064,494	157,449
Total Expenditures	4,109,770	4,141,670	3,648,947	492,723
Excess of Revenues Over (Under) Expenditures	(477,341)	(509,241)	1,108,431	1,617,672
<u>Other Financing Sources (Uses)</u>				
Advances In	0	0	855,707	855,707
Advances Out	0	(805,572)	(805,572)	0
Transfers Out	(461,400)	(523,400)	(523,400)	0
Total Other Financing Sources (Uses)	(461,400)	(1,328,972)	(473,265)	855,707
Change in Fund Balance	(938,741)	(1,838,213)	635,166	2,473,379
Fund Balance Beginning of Year	3,285,342	3,285,342	3,285,342	0
Prior Year Encumbrances Appropriated	155,455	155,455	155,455	0
Fund Balance End of Year	\$2,502,056	\$1,602,584	\$4,075,963	\$2,473,379

See Accompanying Notes to the Basic Financial Statements

City of Powell
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Street Construction and Maintenance Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Other Local Taxes	\$31,500	\$31,500	\$56,953	\$25,453
Intergovernmental	134,250	134,250	203,035	68,785
Interest	2,000	2,000	2,907	907
Total Revenues	167,750	167,750	262,895	95,145
<u>Expenditures</u>				
Current:				
Transportation	319,817	392,817	382,656	10,161
Excess of Revenues Under Expenditures	(152,067)	(225,067)	(119,761)	105,306
<u>Other Financing Sources</u>				
Transfers In	125,000	175,000	180,951	5,951
Change in Fund Balance	(27,067)	(50,067)	61,190	111,257
Fund Balance Beginning of Year	119,742	119,742	119,742	0
Prior Year Encumbrances Appropriated	26,817	26,817	26,817	0
Fund Balance End of Year	<u>\$119,492</u>	<u>\$96,492</u>	<u>\$207,749</u>	<u>\$111,257</u>

See Accompanying Notes to the Basic Financial Statements

City of Powell
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2003

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$471,864</u></u>
<u>Liabilities</u>	
Undistributed Assets	<u><u>\$471,864</u></u>

See Accompanying Notes to the Basic Financial Statements

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

A. The City

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

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Powell in 2003.

The City participates in two insurance pools, the Ohio Government Risk Management Plan and the Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan, and two jointly governed organizations, the Liberty Community Infrastructure Financing Authority and the Powell Community Infrastructure Financing Authority. These organizations are presented in Notes 20 and 21 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

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

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2003. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for various fees charged by the City and remitted to other government agencies and for deposits held pending compliance with established requirements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2003, but were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F. Cash and Investments

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

During 2003, the City invested in repurchase agreements and nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2003.

Interest earnings are allocated to City funds according to State statutes. Interest revenue credited to the General Fund during 2003 was \$59,124, which includes \$27,880 assigned from other City funds.

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

G. Prepaid Items

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

H. Inventory

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

I. Capital Assets

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

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20-60 years
Buildings	50 years
Equipment	5-10 years
Vehicles	5-10 years
Streets	15-45 years

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets.

K. Compensated Absences

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for construction, repair, and maintenance of streets and highways, recreation, various police department grants, and special events including the Powell Festival, Safety Town program, and Powell Cycling Classic program. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

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

O. Interfund Transactions

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Q. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

A. Change in Accounting Principles

For 2003, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the full accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the City uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the City's financial statements for 2003.

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY (continued)

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also reported:

	General	Street Construction and Maintenance	Golf Village	Capital Improvement Projects
Fund Balance December 31, 2002	\$3,783,261	\$166,832	(\$5,070,084)	\$658,199
GASB Interpretation No. 6 Adjustment				
Compensated Absences	5,984	0	0	0
Total Fund Balance December 31, 2002	<u>\$3,789,245</u>	<u>\$166,832</u>	<u>(\$5,070,084)</u>	<u>\$658,199</u>

	Parks and Recreation Construction	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2002	(\$30,544)	\$662,533	\$170,197
GASB Interpretation No. 6 Adjustment			
Compensated Absences	0	44	6,028
Total Fund Balance December 31, 2002	<u>(\$30,544)</u>	<u>\$662,577</u>	176,225
GASB Statement No.34 Adjustments:			
Accounts Receivable			27,341
Accrued Interest Receivable			5,381
Due from Other Governments			425,131
Municipal Income Taxes Receivable			402,787
Other Local Taxes Receivable			22,769
Property Taxes Receivable			12,026
Capital Assets			20,365,707
Due to Other Governments			(23,561)
Accrued Interest Payable			(81,098)
General Obligation Bonds Payable			(16,030,000)
Compensated Absences Payable			(87,192)
Governmental Activities Net Assets December 31 ,2002			<u>\$5,215,516</u>

