

CITY OF PATASKALA
LICKING COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2004

CHARLES WILLIAMS, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Pataskala
196 East Broad Street
Pataskala, Ohio 43062

We have reviewed the *Independent Auditor's Report* of the City of Pataskala, Licking County, prepared by Julian & Grube, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 2, 2006

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CITY OF PATASKALA
LICKING COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

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JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor’s Report

Members of Council and Mayor
City of Pataskala
196 East Broad Street
Pataskala, Ohio 43062

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Pataskala, Licking County, Ohio, (the “City”), as of and for the year ended December 31, 2004, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

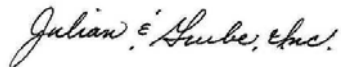
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pataskala, Licking County, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general, street, and police levy funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the City 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 Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the year ended December 31, 2004. As disclosed in Note 7, the City restated capital assets for errors and omissions and a change in its capitalization threshold.

Members of Council and Mayor
City of Pataskala

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



Julian & Grube, Inc.
July 26, 2005

CITY OF PATASKALA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

The discussion and analysis of the City of Pataskala's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The total net assets of the City increased \$1,575,317. Net assets of governmental activities increased \$836,635 and net assets of business-type activities increased \$738,682 or 18.80% over 2003.
- General revenues accounted for \$2,553,102 of total governmental activities revenue. Program specific revenues accounted for \$1,933,622 or 43.10% of total governmental activities revenue.
- The City had \$3,650,089 in expenses related to governmental activities; \$1,933,622 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$1,716,467 were offset by general revenues (primarily property taxes and unrestricted grants and entitlements) of \$2,553,102.
- The general fund had revenues of \$1,395,931 in 2004. This represents a decrease of \$70,628 from 2003 revenues. The expenditures of the general fund, which totaled \$1,457,700 in 2004, decreased \$46,883 from \$1,504,583 in 2003 (restated due to GASB Interpretation No. 6, in Note 3 of the financials). The net decrease in fund balance for the general fund was \$61,769 or 6.42%.
- The street fund had revenues of \$1,106,202 in 2004, which is an increase of \$174,920 from 2003 revenues. The expenditures in the street fund totaled \$1,031,264 in 2004, which increased \$141,039 from 2003. The net increase in fund balance was \$74,938, resulting in an ending fund balance of \$412,081.
- The police levy fund had revenues of \$1,145,983 in 2004, which is an increase of \$70,090 from 2003 revenues. The expenditures in the police levy fund totaled \$1,142,547 in 2004, which increased \$85,224 from \$1,057,323 in 2003 (restated due to GASB Interpretation No. 6, in Note 3 of the notes to the financials). The net increase in fund balance was \$3,436, resulting in an ending fund balance of \$83,946.
- Net assets for the business-type activities, which are made up of the Water and Sewer enterprise funds, increased in 2004 by \$738,682. This increase in net assets was due primarily to capital contributions from area development coupled with adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$16,641 higher than they were in the final budget and actual expenditures were \$909,267 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Original budgeted expenditures were not amended during the year.

The Basic Financial Statements

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

CITY OF PATASKALA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004 UNAUDITED

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Funds

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

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

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

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 27 - 29 of this report.

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

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

CITY OF PATASKALA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The table below provides a summary of the City's net assets for 2004:

	Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 4,674,508	\$ 3,468,781	\$ 8,143,289
Capital assets, net	<u>2,903,837</u>	<u>5,441,232</u>	<u>8,345,069</u>
Total assets	<u>7,578,345</u>	<u>8,910,013</u>	<u>16,488,358</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	277,890	2,551,875	2,829,765
Other liabilities	<u>2,686,011</u>	<u>1,689,311</u>	<u>4,375,322</u>
Total liabilities	<u>2,963,901</u>	<u>4,241,186</u>	<u>7,205,087</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,697,516	1,311,484	4,009,000
Restricted	1,089,647	-	1,089,647
Unrestricted	<u>827,281</u>	<u>3,357,343</u>	<u>4,184,624</u>
Total net assets	<u>\$ 4,614,444</u>	<u>\$ 4,668,827</u>	<u>\$ 9,283,271</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$9,283,271. At year-end, net assets were \$4,614,444 and \$4,668,827 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 38.32% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$2,697,516 and \$1,311,484 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2004, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$1,089,647, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$4,184,264 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

	Change in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 906,720	\$ 1,932,670	\$ 2,839,390
Operating grants and contributions	744,260	-	744,260
Capital grants and contributions	<u>282,642</u>	<u>366,711</u>	<u>649,353</u>
Total program revenues	<u>1,933,622</u>	<u>2,299,381</u>	<u>4,233,003</u>
General revenues:			
Property taxes	2,214,190	-	2,214,190
Unrestricted grants and entitlements	267,013	-	267,013
Investment earnings	28,329	25,540	53,869
Miscellaneous	<u>43,570</u>	<u>24,950</u>	<u>68,520</u>
Total general revenues	<u>2,553,102</u>	<u>50,490</u>	<u>2,603,592</u>
Total revenues	<u>4,486,724</u>	<u>2,349,871</u>	<u>6,836,595</u>
Expenses:			
General government	979,742	-	979,742
Security of persons and property	1,330,112	-	1,330,112
Public health and welfare	44,546	-	44,546
Transportation	669,463	-	669,463
Community environment	446,947	-	446,947
Leisure time activity	159,546	-	159,546
Other	15	-	15
Interest and fiscal charges	19,718	-	19,718
Water	-	893,969	893,969
Sewer	<u>-</u>	<u>717,220</u>	<u>717,220</u>
Total expenses	<u>3,650,089</u>	<u>1,611,189</u>	<u>5,261,278</u>
Change in net assets	836,635	738,682	1,575,317
Net assets at beginning of year (restated)	<u>3,777,809</u>	<u>3,930,145</u>	<u>7,707,954</u>
Net assets at end of year	<u>\$ 4,614,444</u>	<u>\$ 4,668,827</u>	<u>\$ 9,283,271</u>

CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

Governmental activities net assets increased \$836,635 in 2004.

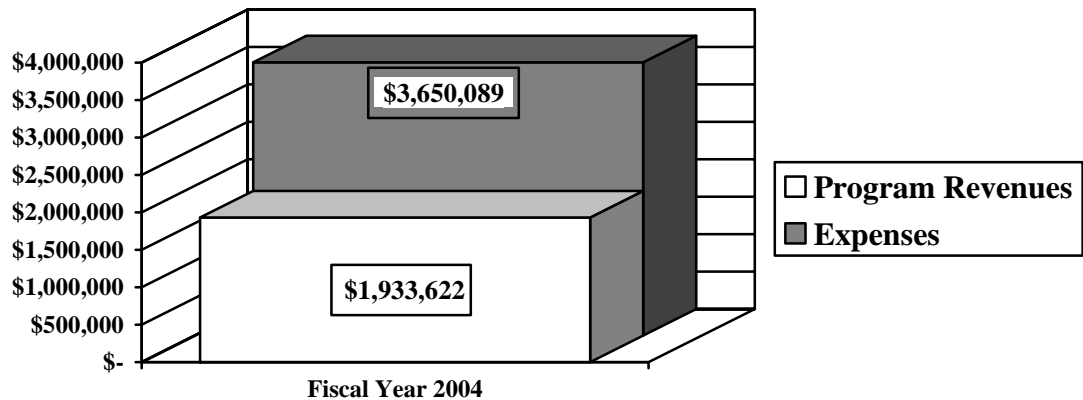
Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$1,330,112 which accounted for 36.44% of the total expenses of the City. These expenses were partially funded by \$29,134 in direct charges to users of the services and \$141,320 in operating grants and contributions. General government expenses totaled \$979,742 which was partially funded by \$465,690 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$744,260 in operating grants and contributions and \$282,642 in capital grants and contributions, \$178,864 of which were donated capital contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$85,930 subsidized general government programs, \$17,848 subsidized security of persons and property activities and \$178,864 subsidized transportation operations.

