

**CITY OF PATASKALA, OHIO
LICKING COUNTY, OHIO**

**GENERAL PURPOSE
FINANCIAL STATEMENTS
(Audited)**

For the Years Ended
December 31, 2002 and 2001

CHARLES WILLIAMS, FINANCE DIRECTOR



**Auditor of State
Betty Montgomery**

Mayor and Members of City Council
City of Pataskala

We have reviewed the Independent Auditor's Report of the City of Pataskala, Licking County, prepared by Trimble, Julian & Grube, Inc. for the audit period January 1, 2001 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 2, 2003

This Page is Intentionally Left Blank.

**CITY OF PATASKALA, OHIO
LICKING COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Combined Balance Sheet - All Fund Types and Account Groups - December 31, 2002	2 - 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2002	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types - For the Year Ended December 31, 2002	5 - 6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - For the Year Ended December 31, 2002	7
Combined Statement of Cash Flows - Proprietary Fund Type - For the Year Ended December 31, 2002	8
Combined Balance Sheet - All Fund Types and Account Groups - December 31, 2001	9 - 10
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2001	11
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types - For the Year Ended December 31, 2001	12 - 13
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - For the Year Ended December 31, 2001	14
Combined Statement of Cash Flows - Proprietary Fund Type - For the Year Ended December 31, 2001	15
Notes to the General Purpose Financial Statements	16 - 55
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56 - 57
Schedule of Findings.....	58 - 60
Status of Prior Audit Findings	61

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor’s Report

Members of Council and Mayor
City of Pataskala
196 E. Broad St.
Pataskala, Ohio 43062

We have audited the accompanying general purpose financial statements of the City of Pataskala, Licking County, Ohio, as of and for the years ended December 31, 2002 and 2001. These general purpose financial statements are the responsibility of the City of Pataskala’s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

As disclosed in Note 3 to the general purpose financial statements for the year ended December 31, 2001, the City implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33.

As disclosed in Note 2(G), the City did not report its governmental fund land values at historical cost. The land, as presented, is reported at the assessed value as reported by the Licking County Auditor during 2001 and 2000. The land represents 48% and 53% or \$2,122,120 and \$2,060,520, of the total general fixed asset account group assets for the years ended December 31, 2002 and 2001, respectively.

In our opinion, except for the effect of valuing land at assessed value, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Pataskala, Licking County, Ohio, as of December 31, 2002 and 2001, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 24, 2003, on our consideration of the City of Pataskala’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.
April 24, 2003