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 4 - ACCOUNTABILITY

At December 31, 2003, the CJIS Consortium special revenue fund and the Golf Village capital projects fund had deficit fund balances, in the amount of \$6,291 and \$5,588,584, respectively. The deficit in the CJIS Consortium special revenue fund resulted from adjustments for accrued liabilities. The General fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when the accruals occur. The deficit in the Golf Village capital projects fund was due to the requirement to report the bond anticipation note liability in the fund receiving the note proceeds. The deficit will be alleviated when the notes are paid.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

	Change in Fund Balance	
	General	Street Construction and Maintenance
GAAP Basis	\$625,578	\$203,920
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2002, Received in Cash 2003	379,544	15,884
Accrued 2003, Not Yet Received in Cash	(134,656)	(27,696)
		(continued)

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

	Change in Fund Balance (continued)	
	General	Street Construction and Maintenance
Expenditure Accruals:		
Accrued 2002, Paid in Cash 2003	(\$114,216)	(\$8,545)
Accrued 2003, Not Yet Paid in Cash	68,350	0
Prepaid Items	(3,494)	(312)
Materials and Supplies Inventory	0	731
Advances In	855,707	0
Advances Out	(805,572)	0
Encumbrances Outstanding at Year End (Budget Basis)	(236,075)	(122,792)
Budget Basis	\$635,166	\$61,190

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

At year end, the carrying amount of the City's deposits was \$345,451 and the bank balance was \$914,839. Of the bank balance, \$114,839 was covered by federal depository insurance and \$800,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$4,235,660	\$4,235,660	\$4,235,677
STAR Ohio		3,375,609	3,375,609
		\$7,611,269	\$7,611,286

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$7,956,720	\$0
Investments:		
Repurchase Agreements	(4,235,660)	4,235,660
STAR Ohio	(3,375,609)	3,375,609
GASB Statement No. 3	\$345,451	\$7,611,269

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003, consisted of accounts; accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund receivables; and property taxes. All receivables are considered collectible in full within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Cigarette Tax	\$9
Liquor Permits	4,287
Local Government	151,817
Homestead and Rollback	20,787
Municipal Court	365
Juvenile Court	125
Total General Fund	177,390
Street Construction and Maintenance	
Gasoline Tax	74,697
Motor Vehicle License Tax	26,820
Total Street Construction and Maintenance	101,517
Parks and Recreation Construction Fund	
Homestead and Rollback	39,842
Total Major Funds	318,749
Nonmajor Funds	
State Highway	
Gasoline Tax	6,057
Motor Vehicle License Tax	2,175
Total State Highway	8,232
Parks and Recreation	
OCJS Grant	544
CJIS Consortium	
Office of Justice/Byrne Grant	6,291

(continued)

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
DUI Enforcement	
Municipal Court	\$25
General Obligation 1995 Road Levy Bond Retirement	
Homestead and Rollback	6,929
General Obligation 1997 Land Acquisition Bond Retirement	
Homestead and Rollback	6,236
General Obligation Bond Retirement	
Homestead and Rollback	11,952
Total Nonmajor Funds	40,209
Total Governmental Activities	\$358,958

NOTE 8 - MUNICIPAL INCOME TAXES

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

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2003 represent the collection of 2002 taxes. Real property taxes received in 2003 were levied after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 9 - PROPERTY TAXES (continued)

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

Tangible personal property tax revenues received in 2003 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2003 were levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations.

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

The full tax rate for all City operations for the year ended December 31, 2003, was \$5.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural/Residential	\$237,700,250
Commercial/Industrial	22,537,190
Public Utility Property	
Real	5,110
Personal	3,232,780
Tangible Personal Property	5,770,204
Total Assessed Value	\$269,245,534