General revenues totaled \$2,553,102, and amounted to 56.90% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,214,190. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$267,013.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property taxes as well as unrestricted grants and entitlements to support its governmental activities. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities - Program Revenues vs. Total Expenses



CITY OF PATASKALA, OHIO

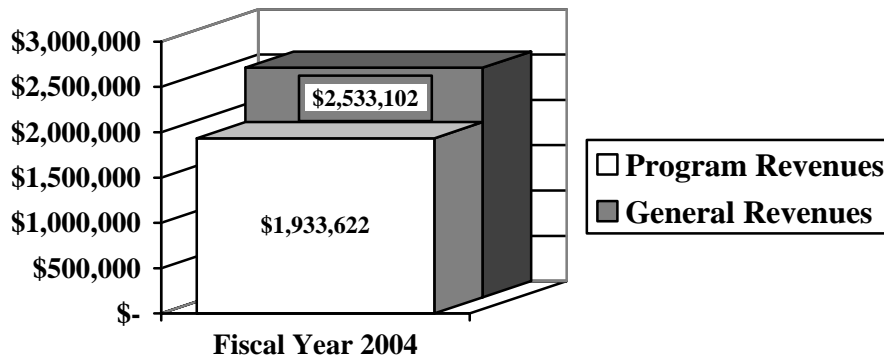
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program Expenses:		
General government	\$ 979,742	\$ 144,591
Security of persons and property	1,330,112	1,141,810
Public health and welfare	44,546	44,546
Transportation	669,463	(141,774)
Community environment	446,947	446,508
Leisure time activity	159,546	61,053
Other	15	15
Interest and fiscal charges	<u>19,718</u>	<u>19,718</u>
Total Expenses	<u>\$ 3,650,089</u>	<u>\$ 1,716,467</u>

The dependence upon general revenues for governmental activities is apparent, with 47.03% of expenses supported through taxes and other general revenues.

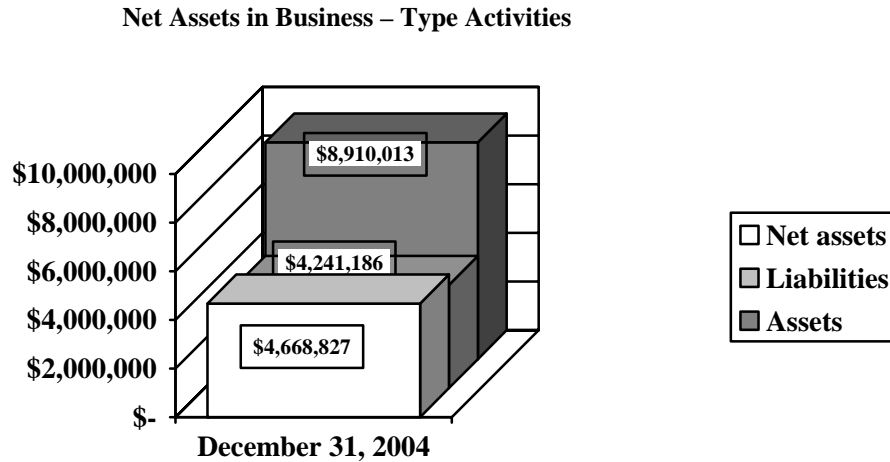
Governmental Activities - General and Program Revenues



CITY OF PATASKALA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED

Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$2,299,381, general revenues of \$50,490, and expenses of \$1,611,189 for 2004. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$1,437,489 which is \$96,046 below last year's total of \$1,533,535 (as restated). The December 31, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and nonmajor governmental funds.

CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

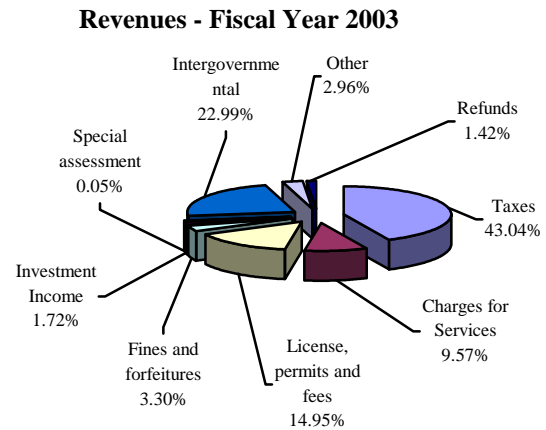
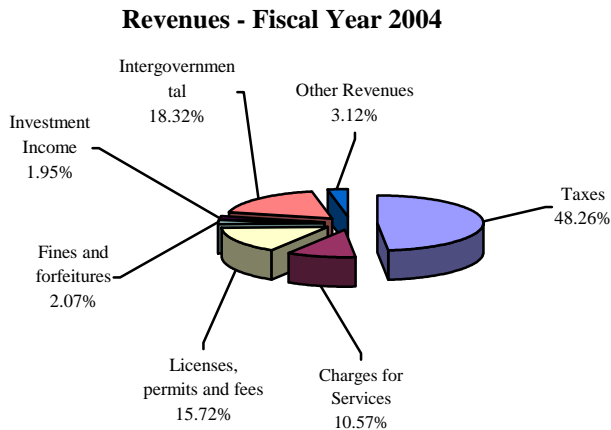
	<u>Fund Balances</u> 12/31/04	<u>Fund Balances</u> 12/31/03	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 899,994	\$ 961,763	\$ (61,769)
Street	412,081	337,143	74,938
Police levy	83,946	80,510	3,436
Other nonmajor governmental funds	<u>41,468</u>	<u>154,119</u>	<u>(112,651)</u>
Total	<u>\$ 1,437,489</u>	<u>\$ 1,533,535</u>	<u>\$ (96,046)</u>

General Fund

The City's general fund balance decreased \$61,769, primarily due to increasing expenditures over decreasing revenues. The table that follows assists in illustrating the revenues of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 673,651	\$ 631,321	6.70%
Charges for services	147,498	140,356	5.09%
Licenses, permits and fees	219,382	219,255	.06%
Fines and forfeitures	28,964	48,377	(40.13)%
Investment income	27,153	25,200	7.75%
Special assessments	-	800	(100.00)%
Intergovernmental	255,713	337,092	(24.14)%
Refunds	-	20,753	(100.00)%
Other	<u>43,570</u>	<u>43,405</u>	0.38%
Total	<u>\$ 1,395,931</u>	<u>\$ 1,466,559</u>	(4.82)%

Tax revenue represents 48.26% of all general fund revenue. Taxes increased 6.70% over 2003 revenues. Intergovernmental revenues decreased \$81,379 or 24.14% during 2004, due to the tightening of the state budget.



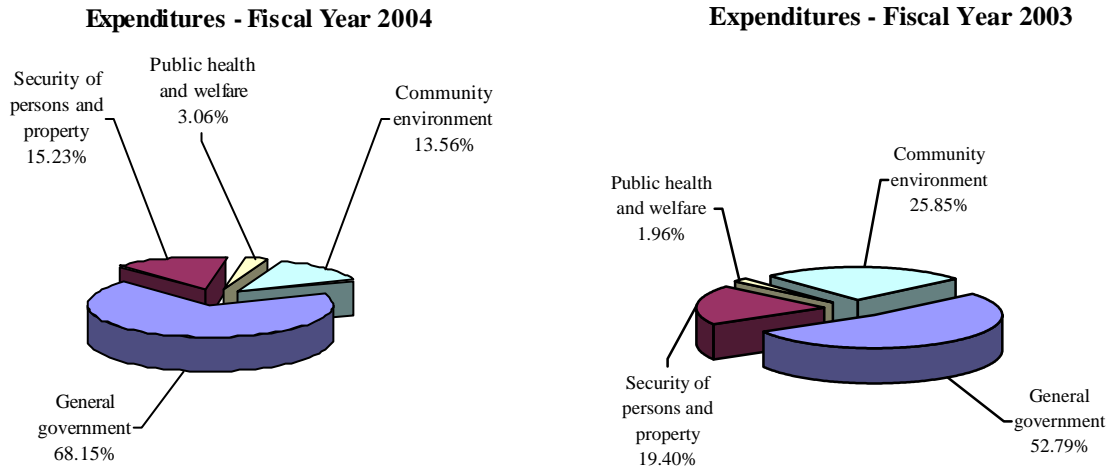
CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

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

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 993,506	\$ 795,423	24.90%
Security of persons and property	221,982	292,322	(24.06)%
Public health and welfare	44,546	29,488	51.06%
Community environment	<u>197,666</u>	<u>389,491</u>	(49.25)%
 Total	 <u>\$ 1,457,700</u>	 <u>\$ 1,506,724</u>	 (3.25)%

The most significant increase was in the area of public health and welfare. This increase is primarily due to the increase in employees for the cities parks and cemeteries, which were previously paid from other departments. All other expenditures remained comparable to 2003. The largest expenditure line item, general government, increased slightly, which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services.