CITY OF PATASKALA, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Assets and Other Debits</u>			
Assets:			
Equity in pooled cash and cash equivalents	\$ 986,752	\$ 653,430	\$ 30,113
Cash in segregated accounts	-	-	-
Receivables (net of allowance for uncollectibles):			
Taxes	576,592	1,452,674	-
Accounts	41,509	10,608	-
Accrued interest	497	-	-
Due from other funds	6,317	970	-
Due from other governments	126,648	418,426	-
Prepayments	8,175	17,584	-
Materials and supplies inventory	-	35,082	-
Restricted assets:			
Cash with fiscal agent	-	30,225	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-
Other Debits:			
Amount to be provided for retirement of general long-term obligations	-	-	-
Total assets and other debits	<u>\$ 1,746,490</u>	<u>\$ 2,618,999</u>	<u>\$ 30,113</u>
<u>Liabilities, equity and other credits</u>			
Liabilities:			
Accounts payable	\$ 6,850	\$ 17,491	\$ -
Contracts payable	-	-	-
Retainage payable	-	-	-
Accrued wages and benefits	41,998	9,913	-
Compensated absences payable	303	-	-
Pension obligation payable	15,662	37,799	-
Deferred revenue	681,890	1,812,204	-
Notes payable	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deposits held and due to others	-	-	-
Capital lease payable	-	-	-
General obligation bonds payable	-	-	-
OWDA loans payable	-	-	-
Total liabilities	<u>746,703</u>	<u>1,877,407</u>	<u>-</u>
Equity and other credits:			
Investment in general fixed assets	-	-	-
Retained earnings:			
Unreserved	-	-	-
Fund Balances:			
Reserved for encumbrances	9,566	-	-
Reserved for materials and supplies inventory	-	35,082	-
Reserved for prepayments	8,175	17,584	-
Unreserved - undesignated	982,046	688,926	30,113
Total equity and other credits	<u>999,787</u>	<u>741,592</u>	<u>30,113</u>
Total liabilities, equity and other credits	<u>\$ 1,746,490</u>	<u>\$ 2,618,999</u>	<u>\$ 30,113</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 2,738,343	\$ -	\$ -	\$ -	\$ 4,408,638
-	8,504	-	-	8,504
-	-	-	-	2,029,266
166,859	-	-	-	218,976
-	-	-	-	497
-	-	-	-	7,287
-	-	-	-	545,074
7,038	-	-	-	32,797
3,600	-	-	-	38,682
-	-	-	-	30,225
5,634,725	-	4,382,677	-	10,017,402
-	-	-	513,287	513,287
<u>\$ 8,550,565</u>	<u>\$ 8,504</u>	<u>\$ 4,382,677</u>	<u>\$ 513,287</u>	<u>\$ 17,850,635</u>
\$ 12,313	\$ -	\$ -	\$ -	\$ 36,654
229,454	-	-	-	229,454
75,394	-	-	-	75,394
7,422	-	-	-	59,333
16,968	-	-	56,604	73,875
10,836	-	-	-	64,297
-	-	-	-	2,494,094
1,828,000	-	-	-	1,828,000
-	7,287	-	-	7,287
37,231	-	-	-	37,231
-	1,217	-	-	1,217
-	-	-	456,683	456,683
800,000	-	-	-	800,000
2,212,799	-	-	-	2,212,799
<u>5,230,417</u>	<u>8,504</u>	<u>-</u>	<u>513,287</u>	<u>8,376,318</u>
-	-	4,382,677	-	4,382,677
3,320,148	-	-	-	3,320,148
-	-	-	-	9,566
-	-	-	-	35,082
-	-	-	-	25,759
-	-	-	-	1,701,085
<u>3,320,148</u>	<u>-</u>	<u>4,382,677</u>	<u>-</u>	<u>9,474,317</u>
<u>\$ 8,550,565</u>	<u>\$ 8,504</u>	<u>\$ 4,382,677</u>	<u>\$ 513,287</u>	<u>\$ 17,850,635</u>

CITY OF PATASKALA, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property and other taxes	\$ 527,976	\$ 1,331,046	\$ -	\$ -	\$ 1,859,022
Charges for services	410,007	268,576	-	-	678,583
Licenses, permits and fees	371,056	510	-	-	371,566
Fines and forfeitures	72,379	5,850	-	-	78,229
Intergovernmental	279,735	778,442	-	160,127	1,218,304
Special assessments	-	64	6,255	-	6,319
Investment income	31,329	1,958	-	-	33,287
Rental income	2,200	-	-	-	2,200
Refunds	8,759	-	-	-	8,759
Other	9,322	75,100	313	-	84,735
Total revenues	1,712,763	2,461,546	6,568	160,127	4,341,004
Expenditures:					
Current operations:					
General government	636,104	-	-	-	636,104
Security of persons and property	286,110	913,381	-	-	1,199,491
Public health and welfare	28,646	-	-	-	28,646
Transportation	-	558,042	-	-	558,042
Community environment	492,660	276	-	-	492,936
Leisure time activity	-	93,954	-	-	93,954
Other	-	-	190	-	190
Capital outlay	-	1,035,825	-	160,127	1,195,952
Debt service:					
Principal retirement	-	118,129	4,000	-	122,129
Interest and fiscal charges	-	23,269	500	-	23,769
Total expenditures	1,443,520	2,742,876	4,690	160,127	4,351,213
Excess (deficiency) of revenues over (under) expenditures	269,243	(281,330)	1,878	-	(10,209)
Other financing sources:					
Proceeds of capital lease transaction	-	574,812	-	-	574,812
Total other financing sources	-	574,812	-	-	574,812
Excess (deficiency) of revenues and other financing sources over (under) expenditures	269,243	293,482	1,878	-	564,603
Fund balances, January 1	730,544	437,532	28,235	-	1,196,311
Increase in reserve for inventory	-	10,578	-	-	10,578
Fund balances, December 31	\$ 999,787	\$ 741,592	\$ 30,113	\$ -	\$ 1,771,492

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

This Page is Intentionally Left Blank.