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 10 - CAPITAL ASSETS

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

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$2,111,184	\$479,300	\$0	\$2,590,484
Construction in Progress	70,882	510,190	0	581,072
Total Nondepreciable Capital Assets	<u>2,182,066</u>	<u>989,490</u>	<u>0</u>	<u>3,171,556</u>
Depreciable Capital Assets				
Land Improvements	2,411,246	42,149	0	2,453,395
Buildings	1,423,614	171,900	0	1,595,514
Equipment	165,865	55,442	0	221,307
Vehicles	486,798	73,138	(45,097)	514,839
Streets	17,954,197	652,020	0	18,606,217
Total Depreciable Capital Assets	<u>22,441,720</u>	<u>994,649</u>	<u>(45,097)</u>	<u>23,391,272</u>
Less Accumulated Depreciation for				
Land Improvements	(254,988)	(53,648)	0	(308,636)
Buildings	(183,117)	(31,910)	0	(215,027)
Equipment	(127,178)	(21,645)	0	(148,823)
Vehicles	(271,843)	(58,547)	31,545	(298,845)
Streets	(3,420,953)	(413,478)	0	(3,834,431)
Total Accumulated Depreciation	<u>(4,258,079)</u>	<u>(579,228)</u>	<u>31,545</u>	<u>(4,805,762)</u>
Total Depreciable Capital Assets, Net	<u>18,183,641</u>	<u>415,421</u>	<u>(13,552)</u>	<u>18,585,510</u>
Governmental Activities Capital Assets, Net	<u>\$20,365,707</u>	<u>\$1,404,911</u>	<u>(\$13,552)</u>	<u>\$21,757,066</u>

The City accepted a contribution of nondepreciable and depreciable capital assets for governmental activities with a fair value of \$168,900 and \$686,469 during 2003.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$39,312
Leisure Time Activities	41,633
Community Environment	1,670
Transportation	453,994
General Government	42,619
Total Depreciation Expense - Governmental Activities	<u>\$579,228</u>

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2003, the General Fund had an interfund receivable and the CJIS Consortium special revenue fund had an interfund payable, in the amount of \$25,165, resulting from the provision of cash flow resources until the receipt of grant monies.

NOTE 12 - RISK MANAGEMENT

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

Type of Coverage	Coverage	Deductible
General Liability		
Occurrence	\$5,000,000	\$0
Aggregate	7,000,000	0
Law Enforcement Liability		
Occurrence	5,000,000	5,000
Aggregate	7,000,000	5,000
Public Official Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Ohio Stop Gap	5,000,000	0
Employee Benefits Liability		
Occurrence	1,000,000	0
Aggregate	3,000,000	0
Automobile Liability		
Bodily Injury	5,000,000	1,000
Medical - each accident	1,000	0
Property	3,391,100	1,000
Inland Marine	163,110	500
Electronic Data Processing	50,000	500
Crime	25,000	0

There have been no significant reductions in insurance coverage from 2003, and no insurance settlement has exceeded insurance coverage during the last three years.

For 2003, the City participated in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 12 - RISK MANAGEMENT (continued)

For 2003, the City participated in the Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

NOTE 13 - CONTRACTUAL COMMITMENTS

At December 31, 2003, the City had contractual commitments as follows:

<u>Company</u>	<u>Contract Amount</u>	<u>Amount Remaining on Contract</u>
Edsall and Associates	\$692,108	\$268,683
American Pavements Inc.	290,000	80,251
Horne & King Archtiects	170,000	153,680
Oberland Tree & Landscape	107,613	107,613

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

For the year ended December 31, 2003, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2003 was 8.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$80,058, \$69,450, and \$71,054, respectively; 98 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of \$1,424, is recorded as a liability. Contributions to the member-directed plan for 2003 were \$1,287 made by the City and \$808 made by plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The City's contributions to the OPF for the years ended December 31, 2003, 2002, and 2001 were \$95,703, \$82,310, and \$75,065, respectively; 99 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2002, in the amount of \$1,698, is recorded as a liability.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion used to fund health care.

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits was \$46,818. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2002 (the latest information available), was \$10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the OPERS 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. The Choices Plan will incorporate a cafeteria approach offering a broader range of health care options. The Choices 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 Choices Plan will also offer a spending account feature enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by OPF is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the OPF's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll; 7.75 percent was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$63,123 for police. The OPF's total health care expense for the year ended December 31, 2002 (the latest information available), was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OPF participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

NOTE 16 - COMPENSATED ABSENCES

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

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

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

NOTE 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2003, were as follows:

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
Governmental Activities					
Capital Projects Funds					
Various Purpose Bond Anticipation Notes	2.04%	\$6,000,000	\$0	\$6,000,000	\$0
Various Purpose Bond Anticipation Notes	1.50	0	6,000,000	0	6,000,000
Park and Recreation Bond Anticipation Notes	1.65	0	1,000,000	0	1,000,000
Total Governmental Activities		<u>\$6,000,000</u>	<u>\$7,000,000</u>	<u>\$6,000,000</u>	<u>\$7,000,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City's bond anticipation notes are supported by full faith and credit of the City and have a maturity of one year. The liability is presented in the fund receiving the proceeds. The various purpose bond anticipation notes were issued for various activities related to the Liberty Community Infrastructure Financing Authority and the park and recreation bond anticipation notes were issued to construct improvements at the City's parks.