Street Fund

The street fund had revenues of \$1,106,202 in 2004, which is an increase of \$174,920 from 2003 revenues. The expenditures in the street fund totaled \$1,031,264 in 2004, which increased \$141,039 from 2003. The net increase in fund balance was \$74,938, resulting in an ending fund balance of \$412,081.

Police Levy Fund

The police levy fund had revenues of \$1,145,983 in 2004, which is an increase of \$70,090 from 2003 revenues. The expenditures in the police levy fund totaled \$1,142,547 in 2004, which increased \$85,224 from 2003. The net increase in fund balance was \$3,436, resulting in an ending fund balance of \$83,946.

CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Budgeting Highlights

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

Budgetary information in the general fund noted no changes throughout the year for budgeted revenues. Actual revenues of \$1,403,264 were higher than final budgeted revenues by \$16,641. Budgeted expenditures were not amended during the year. Actual expenditures came in \$909,267 lower than the final budgeted amounts.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements. The City has no internal service funds and there were no internal balance outstanding at year-end between the governmental and business-type activities.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the City had \$8,345,069, net of accumulated depreciation, invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, and infrastructure. Of this total, \$2,903,837 was reported in governmental activities and \$5,441,232 was reported in business-type activities. The following table shows fiscal 2004 balances compared to 2003 (as restated in Note 8 to the basic financial statements):

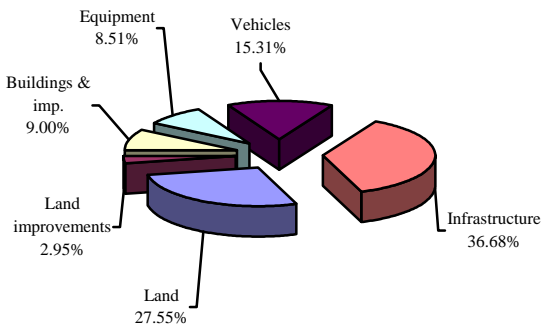
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2004	(Restated) 2003	2004	(Restated) 2003	2004	(Restated) 2003
Land	\$ 800,080	\$ 800,080	\$ 654,893	\$ 654,893	\$ 1,454,973	\$ 1,454,973
Land improvements	85,745	94,278	9,549	12,140	95,294	106,418
Buildings and improvements	261,276	276,238	1,300,997	1,368,766	1,562,273	1,645,004
Equipment	247,007	279,261	767,637	851,636	1,014,644	1,130,897
Vehicles	444,572	690,754	-	-	444,572	690,754
Infrastructure	1,065,157	-	2,708,156	2,510,656	3,773,313	2,510,656
Totals	<u>\$ 2,903,837</u>	<u>\$ 2,140,611</u>	<u>\$ 5,441,232</u>	<u>\$ 5,398,091</u>	<u>\$ 8,345,069</u>	<u>\$ 7,538,702</u>

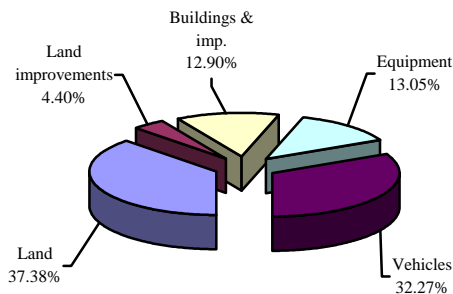
CITY OF PATASKALA, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

Capital Assets - Governmental Activities 2004



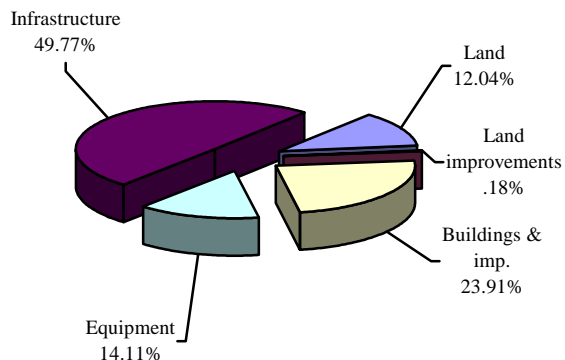
Capital Assets - Governmental Activities 2003



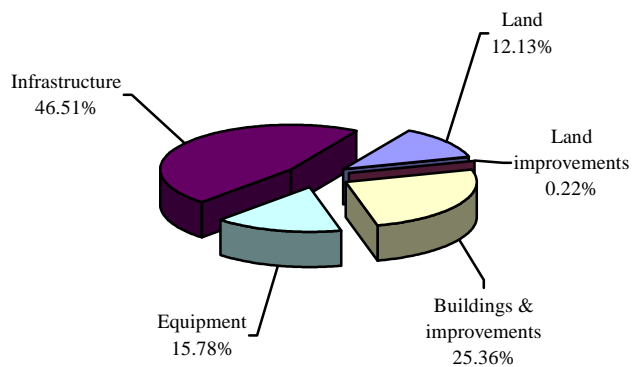
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The City is only reporting current year infrastructure in the governmental capital assets, but will add the City's infrastructure in the next reporting year.

The following graphs show the breakdown of business-type capital assets by category for 2004 and 2003.

Capital Assets - Business-Type Activities 2004



Capital Assets - Business-Type Activities 2003



The City's largest business-type capital asset category is infrastructure that primarily facilitates for the water and sewer mains. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 49.77% of the City's total business-type capital assets. See Note 7 for additional description of the City's capital assets.

CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

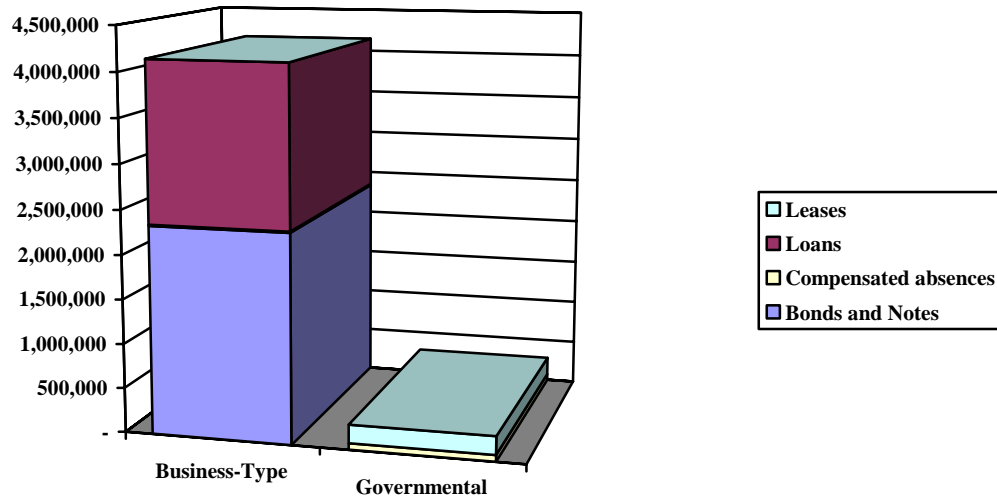
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2004 and 2003:

	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Compensated absences	71,569	62,503
Capital lease obligation payable	<u>206,321</u>	<u>333,916</u>
Total long-term obligations	<u>\$ 277,890</u>	<u>\$ 396,419</u>
	Business-type Activities	
	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 740,000	\$ 770,000
OWDA Loans	1,794,748	2,011,969
Compensated absences	<u>17,127</u>	<u>23,068</u>
Total long-term obligations	<u>\$ 2,551,875</u>	<u>\$ 2,035,037</u>

The City also had \$1,595,000 of notes payable outstanding at December 31, 2004. A comparison of the long-term obligations by category is depicted in the chart below. See Note 10 for further description of the City's long-term obligations.