CITY OF PATASKALA, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property and other taxes	\$ 509,811	\$ 527,976	\$ 18,165	\$ 1,285,564	\$ 1,331,046	\$ 45,482
Charges for services	83,000	410,007	327,007	122,961	268,576	145,615
Licenses, permits and fees	247,980	371,056	123,076	2,000	545	(1,455)
Fines and forfeitures.	55,871	72,734	16,863	7,000	5,340	(1,660)
Intergovernmental	185,742	244,622	58,880	782,360	770,364	(11,996)
Special assessments	-	-	-	-	64	64
Investment income	23,034	31,381	8,347	-	1,958	1,958
Refunds.	-	8,759	8,759	-	-	-
Rental income	-	2,200	2,200	-	-	-
Other.	54,127	6,678	(47,449)	55,240	64,838	9,598
Total revenues	<u>1,159,565</u>	<u>1,675,413</u>	<u>515,848</u>	<u>2,255,125</u>	<u>2,442,731</u>	<u>187,606</u>
Expenditures:						
Current:						
General government	914,921	558,446	356,475	-	-	-
Security of persons and property.	286,524	282,357	4,167	1,067,983	991,372	76,611
Public health and welfare	28,646	28,646	-	-	-	-
Transportation	-	-	-	994,159	641,924	352,235
Community environment.	840,951	508,404	332,547	8,057	276	7,781
Leisure time activity.	-	-	-	116,871	89,207	27,664
Other	-	-	-	-	-	-
Capital outlay	-	-	-	403,491	461,013	(57,522)
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges.	-	-	-	-	-	-
Total expenditures	<u>2,071,042</u>	<u>1,377,853</u>	<u>693,189</u>	<u>2,590,561</u>	<u>2,183,792</u>	<u>406,769</u>
Excess (deficiency) of revenues over (under) expenditures	(911,477)	297,560	1,209,037	(335,436)	258,939	594,375
Fund balance, January 1.	672,776	672,776	-	394,491	394,491	-
Fund balance, December 31	<u>\$ (238,701)</u>	<u>\$ 970,336</u>	<u>\$ 1,209,037</u>	<u>\$ 59,055</u>	<u>\$ 653,430</u>	<u>\$ 594,375</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,795,375	\$ 1,859,022	\$ 63,647
-	-	-	-	-	-	205,961	678,583	472,622
-	-	-	-	-	-	249,980	371,601	121,621
-	-	-	-	-	-	62,871	78,074	15,203
-	-	-	-	160,127	160,127	968,102	1,175,113	207,011
-	6,255	6,255	-	-	-	-	6,319	6,319
-	-	-	-	-	-	23,034	33,339	10,305
-	-	-	-	-	-	-	8,759	8,759
-	-	-	-	-	-	-	2,200	2,200
-	313	313	-	-	-	109,367	71,829	(37,538)
-	6,568	6,568	-	160,127	160,127	3,414,690	4,284,839	870,149
-	-	-	-	-	-	914,921	558,446	356,475
-	-	-	-	-	-	1,354,507	1,273,729	80,778
-	-	-	-	-	-	28,646	28,646	-
-	-	-	-	-	-	994,159	641,924	352,235
-	-	-	-	-	-	849,008	508,680	340,328
-	-	-	-	-	-	116,871	89,207	27,664
23,735	190	23,545	-	-	-	23,735	190	23,545
-	-	-	-	160,127	(160,127)	403,491	621,140	(217,649)
4,000	4,000	-	-	-	-	4,000	4,000	-
500	500	-	-	-	-	500	500	-
28,235	4,690	23,545	-	160,127	(160,127)	4,689,838	3,726,462	963,376
(28,235)	1,878	30,113	-	-	-	(1,275,148)	558,377	1,833,525
28,235	28,235	-	-	-	-	1,095,502	1,095,502	-
\$ -	\$ 30,113	\$ 30,113	\$ -	\$ -	\$ -	\$ (179,646)	\$ 1,653,879	\$ 1,833,525