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 17 - NOTES PAYABLE (continued)

As of December 31, 2003, the City had unspent note proceeds, in the amount of \$478,264.

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2003, was as follows:

	Interest Rate	Balance 12/31/02	Additions	Reductions	Balance 12/31/03	Due Within One Year
<u>General Obligations Bonds</u>						
Various Purpose 1997A (Original Amount \$2,725,000)	7.10%	\$2,385,00		\$80,000	\$2,305,00	\$85,00
Various Purpose 1997B (Original Amount \$720,000)	5.75	480,00		45,000	435,00	50,00
Road Improvement (Original Amount \$2,571,501)	3.20	2,250,00		95,000	2,155,00	100,00
Golf Village 2002 (Original Amount \$10,915,000)	3-5.5	10,915,00		150,000	10,765,00	175,00
Total General Obligation Bonds		16,030,00		370,000	15,660,00	410,00
<u>Other Long-Term Obligations</u>						
Compensated Absences Payable		87,19	13,1	2,717	97,50	52,21
Total Long-Term Obligations		\$16,117,19	\$13,1	\$372,717	\$15,757,50	\$462,21

General Obligation Bonds

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

Golf Village 2002

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

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

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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

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

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

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

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

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

City of Powell
Notes to the Basic Financial Statements
For the Year Ended December 31, 2003

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences

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

The City's legal debt margin was \$5,662,484 at December 31, 2003.

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

Year	General Obligation Bonds	
	Principal	Interest
2004	\$410,000	\$813,778
2005	470,000	795,818
2006	465,000	775,665
2007	545,000	752,080
2008	595,000	726,330
2009-2013	2,630,000	3,235,209
2014-2018	3,000,000	2,558,188
2019-2023	2,065,000	1,849,205
2024-2028	2,675,000	1,252,625
2029-2032	2,805,000	390,221
	\$15,660,000	\$13,149,119

NOTE 19 - INTERFUND TRANSFERS

During 2003, the General Fund made transfers to the Street Construction and Maintenance special revenue fund, Capital Improvement Projects capital projects fund, and other governmental funds, in the amount of \$175,000, \$156,700, and \$191,700, respectively; to subsidize various programs in other funds and to move receipts to debt service funds as debt payments came due.

Other governmental funds transferred \$5,951 to the Street Construction and Maintenance special revenue fund for the costs of services provided.

NOTE 20 - INSURANCE POOLS

A. Ohio Government Risk Management Plan

The City is a participant in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formulized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information may be obtained from the Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

B. Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan

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

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

A. Liberty Community Infrastructure Financing Authority

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

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Powell Community Infrastructure Financing Authority

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

NOTE 22 - CONTINGENT LIABILITIES

A. Litigation

The City is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2003, to December 31, 2003, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 23 - SUBSEQUENT EVENT

On February 15, 2004, the City issued \$6,000,000 in general obligation bonds for park and recreation improvements. The bonds have interest rates from 2.00 to 3.50 percent and mature on December 1, 2013.



Auditor of State Betty Montgomery

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

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

To the Members of Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Powell, Delaware County, Ohio, (the City) as of and for the year ended December 31, 2003, which collectively comprises the City's basic financial statements and have issued our report thereon dated November 1, 2004, wherein we noted the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2003-001. We also noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated November 1, 2004.

Internal Control Over Financial Reporting

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

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www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

November 1, 2004

CITY OF POWELL
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003

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

Finding Number	2003-001
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Prior Certification of Expenditures

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

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the City.

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

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

**CITY OF POWELL
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003
(Continued)**

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

Finding Number	2003-001 (Continued)
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We recommend the City certify expenditures to which sections 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**CITY OF POWELL
DELAWARE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	The City did not report its governmental fixed assets in the GFAAG.	Yes	Corrected through the implementation of GASB 34.



**Auditor of State
Betty Montgomery**

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**CITY OF POWELL
DELAWARE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2004**