Long-term obligations



CITY OF PATASKALA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

Economic Conditions and Outlook

The City of Pataskala is in a position of limited financial flexibility. Based on the geographic size of the City and the conditions of the streets and storm drainage areas, it is very difficult to perform the degree of maintenance required on City infrastructure while performing all other duties. Additional revenue sources are needed, and are being proposed in the budget request for next year. Also, the Charter Commission has recommended that the City Council consider the placement of an income tax issue on a charter revision ballot in the near future. Fees are also being reviewed as a means of generating operating revenue. Until such time as some or all of these options can be implemented, the City will be limited in its ability to provide basic public services.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Charles Williams, Finance Director, City of Pataskala, 196 E. Broad Street, Pataskala, Ohio 43062.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF PATASKALA, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,642,815	\$ 3,242,707	\$ 4,885,522
Receivables (net of allowances for uncollectibles):			
Real and other taxes	2,429,113	-	2,429,113
Accounts	48,697	212,247	260,944
Due from other governments	485,069	-	485,069
Prepayments	23,734	9,202	32,936
Materials and supplies inventory.	23,925	4,625	28,550
x			
Cash with fiscal and escrow agent	21,155	-	21,155
Capital assets:			
Land.	800,080	654,893	1,454,973
Depreciable capital assets, net	2,103,757	4,786,339	6,890,096
Total capital assets, net	<u>2,903,837</u>	<u>5,441,232</u>	<u>8,345,069</u>
 Total assets.	 <u>7,578,345</u>	 <u>8,910,013</u>	 <u>16,488,358</u>
Liabilities:			
Accounts payable.	59,612	39,509	99,121
Accrued wages and benefits	78,260	15,970	94,230
Deferred revenue.	2,259,893	-	2,259,893
Accrued interest payable.	1,547	26,088	27,635
Pension obligation payable	61,699	12,744	74,443
Notes payable	225,000	1,595,000	1,820,000
Long-term liabilities:			
Due within one year	187,883	275,622	463,505
Due in more than one year	90,007	2,276,253	2,366,260
 Total liabilities	 <u>2,963,901</u>	 <u>4,241,186</u>	 <u>7,205,087</u>
Net assets:			
Invested in capital assets, net of related debt	2,697,516	1,311,484	4,009,000
Restricted for:			
Debt service	30,068	-	30,068
Street construction, maintenance and repairs.	642,146	-	642,146
Police and fire	199,308	-	199,308
Other purposes	218,125	-	218,125
Unrestricted.	827,281	3,357,343	4,184,624
 Total net assets	 <u>\$ 4,614,444</u>	 <u>\$ 4,668,827</u>	 <u>\$ 9,283,271</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 979,742	\$ 465,690	\$ 283,531	\$ 85,930
Security of persons and property.	1,330,112	29,134	141,320	17,848
Public health and welfare	44,546	-	-	-
Transportation	669,463	331,435	300,938	178,864
Community environment.	446,947	439	-	-
Leisure time activity.	159,546	80,022	18,471	-
Other	15	-	-	-
Interest and fiscal charges.	19,718	-	-	-
Total governmental activities	3,650,089	906,720	744,260	282,642
Business-type Activities:				
Water	893,969	998,463	-	160,611
Sewer	717,220	934,207	-	206,100
Total business-type activities	1,611,189	1,932,670	-	366,711
Total primary government.	\$ 5,261,278	\$ 2,839,390	\$ 744,260	\$ 649,353

General Revenues:

Property taxes levied for:

- General purposes.
- Street fund
- Police fund
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues.

Change in net assets.

Net assets at beginning of year (restated)

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (144,591)	\$ -	\$ (144,591)
(1,141,810)	-	(1,141,810)
(44,546)	-	(44,546)
141,774	-	141,774
(446,508)	-	(446,508)
(61,053)	-	(61,053)
(15)	-	(15)
(19,718)	-	(19,718)
<u>(1,716,467)</u>	<u>-</u>	<u>(1,716,467)</u>
-	265,105	265,105
-	423,087	423,087
<u>-</u>	<u>688,192</u>	<u>688,192</u>
<u>(1,716,467)</u>	<u>688,192</u>	<u>(1,028,275)</u>
693,435	-	693,435
513,583	-	513,583
1,007,172	-	1,007,172
267,013	-	267,013
28,329	25,540	53,869
43,570	24,950	68,520
<u>2,553,102</u>	<u>50,490</u>	<u>2,603,592</u>
836,635	738,682	1,575,317
<u>3,777,809</u>	<u>3,930,145</u>	<u>7,707,954</u>
<u>\$ 4,614,444</u>	<u>\$ 4,668,827</u>	<u>\$ 9,283,271</u>

CITY OF PATASKALA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>General</u>	<u>Street</u>	<u>Police Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 926,081	\$ 350,013	\$ 131,406	\$ 235,315	\$ 1,642,815
Receivables (net of allowance for uncollectibles):					
Real and other taxes	769,985	560,418	1,098,710	-	2,429,113
Accounts	48,325	15	260	97	48,697
Due from other governments	102,652	268,841	71,944	41,632	485,069
Prepayments.	10,128	4,697	8,909	-	23,734
Materials and supplies inventory	-	23,925	-	-	23,925
Restricted assets:					
Cash with fiscal and escrow agents	-	-	-	21,155	21,155
Total assets	<u>\$ 1,857,171</u>	<u>\$ 1,207,909</u>	<u>\$ 1,311,229</u>	<u>\$ 298,199</u>	<u>\$ 4,674,508</u>
Liabilities:					
Accounts payable	\$ 18,993	\$ 23,595	\$ 7,876	\$ 9,148	\$ 59,612
Accrued wages and benefits.	31,712	16,532	28,981	1,035	78,260
Deferred revenue	889,413	744,454	1,158,640	18,394	2,810,901
Accrued interest payable payable.	-	-	-	1,547	1,547
Pension obligation payable	17,059	11,247	31,786	1,607	61,699
Notes payable	-	-	-	225,000	225,000
Total liabilities	<u>957,177</u>	<u>795,828</u>	<u>1,227,283</u>	<u>256,731</u>	<u>3,237,019</u>
Fund Balances:					
Reserved for prepayments	10,128	4,697	8,909	-	23,734
Reserved for materials and supplies inventory	-	23,925	-	-	23,925
Reserved for restricted assets	-	-	-	21,155	21,155
Reserved for debt service.	-	-	-	30,068	30,068
Unreserved, undesignated (deficit), reported in:					
General fund.	889,866	-	-	-	889,866
Special revenue funds.	-	383,459	75,037	216,792	675,288
Capital projects funds.	-	-	-	(226,547)	(226,547)
Total fund balances	<u>899,994</u>	<u>412,081</u>	<u>83,946</u>	<u>41,468</u>	<u>1,437,489</u>
Total liabilities and fund balances.	<u>\$ 1,857,171</u>	<u>\$ 1,207,909</u>	<u>\$ 1,311,229</u>	<u>\$ 298,199</u>	<u>\$ 4,674,508</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Total governmental fund balances		\$	1,437,489
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,903,837
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Total property taxes	\$	200,708	
Intergovernmental revenues		304,261	
Other revenue		<u>46,039</u>	
Total			551,008
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
Compensated absences		71,569	
Capital lease payable		<u>206,321</u>	
			<u>(277,890)</u>
Net assets of governmental activities		\$	<u><u>4,614,444</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>General</u>	<u>Street</u>	<u>Police Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property and other taxes	\$ 673,651	\$ 499,197	\$ 978,967	\$ -	\$ 2,151,815
Charges for services	147,498	-	-	151,989	299,487
Licenses and permits	219,382	354,551	-	170	574,103
Fines and forfeitures	28,964	-	-	-	28,964
Intergovernmental	255,713	235,447	135,222	435,047	1,061,429
Investment income	27,153	869	-	307	28,329
Other	43,570	16,138	31,794	21,305	112,807
Total revenues	<u>1,395,931</u>	<u>1,106,202</u>	<u>1,145,983</u>	<u>608,818</u>	<u>4,256,934</u>
Expenditures:					
Current:					
General government	993,506	-	-	-	993,506
Security of persons and property	221,982	-	1,078,384	21,414	1,321,780
Public health and welfare	44,546	-	-	-	44,546
Transportation	-	964,029	-	39,001	1,003,030
Community environment	197,666	-	-	312	197,978
Leisure time activity	-	-	-	137,107	137,107
Other	-	-	-	15	15
Capital outlay	-	-	-	507,705	507,705
Debt service:					
Principal retirement	-	58,411	60,494	8,690	127,595
Interest and fiscal charges	-	8,824	3,669	7,225	19,718
Total expenditures	<u>1,457,700</u>	<u>1,031,264</u>	<u>1,142,547</u>	<u>721,469</u>	<u>4,352,980</u>
Net change in fund balances	<u>(61,769)</u>	<u>74,938</u>	<u>3,436</u>	<u>(112,651)</u>	<u>(96,046)</u>
Fund balances at beginning					
of year (restated)	<u>961,763</u>	<u>337,143</u>	<u>80,510</u>	<u>154,119</u>	<u>1,533,535</u>
Fund balances at end of year	<u>\$ 899,994</u>	<u>\$ 412,081</u>	<u>\$ 83,946</u>	<u>\$ 41,468</u>	<u>\$ 1,437,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Net change in fund balances - total governmental funds \$ (96,046)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,095,366) exceeded depreciation expense (\$327,640) in the current period.	767,726
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(4,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	50,926
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.	127,595
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>(9,066)</u>