CITY OF PATASKALA, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$ 2,023,720
Other	12,467
Total operating revenues	2,036,187
Operating expenses:	
Personal services	421,854
Contract services	239,132
Materials and supplies	54,433
Depreciation	182,618
Other	176,786
Total operating expenses	1,074,823
Operating income	961,364
Nonoperating revenues (expenses):	
Interest expense and fiscal charges	(288,077)
Loss on disposal of fixed assets.	(11,370)
Interest revenue	9,229
Total nonoperating revenues (expenses).	(290,218)
Net income.	671,146
Retained earnings January 1.	2,649,002
Retained earnings December 31.	\$ 3,320,148

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT.

CITY OF PATASKALA, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,980,299
Cash received from other operations	12,467
Cash payments for personal services	(421,934)
Cash payments for contract services	(249,891)
Cash payments for materials and supplies	(55,680)
Cash payments for other expenses	(187,810)
	1,077,451
Cash flows from noncapital financing activities:	
Cash received from investment income	9,229
	9,229
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(111,503)
Proceeds from issuance of notes	1,828,000
Principal retirement	(1,443,685)
Interest paid	(293,946)
	(21,134)
Net increase in cash and cash equivalents	1,065,546
Cash and cash equivalents, January 1.	1,672,797
Cash and cash equivalents, December 31.	\$ 2,738,343
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 961,364
Adjustments to reconcile income to net cash provided by operating activities:	
Depreciation	182,618
Changes in assets and liabilities:	
Increase in accounts receivable	(43,421)
Decrease in materials and supplies inventory	1,225
Decrease in prepayments	4,598
Decrease in accounts payable	(30,512)
Increase in accrued wages and benefits	132
Increase in compensated absences payable	1,122
Increase in pension obligation payable	325
	325
Net cash provided by operating activities	\$ 1,077,451

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS
STATEMENT.

CITY OF PATASKALA, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Assets and Other Debits</u>			
Assets:			
Equity in pooled cash and cash equivalents	\$ 679,448	\$ 394,986	\$ 28,235
Receivables (net of allowance for uncollectibles):			
Taxes	553,984	1,398,445	-
Accounts	31,917	311	-
Accrued interest	549	-	-
Due from other governments	70,870	282,466	-
Prepayments.	89,679	9,617	-
Materials and supplies inventory	-	24,504	-
Restricted assets:			
Cash with fiscal agent	-	24,519	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-
Other Debits:			
Amount available in debt service fund.	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-
Total assets and other debits	<u>\$ 1,426,447</u>	<u>\$ 2,134,848</u>	<u>\$ 28,235</u>
<u>Liabilities, equity and other credits</u>			
Liabilities:			
Accounts payable	\$ 21,793	\$ 20,974	\$ -
Accrued wages and benefits.	29,472	7,642	-
Compensated absences payable.	898	59	-
Pension obligation payable	12,071	44,289	-
Deferred revenue	631,669	1,624,352	-
Notes payable.	-	-	-
Accrued interest payable	-	-	-
General obligation bonds payable	-	-	-
Special assessment bonds payable	-	-	-
OWDA loans payable.	-	-	-
Total liabilities	<u>695,903</u>	<u>1,697,316</u>	<u>-</u>
Equity and other credits:			
Investment in general fixed assets	-	-	-
Retained earnings:			
Unreserved.	-	-	-
Fund Balances:			
Reserved for materials and supplies inventory	-	24,504	-
Reserved for prepayments	89,679	9,617	-
Reserved for debt service.	-	-	4,500
Unreserved - undesignated	640,865	403,411	23,735
Total equity and other credits	<u>730,544</u>	<u>437,532</u>	<u>28,235</u>
Total liabilities, equity and other credits	<u>\$ 1,426,447</u>	<u>\$ 2,134,848</u>	<u>\$ 28,235</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Enterprise			
\$ 1,672,797	\$ -	\$ -	\$ 2,775,466
-	-	-	1,952,429
123,438	-	-	155,666
-	-	-	549
-	-	-	353,336
11,636	-	-	110,932
4,825	-	-	29,329
-	-	-	24,519
5,412,362	3,857,946	-	9,270,308
-	-	4,500	4,500
-	-	50,761	50,761
<u>\$ 7,225,058</u>	<u>\$ 3,857,946</u>	<u>\$ 55,261</u>	<u>\$ 14,727,795</u>
\$ 42,825	\$ -	\$ -	\$ 85,592
7,290	-	-	44,404
15,846	-	51,261	68,064
10,511	-	-	66,871
-	-	-	2,256,021
1,233,000	-	-	1,233,000
43,100	-	-	43,100
825,000	-	-	825,000
-	-	4,000	4,000
2,398,484	-	-	2,398,484
<u>4,576,056</u>	<u>-</u>	<u>55,261</u>	<u>7,024,536</u>
-	3,857,946	-	3,857,946
2,649,002	-	-	2,649,002
-	-	-	24,504
-	-	-	99,296
-	-	-	4,500
-	-	-	1,068,011
<u>2,649,002</u>	<u>3,857,946</u>	<u>-</u>	<u>7,703,259</u>
<u>\$ 7,225,058</u>	<u>\$ 3,857,946</u>	<u>\$ 55,261</u>	<u>\$ 14,727,795</u>