Change in net assets of governmental activities \$ 836,635

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 661,614	\$ 658,215	\$ 673,651	\$ 15,436
Charges for services	144,863	144,118	147,498	3,380
Licenses and permits.	215,462	214,355	219,382	5,027
Fines and forfeitures.	28,348	28,203	28,864	661
Intergovernmental	255,178	253,866	259,820	5,954
Investment income	27,337	27,196	27,834	638
Other	53,821	60,670	46,215	(14,455)
Total revenues.	<u>1,386,623</u>	<u>1,386,623</u>	<u>1,403,264</u>	<u>16,641</u>
Expenditures:				
Current:				
General government	1,801,995	1,801,995	976,131	825,864
Security of persons and property	287,301	287,301	221,823	65,478
Public health and welfare.	44,546	44,546	44,546	-
Community environment	214,114	214,114	196,189	17,925
Total expenditures	<u>2,347,956</u>	<u>2,347,956</u>	<u>1,438,689</u>	<u>909,267</u>
Net change in fund balance	(961,333)	(961,333)	(35,425)	925,908
Fund balance at beginning of year	<u>961,333</u>	<u>961,333</u>	<u>961,333</u>	<u>-</u>
Fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 925,908</u>	<u>\$ 925,908</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and other taxes	\$ 477,718	\$ 475,455	\$ 499,197	\$ 23,742
Licenses and permits	339,296	337,688	354,551	16,863
Intergovernmental	187,216	186,329	195,633	9,304
Other	15,771	20,529	16,123	(4,406)
Total revenues.	<u>1,020,001</u>	<u>1,020,001</u>	<u>1,065,504</u>	<u>45,503</u>
Expenditures:				
Current:				
Transportation	<u>1,324,131</u>	<u>1,324,131</u>	<u>1,016,001</u>	<u>308,130</u>
Total expenditures	<u>1,324,131</u>	<u>1,324,131</u>	<u>1,016,001</u>	<u>308,130</u>
Net change in fund balance	(304,130)	(304,130)	49,503	353,633
Fund balance at beginning of year	<u>304,130</u>	<u>304,130</u>	<u>304,130</u>	<u>-</u>
Fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,633</u>	<u>\$ 353,633</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE LEVY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 932,340	\$ 932,340	\$ 978,967	\$ 46,627
Intergovernmental	120,892	120,892	126,938	6,046
Other	36,188	36,188	34,081	(2,107)
Total revenues.	<u>1,089,420</u>	<u>1,089,420</u>	<u>1,139,986</u>	<u>50,566</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,203,534</u>	<u>1,203,534</u>	<u>1,126,424</u>	<u>77,110</u>
Total expenditures	<u>1,203,534</u>	<u>1,203,534</u>	<u>1,126,424</u>	<u>77,110</u>
Net change in fund balance	(114,114)	(114,114)	13,562	127,676
Fund balance at beginning of year	<u>114,114</u>	<u>114,114</u>	<u>114,114</u>	<u>-</u>
Fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,676</u>	<u>\$ 127,676</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2004

	<u>Business-type Activities -Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 1,577,762	\$ 1,664,945	\$ 3,242,707
Receivables (net of allowance for uncollectibles):			
Accounts	105,338	106,909	212,247
Prepayments	4,170	5,032	9,202
Materials and supplies inventory	3,925	700	4,625
Total current assets	<u>1,691,195</u>	<u>1,777,586</u>	<u>3,468,781</u>
Noncurrent assets:			
Capital assets:			
Land	330,752	324,141	654,893
Depreciable capital assets, net	2,309,539	2,476,800	4,786,339
Total capital assets, net	<u>2,640,291</u>	<u>2,800,941</u>	<u>5,441,232</u>
Total noncurrent assets	<u>2,640,291</u>	<u>2,800,941</u>	<u>5,441,232</u>
Total assets	<u>4,331,486</u>	<u>4,578,527</u>	<u>8,910,013</u>
Liabilities:			
Current liabilities:			
Accounts payable	30,283	9,226	39,509
Accrued wages and benefits	7,476	8,494	15,970
Compensated absences	4,195	6,459	10,654
Pension obligation	6,595	6,149	12,744
Accrued interest payable	22,330	3,758	26,088
General obligation bonds	-	30,000	30,000
OWDA loans	76,378	158,590	234,968
Notes payable	1,595,000	-	1,595,000
Total current liabilities	<u>1,742,257</u>	<u>222,676</u>	<u>1,964,933</u>
Long-term liabilities:			
General obligation bonds	-	710,000	710,000
OWDA loans	568,043	991,737	1,559,780
Compensated absences	6,473	-	6,473
Total long-term liabilities	<u>574,516</u>	<u>1,701,737</u>	<u>2,276,253</u>
Total liabilities	<u>2,316,773</u>	<u>1,924,413</u>	<u>4,241,186</u>
Net assets:			
Invested in capital assets, net of related debt	400,870	910,614	1,311,484
Unrestricted	1,613,843	1,743,500	3,357,343
Total net assets	<u>\$ 2,014,713</u>	<u>\$ 2,654,114</u>	<u>\$ 4,668,827</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating revenues:			
Charges for services	\$ 998,463	\$ 934,207	\$ 1,932,670
Other	12,219	12,731	24,950
Total operating revenues	<u>1,010,682</u>	<u>946,938</u>	<u>1,957,620</u>
Operating expenses:			
Personal services	270,282	192,359	462,641
Contract services	278,099	127,631	405,730
Depreciation	166,765	156,805	323,570
Other	102,334	102,858	205,192
Total operating expenses.	<u>817,480</u>	<u>579,653</u>	<u>1,397,133</u>
Operating income	<u>193,202</u>	<u>367,285</u>	<u>560,487</u>
Nonoperating revenues (expenses):			
Interest revenue.	12,770	12,770	25,540
Interest expense and fiscal charges	<u>(76,489)</u>	<u>(137,567)</u>	<u>(214,056)</u>
Total nonoperating expenses	<u>(63,719)</u>	<u>(124,797)</u>	<u>(188,516)</u>
Income before contributions.	129,483	242,488	371,971
Capital contributions	<u>160,611</u>	<u>206,100</u>	<u>366,711</u>
Changes in net assets	290,094	448,588	738,682
Net assets at beginning of year (restated).	<u>1,724,619</u>	<u>2,205,526</u>	<u>3,930,145</u>
Net assets at end of year.	<u>\$ 2,014,713</u>	<u>\$ 2,654,114</u>	<u>\$ 4,668,827</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from charges for services	\$ 971,943	\$ 920,758	\$ 1,892,701
Cash received from other operations	12,219	12,731	24,950
Cash payments for personal services	(276,821)	(186,471)	(463,292)
Cash payments for contract services.	(278,099)	(127,631)	(405,730)
Cash payments for other expenses	(83,104)	(100,394)	(183,498)
Net cash provided by operating activities.	<u>346,138</u>	<u>518,993</u>	<u>865,131</u>
Cash flows from capital and related financing activities:			
Principal retirement on bonds.	-	(30,000)	(30,000)
Principal retirement on ODWA loans.	(69,764)	(147,457)	(217,221)
Principal retirement on notes.	(1,695,000)	-	(1,695,000)
Proceeds from note issuance	1,595,000	-	1,595,000
Interest and fiscal charges.	(75,347)	(137,715)	(213,062)
Net cash used in capital and related financing activities	<u>(245,111)</u>	<u>(315,172)</u>	<u>(560,283)</u>
Cash flows from investing activities:			
Interest received.	<u>12,770</u>	<u>12,770</u>	<u>25,540</u>
Net cash provided by investing activities.	<u>12,770</u>	<u>12,770</u>	<u>25,540</u>
Net increase in cash and cash equivalents.	<u>113,797</u>	<u>216,591</u>	<u>330,388</u>
Cash and cash equivalents at beginning of year	<u>1,463,965</u>	<u>1,448,354</u>	<u>2,912,319</u>
Cash and cash equivalents at end of year.	<u>\$ 1,577,762</u>	<u>\$ 1,664,945</u>	<u>\$ 3,242,707</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 193,202	\$ 367,285	\$ 560,487
Adjustments:			
Depreciation	166,765	156,805	323,570
Changes in assets and liabilities:			
(Increase) in accounts receivable	(26,520)	(13,449)	(39,969)
(Increase) decrease in prepayments	510	(2,379)	(1,869)
Increase in accounts payable	19,363	3,431	22,794
Increase in accrued wages and benefits	1,383	3,797	5,180
Increase (decrease) in compensated absences payable. . .	(8,454)	2,513	(5,941)
Increase (decrease) in pension obligation payable . . .	(111)	990	879
Net cash provided by operating activities	<u>\$ 346,138</u>	<u>\$ 518,993</u>	<u>\$ 865,131</u>

Noncash Transactions: The City had capital contributions of \$366,711 during 2004.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2004

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 2,052
Total assets.	<u>\$ 2,052</u>
Liabilities:	
Undistributed monies	\$ 2,052
Total liabilities	<u>\$ 2,052</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 - DESCRIPTION OF THE CITY

The City of Pataskala, Licking County, Ohio (the "City") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a government that is directed by a publicly-elected seven-member Council, and a Mayor. The city administrator is the chief executive officer, and the finance director is the chief fiscal officer. The City provides the following services: general government, including water and sewer utilities, police protection, parks and recreation, public health, street maintenance and community development.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The primary government consists of all funds and departments which provide various services including police protection, street maintenance and repair, parks, recreation, water and sewer services. Council and the City Manager are directly responsible for these activities. The accompanying financial statements present the City, which has no component units. The following organizations are described due to their relationship with the City:

JOINTLY GOVERNED ORGANIZATIONS

West Licking Joint Fire District - The West Licking Joint Fire District, a jointly governed organization, is a political subdivision governed by a board of trustees which possesses its own contracting and budgeting authority. The board of trustees consists of one representative from each of the participating governments; the City of Pataskala, the Village of Kirkersville, Harrison Township, Etna Township, City of Reynoldsburg and Jersey Township. The City made no contributions during 2004 for the operation of the Joint Fire District.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Southwest Licking Community Water and Sewer District - The Southwest Licking Community Water and Sewer District, a jointly governed organization, is a political subdivision governed by a board of trustees which possesses its own contracting and budgeting authority. The City Council of Pataskala appoints one member of the Sewer District and the remaining members are appointed by Harrison and Etna Townships. The City made no contributions during 2004 for the operation of the District.

B. Basis of Presentation - Fund Accounting

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

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

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

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

C. Fund Accounting

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

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

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. This includes, but is not limited to, police protection, public health activities, cemetery, and the general administration of City functions.

Street - The street fund accounts for revenues generated from license and gasoline taxes to be used on local roads within the City.

Police Levy - This fund accounts for revenues collected for police operations.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; and (b) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund includes the Mayor's Court activity.

D. Measurement Focus and Basis of Accounting

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

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency 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 Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

F. Budgetary Data

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

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

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2004.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, object, department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund, department, object appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

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

G. Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by a fiscal agent and in segregated accounts, are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the financial statements as "Equity in Pooled Cash and Cash Equivalents.

During 2004, investments were limited to nonnegotiable certificates of deposit and a repurchase agreement. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

The City has a segregated bank account for Mayor's Court monies separate from the City's central bank account. This interest bearing depository account is presented on the financial statements as "Cash in Segregated Accounts" since it is not required to be deposited into the City treasury.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2004 amounted to \$27,153, which included \$21,553 assigned from other funds of the City.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

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

H. Inventories of Materials and Supplies

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City changed the capitalization threshold from \$500 to \$5,000, see Note 7 for details. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land. 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:

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Improvements to land	5 - 20 years	5 - 20 years
Buildings	20 - 60 years	20 - 60 years
Equipment	5 - 15 years	5 - 15 years
Vehicles	8 years	8 years
Infrastructure	15 - 75 years	80 years

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

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

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

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

K. Prepaid Items

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

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

M. Interfund Activity

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

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

N. Fund Balance Reserves

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

The City reports a reservation of fund balance for amounts representing prepayments, materials and supplies inventory, restricted assets and debt service in the governmental fund financial statements.

O. Estimates

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

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

Q. Net Assets

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

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

R. Operating Revenues and Expenses

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the government not being able to present budgetary comparison for the general and each major special revenue fund.

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.

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

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Restatement of Fund Balance - It was determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2003. The following is a summary of the effect GASB Interpretation No. 6 has on fund balance as previously reported:

	<u>General</u>	<u>Street</u>	<u>Police Levy</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance					
December 31, 2003	\$ 959,622	\$ 337,143	\$ 74,474	\$ 152,605	\$ 1,523,844
GASB Interpretation					
No. 6 adjustments	<u>2,141</u>	<u>-</u>	<u>6,036</u>	<u>1,514</u>	<u>9,691</u>
Restated fund balance					
January 1, 2004	<u>\$ 961,763</u>	<u>\$ 337,143</u>	<u>\$ 80,510</u>	<u>\$ 154,119</u>	<u>\$ 1,533,535</u>

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

Restated fund balance	
December 31, 2003	\$ 1,533,535
GASB Statement No. 34 adjustments:	
Capital assets	2,140,611
Long-term liabilities	(396,419)
Long-term (deferred assets)	<u>500,082</u>
Governmental activities net	
assets, December 31, 2003	<u>\$ 3,777,809</u>

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Business-type Activities - Restatement of Fund Equity - A prior period adjustment is required to report a change in the City's capital asset threshold from \$500 to \$5,000 and to correct errors and omissions in amounts previously reported. This prior period adjustment had the following effect on fund equity as previously reported:

<u>Business-type Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Fund equity at December 31, 2003	\$ 2,171,730	\$2,130,928	\$4,302,658
Adjustment for capital assets	<u>(447,111)</u>	<u>74,598</u>	<u>(372,513)</u>
Restated net assets at December 31, 2003	<u>\$ 1,724,619</u>	<u>\$2,205,526</u>	<u>\$3,930,145</u>

B. Deficit Fund Balances/Retained Earnings

Fund balances at December 31, 2004, included the following individual fund deficits:

<u>Nonmajor</u>	<u>Deficit</u>
Courier Bridge Improvement	\$ 226,547

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from the reporting of a note payable as a fund liability (see Note 11).

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies held by the City are classified by State statute into three categories:

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

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

Interim deposits are deposits in interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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, the State Treasury Asset Reserve of Ohio (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 two years from the date of purchase 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 receipt of confirmation of transfer from the custodian.

Cash with Fiscal and Escrow Agent: At year-end, the City had \$21,155 on deposit with the Licking County Treasurer. The data regarding insurance and collateralization can be obtained from the Licking County Comprehensive Annual Financial Report for the year ended December 31, 2004. This amount is not included in the City's depository balance below.

Cash in Segregated Accounts: At year-end, the City had \$2,052 deposited with a financial institution for monies related to the Mayor's Court which is reported as a component of the City's general fund. These amounts are included in the City's depository balance below.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (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".