CITY OF PATASKALA, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Revenues:				
Property and other taxes.	\$ 484,075	\$ 1,070,941	\$ -	\$ 1,555,016
Charges for services.	239,376	258,417	-	497,793
Licenses, permits and fees.	141,943	1,480	-	143,423
Fines and forfeitures	97,678	6,793	-	104,471
Intergovernmental.	269,318	670,539	-	939,857
Special assessments.	-	-	2,491	2,491
Investment income	51,954	2,882	-	54,836
Refunds	23,091	-	-	23,091
Other	8,905	70,069	-	78,974
Total revenues.	<u>1,316,340</u>	<u>2,081,121</u>	<u>2,491</u>	<u>3,399,952</u>
Expenditures:				
Current operations:				
General government	410,260	-	-	410,260
Security of persons and property	262,494	863,450	-	1,125,944
Public health and welfare.	26,960	-	-	26,960
Transportation	-	649,145	-	649,145
Community environment	274,452	30,664	-	305,116
Leisure time activity	-	243,780	-	243,780
Capital outlay	28,740	239,590	-	268,330
Debt service:				
Principal retirement.	-	-	4,000	4,000
Interest and fiscal charges.	-	1,102	1,000	2,102
Total expenditures.	<u>1,002,906</u>	<u>2,027,731</u>	<u>5,000</u>	<u>3,035,637</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>313,434</u>	<u>53,390</u>	<u>(2,509)</u>	<u>364,315</u>
Other financing sources:				
Proceeds from sale of fixed assets.	-	2,338	-	2,338
Total other financing sources.	<u>-</u>	<u>2,338</u>	<u>-</u>	<u>2,338</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	313,434	55,728	(2,509)	366,653
Fund balances, January 1 (restated)	417,110	380,014	30,744	827,868
Increase in reserve for inventory	-	1,790	-	1,790
Fund balances, December 31.	<u>\$ 730,544</u>	<u>\$ 437,532</u>	<u>\$ 28,235</u>	<u>\$ 1,196,311</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

This Page is Intentionally Left Blank.