Deposits: At year-end, the carrying amount of the City's deposits was \$3,209,432 and the bank balance was \$3,470,878. Both balances include \$170,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$239,387 was covered by federal depository insurance; and
2. \$3,231,491 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

	<u>Category</u> <u>3</u>	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Repurchase agreement	<u>\$ 1,678,142</u>	<u>\$ 1,678,142</u>	<u>\$ 1,678,142</u>
Total investments	<u>\$ 1,678,142</u>	<u>\$ 1,678,142</u>	<u>\$ 1,678,142</u>

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

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

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,908,729	\$ -
Investments of the cash management pool:		
Repurchase agreement	(1,678,142)	1,678,142
Cash with fiscal and escrow agent	<u>(21,155)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 3,209,432</u>	<u>\$ 1,678,142</u>

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in May 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 25 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Licking County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2004 was 12.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real property tax	\$ 255,079,170
Public utility tangible personal property	8,441,720
Tangible personal property	<u>9,011,070</u>
Total assessed valuation	<u>\$ 272,531,960</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2004. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first sixty days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2004, as well as intended to finance fiscal 2004 operations.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - RECEIVABLES - (Continued)

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

Governmental Activities:

Real and other taxes	\$2,429,113
Accounts	48,697
Due from other governments	485,069

Business-type Activities:

Accounts	212,247
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Receivables have been disaggregated on the face of the BFS. All receivables are expected to be collected within the subsequent year.

NOTE 7 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to the implementation of GASB 34, reporting of infrastructure in governmental activities, due to an increase in the capital asset threshold from \$500 to \$5,000 and due to errors and omissions in the amounts reported in the prior year.

	Balance		Restated Balance
	<u>12/31/03</u>	<u>Adjustments</u>	<u>12/31/03</u>
<u>Governmental Activities:</u>			
Land	\$ 2,155,070	\$ (1,354,990)	\$ 800,080
Land improvements	61,660	80,435	142,095
Buildings and improvements	645,935	(187,181)	458,754
Furniture, machinery and equipment	395,861	184,920	580,781
Vehicles	1,170,092	289,756	1,459,848
Less: accumulated depreciation	<u>-</u>	<u>(1,300,947)</u>	<u>(1,300,947)</u>
Total	<u>\$ 4,428,618</u>	<u>\$ (2,288,007)</u>	<u>\$ 2,140,611</u>
<u>Business-type Activities:</u>			
Land	\$ 27,500	\$ 627,393	\$ 654,893
Land improvements	131,716	(25,835)	105,881
Buildings and improvements	5,320,874	(3,096,231)	2,224,643
Equipment - furniture	1,067,342	275,909	1,343,251
Vehicles	92,063	(92,063)	-
Infrastructure	1,616,745	3,442,578	5,059,323
Less: accumulated depreciation	<u>(2,485,636)</u>	<u>(1,504,264)</u>	<u>(3,989,900)</u>
Total	<u>\$ 5,770,604</u>	<u>\$ (372,513)</u>	<u>\$ 5,398,091</u>

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 7 - CAPITAL ASSETS - (Continued)

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

	Restated Balance 12/31/03	Additions	Disposals	Balance 12/31/04
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 800,080	\$ -	\$ -	\$ 800,080
Total capital assets, not being depreciated	<u>800,080</u>	<u>-</u>	<u>-</u>	<u>800,080</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	142,095	-	-	142,095
Buildings and improvements	458,754	-	-	458,754
Equipment	580,781	8,400	(7,058)	582,123
Vehicles	1,459,848	-	-	1,459,848
Infrastructure	<u>-</u>	<u>1,086,966</u>	<u>-</u>	<u>1,086,966</u>
Total capital assets, being depreciated	<u>2,641,478</u>	<u>1,095,366</u>	<u>(7,058)</u>	<u>3,729,786</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(47,817)	(8,533)	-	(56,350)
Buildings and improvements	(182,516)	(14,962)	-	(197,478)
Equipment	(301,520)	(36,154)	2,558	(335,116)
Vehicles	(769,094)	(246,182)	-	(1,015,276)
Infrastructure	<u>-</u>	<u>(21,809)</u>	<u>-</u>	<u>(21,809)</u>
Total accumulated depreciation	<u>(1,300,947)</u>	<u>(327,640)</u>	<u>2,558</u>	<u>(1,626,029)</u>
Total capital assets, being depreciated, net	<u>1,340,531</u>	<u>767,726</u>	<u>(4,500)</u>	<u>2,103,757</u>
Governmental activities capital assets, net	<u>\$ 2,140,611</u>	<u>\$ 767,726</u>	<u>\$ (4,500)</u>	<u>\$ 2,903,837</u>

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 7 - CAPITAL ASSETS - (Continued)

<u>Business-type Activities:</u>	Restated Balance 12/31/03	<u>Additions</u>	<u>Disposals</u>	Balance 12/31/04
<i>Capital assets, not being depreciated:</i>				
Land	\$ 654,893	\$ -	\$ -	\$ 654,893
Total capital assets, not being depreciated	<u>654,893</u>	<u>-</u>	<u>-</u>	<u>654,893</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	105,881	-	-	105,881
Buildings and improvements	2,224,643	-	-	2,224,643
Equipment	1,343,251	-	-	1,343,251
Infrastructure	<u>5,059,323</u>	<u>366,711</u>	<u>-</u>	<u>5,426,034</u>
Total capital assets, being depreciated	<u>8,733,098</u>	<u>366,711</u>	<u>-</u>	<u>9,099,809</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(93,741)	(2,591)	-	(96,332)
Buildings and improvements	(855,877)	(67,769)	-	(923,646)
Equipment	(491,615)	(83,999)	-	(575,614)
Infrastructure	<u>(2,548,667)</u>	<u>(169,211)</u>	<u>-</u>	<u>(2,717,878)</u>
Total accumulated depreciation	<u>(3,989,900)</u>	<u>(323,570)</u>	<u>-</u>	<u>(4,313,470)</u>
Total capital assets, being depreciated, net	<u>4,743,198</u>	<u>43,141</u>	<u>-</u>	<u>4,786,339</u>
Business-type activities capital assets, net	<u>\$ 5,398,091</u>	<u>\$ 43,141</u>	<u>\$ -</u>	<u>\$ 5,441,232</u>

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 7 - CAPITAL ASSETS - (Continued)

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

Governmental activities:

General government	\$ 8,659
Security of persons and property	1,200
Leisure time activity	26,339
Transportation	43,281
Community environment	<u>248,161</u>
Total depreciation expense - governmental activities	<u>\$327,640</u>

NOTE 8 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation at different rates which are also affected by length of service. Vacation is accrued each pay and may be carried over. The maximum number of hours which may be accrued is based on years of service. Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund.

Employees earn compensatory-time and may accrue a maximum of forty hours, except police officers may accrue a maximum of eighty hours, which may be carried forward to the next year.

As of December 31, 2004, the liability for compensated absences in governmental fund types was \$71,569, and \$17,127 was the liability for compensated absences reported in the enterprise funds. The total liability for the City's compensated absences reported on the statement of net assets was \$88,696.

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2003, the City entered into capital lease agreements for the acquisition of vehicles. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund. The leased vehicles are included in capital assets in the amount of \$574,812.

For the City, a corresponding liability was recorded in the statement of net assets. Principal payments in 2004 totaled \$127,595 in the governmental funds. Capital lease payments in the governmental funds have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004.

<u>Year Ending December 31,</u>	<u>General</u>
2005	\$ 141,399
2006	<u>77,234</u>
Total future minimum lease payments	218,633
Less: amount representing interest	<u>(12,312)</u>
Present value of net minimum lease payments	<u>\$ 206,321</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. The balance of the City's governmental activities long-term obligations at December 31, 2003 has been restated. The compensated absences liability increased \$9,890 from \$52,613 to \$62,503 due to the implementation of GASB Interpretation No. 6 as described in Note 3.A. The effect on the total governmental activities long-term obligations at January 1, 2004 was an increase from \$386,529 to \$396,419. During the fiscal year 2004, the following changes occurred in the City's governmental long-term obligations:

Governmental Activities:	<u>Restated Balance 12/31/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/04</u>	<u>Amounts Due in One Year</u>
Capital Lease Obligation	\$ 333,916	\$ -	\$ (127,595)	\$ 206,321	\$ 132,624
Compensated Absences	<u>62,503</u>	<u>94,295</u>	<u>(85,229)</u>	<u>71,569</u>	<u>55,259</u>
Total governmental activities long-term obligations	<u>\$ 396,419</u>	<u>\$ 94,295</u>	<u>\$ (212,824)</u>	<u>\$ 277,890</u>	<u>\$ 187,883</u>

Compensated Absences: Sick leave, compensatory time and vacation benefits are presented net of actual increases and decreases because of the practicality of determining these values. Compensated absences reported in the statement of net assets and will be paid from the fund from which the employee's salaries are paid.

Capital Lease Obligation: Capital lease payments are made from the Police Levy and Street funds. See Note 9 for details on capital leases.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** During the fiscal year 2004, the following changes occurred in the City's business-type long-term liabilities:

Business-Type Activities:	Interest Rate	Balance at 12/31/03	Additions	Reductions	Balance at 12/31/04	Amounts Due in One Year
<u>General Obligation Revenue Bonds</u>						
Sewer Bonds	5.50-6.125%	\$ 770,000	\$ -	\$ (30,000)	\$ 740,000	\$ 30,000
Total general obligation revenue bonds	3.0-6.3%	770,000	-	(30,000)	740,000	30,000
<u>OWDA Loans</u>						
Sewer Plant OWDA Loan	7.55%	1,297,784	-	(147,457)	1,150,327	158,590
Water System OWDA Loan	10.57%	714,185	-	(69,764)	644,421	76,378
Total OWDA loans		2,011,969	-	(217,221)	1,794,748	234,968
<u>Other Obligations</u>						
Compensated absences		23,068	12,401	(18,342)	17,127	10,654
Total other obligations		23,068	12,401	(18,342)	17,127	10,654
Total business-type activities long-term obligations		<u>\$ 2,805,037</u>	<u>\$ 12,401</u>	<u>\$ (265,563)</u>	<u>\$ 2,551,875</u>	<u>\$ 275,622</u>

General Obligation Revenue Bonds: The sewer bonds are general obligation revenue bonds, which are supported by the full faith and credit of the City. The bonds will be retired with operating revenues of the sewer fund to the extent such revenues are available, or from the general operating revenues of the City.

OWDA Loans: The City has entered into debt financing arrangements through the OWDA to fund construction projects. The amounts due to the OWDA are payable from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2004, the City has outstanding borrowings with permissible borrowings of \$1,794,748. These payments are reflected in the future maturities of principal and interest table and are subject to revision if the total amount is not drawn down.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The annual requirements to amortize enterprise fund obligations outstanding as of year-end are as follows:

<u>Year</u>	<u>General Obligation Revenue Bonds</u>			<u>OWDA Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,000	\$ 45,100	\$ 75,100	\$ 234,968	\$147,941	\$ 382,909
2006	35,000	43,300	78,300	254,181	128,726	382,907
2007	35,000	41,200	76,200	274,986	107,921	382,907
2008	40,000	39,100	79,100	297,514	85,393	382,907
2009	40,000	36,700	76,700	321,911	60,996	382,907
2010 - 2014	240,000	144,244	384,244	411,188	40,507	451,695
2015 - 2019	<u>320,000</u>	<u>61,251</u>	<u>381,251</u>	-	-	-
Total	<u>\$740,000</u>	<u>\$410,895</u>	<u>\$1,150,895</u>	<u>\$1,794,748</u>	<u>\$571,484</u>	<u>\$2,366,232</u>

C. Legal Debt Margin

The City's voted and unvoted legal debt margins were \$26,081,108 and \$12,454,510, respectively, at December 31, 2004.

NOTE 11 - NOTES PAYABLE

The City had the following note activity for fiscal year 2004:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/03</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/04</u>
Bridge Improvement	2.75%	09/23/04	09/22/05	\$ 240,000	\$ 225,000	\$ (240,000)	\$ 225,000
<u>Business-type Activities</u>							
Water Tower/System	3.78%	02/25/04	02/23/05	<u>1,695,000</u>	<u>1,595,000</u>	<u>(1,695,000)</u>	<u>1,595,000</u>
Total				<u>\$1,935,000</u>	<u>\$1,820,000</u>	<u>\$(1,935,000)</u>	<u>\$1,820,000</u>

The City issued \$225,000 in bond anticipation notes during 2004 to fund a bridge improvement project. The proceeds were recorded in the capital projects fund. The notes have a 2.75% interest rate and are scheduled to mature on September 23, 2005.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 12 - RISK MANAGEMENT

A. Property and Casualty Insurance

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 purchases fire and extended coverage insurance on all buildings and contents to \$2,000,000 with a variety of deductibles beginning with \$0 to \$5,000. Coverage is purchased on City vehicles for a combined single limit liability of \$2,000,000. The City purchases general liability insurance coverage with a \$2,000,000 limit per occurrence. The City also has an umbrella policy which provides an additional \$75,000 in coverage over and above listed policies.

B. Employee Medical, Dental, Vision and Life

The City provides employee medical, dental, vision and life insurance through traditional insurance carriers. Medical insurance is provided by United Health Care, dental is provided by Principal Insurance Group, vision is provided by Vision Service Plan and life insurance is provided by Anthem. The risk of loss transfers entirely to the insurance carriers. The City pays 100% of the premiums.

C. Workers' Compensation

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

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

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2004 was 8.5%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 13.31% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$80,890, \$134,440, and \$132,048, respectively; 100% has been contributed for 2004, 2003 and 2002. The City and plan members did not make any contributions to the member-directed plan for 2004.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for the police and firefighters were \$92,982 and \$36,156 for the year ended December 31, 2004, \$96,566 and \$36,387 for the year ended December 31, 2003, and \$156,562 and \$99,551 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. 72% for police and 28% for firefighters has been contributed for 2004 with the remainder being reported as a liability.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$29,849. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

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

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits was \$36,954 for police and \$11,676 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003 (the latest information available), was 13,662 for police and 10,474 for firefighters.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	Net Change in Fund Balance		
	<u>General</u>	<u>Street</u>	<u>Police Levy</u>
Budget basis	\$ (35,425)	\$ 49,503	\$ 13,562
Net adjustment for revenue accruals	(7,333)	40,698	5,997
Net adjustment for expenditure accruals	<u>(19,011)</u>	<u>(15,263)</u>	<u>(16,123)</u>
GAAP basis	<u>\$ (61,769)</u>	<u>\$ 74,938</u>	<u>\$ 3,436</u>

NOTE 16 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2004.

B. Litigation

The City is involved in various lawsuits. The City's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the City.

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENT

On February 23, 2005, the Water Tower/System Improvement bond anticipation note matured. The City made a payment of \$100,000 and reissued \$1,495,000, in bond anticipation notes at an interest rate of 2.95% to mature on February 23, 2006.

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

Members of Council and Mayor
City of Pataskala
196 East Broad Street
Pataskala, Ohio 43062

We have audited the basic financial statements consisting of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pataskala, Licking County (the “City”) as of and for the year ended December 31, 2004, and have issued our report thereon dated July 26, 2005. During the year ended December 31, 2004, the City 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 and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. As disclosed in Note 7, the City restated capital assets for errors and omissions and a change in its capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

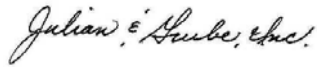
In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters that we have reported to management in a separate letter dated July 26, 2005.

Members of Council and Mayor
City of Pataskala, Licking County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a matter that we have reported to management in a separate letter dated July 26, 2005.

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



Julian & Grube, Inc.
July 26, 2005

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-COP-001	Ohio Revised Code Section 5705.39 in part requires that total appropriation from each fund should not exceed total estimated resources.	Yes	N/A
2003-COP-002	Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.	Yes	N/A
2003-COP-003	The City's land values, as presented in the general fixed asset account group, are reported at the assessed value as reported by the Licking County Auditor, during 2003. This was the City's estimate of its land historical cost. The assessed value is an extrapolated amount from the land's market value at the time of review. Thirty-five percent of the market value is said to be the assessed value. The assessed values are commonly used as the base for which tax rates are applied in the calculation of real estate taxes owed on the property.	Yes	N/A



**Auditor of State
Betty Montgomery**

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CITY OF PATASKALA

LICKING 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
MAY 16, 2006**