CITY OF PATASKALA, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property and other taxes	\$ 529,410	\$ 484,075	\$ (45,335)	\$ 1,074,250	\$ 1,070,941	\$ (3,309)
Charges for services	103,000	239,376	136,376	255,000	258,417	3,417
Licenses, permits and fees	109,993	141,943	31,950	1,500	1,645	145
Fines and forfeitures	75,143	96,970	21,827	9,500	6,828	(2,672)
Intergovernmental	250,230	322,915	72,685	631,228	673,416	42,188
Special assessments	-	-	-	-	-	-
Investment income	39,899	51,488	11,589	-	2,882	2,882
Refunds	17,893	23,091	5,198	-	-	-
Other	6,842	8,829	1,987	32,052	69,769	37,717
Total revenues	<u>1,132,410</u>	<u>1,368,687</u>	<u>236,277</u>	<u>2,003,530</u>	<u>2,083,898</u>	<u>80,368</u>
Expenditures:						
Current:						
General government	744,327	489,140	255,187	-	-	-
Security of persons and property	237,000	256,050	(19,050)	955,492	886,074	69,418
Public health and welfare	27,000	26,960	40	-	-	-
Transportation	-	-	-	712,147	653,991	58,156
Community environment	611,585	272,676	338,909	13,220	30,664	(17,444)
Leisure time activity	-	-	-	339,837	253,395	86,442
Capital outlay	28,740	28,740	-	398,982	239,784	159,198
Debt service:						
Principal retirement	-	-	-	28,000	20,000	8,000
Interest and fiscal charges	-	-	-	1,131	1,137	(6)
Total expenditures	<u>1,648,652</u>	<u>1,073,566</u>	<u>575,086</u>	<u>2,448,809</u>	<u>2,085,045</u>	<u>363,764</u>
Excess (deficiency) of revenues over (under) expenditures	(516,242)	295,121	811,363	(445,279)	(1,147)	444,132
Other financing sources:						
Proceeds from sale of fixed assets	-	-	-	2,000	2,338	338
Total other financing sources	-	-	-	<u>2,000</u>	<u>2,338</u>	<u>338</u>
Excess of revenues and other financing sources over (under) expenditures	(516,242)	295,121	811,363	(443,279)	1,191	444,470
Fund balance, January 1 (restated)	<u>377,655</u>	<u>377,655</u>	<u>-</u>	<u>393,300</u>	<u>393,300</u>	<u>-</u>
Fund balance, December 31	<u>\$ (138,587)</u>	<u>\$ 672,776</u>	<u>\$ 811,363</u>	<u>\$ (49,979)</u>	<u>\$ 394,491</u>	<u>\$ 444,470</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Total (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,603,660	\$ 1,555,016	\$ (48,644)
-	-	-	358,000	497,793	139,793
-	-	-	111,493	143,588	32,095
-	-	-	84,643	103,798	19,155
-	-	-	881,458	996,331	114,873
100,000	2,491	(97,509)	100,000	2,491	(97,509)
-	-	-	39,899	54,370	14,471
-	-	-	17,893	23,091	5,198
-	-	-	38,894	78,598	39,704
<u>100,000</u>	<u>2,491</u>	<u>(97,509)</u>	<u>3,235,940</u>	<u>3,455,076</u>	<u>219,136</u>
-	-	-	744,327	489,140	255,187
-	-	-	1,192,492	1,142,124	50,368
-	-	-	27,000	26,960	40
-	-	-	712,147	653,991	58,156
-	-	-	624,805	303,340	321,465
-	-	-	339,837	253,395	86,442
-	-	-	427,722	268,524	159,198
79,998	4,000	75,998	107,998	24,000	83,998
20,000	1,000	19,000	21,131	2,137	18,994
<u>99,998</u>	<u>5,000</u>	<u>94,998</u>	<u>4,197,459</u>	<u>3,163,611</u>	<u>1,033,848</u>
<u>2</u>	<u>(2,509)</u>	<u>(2,511)</u>	<u>(961,519)</u>	<u>291,465</u>	<u>1,252,984</u>
-	-	-	2,000	2,338	338
-	-	-	2,000	2,338	338
2	(2,509)	(2,511)	(959,519)	293,803	1,253,322
30,744	30,744	-	801,699	801,699	-
<u>\$ 30,746</u>	<u>\$ 28,235</u>	<u>\$ (2,511)</u>	<u>\$ (157,820)</u>	<u>\$ 1,095,502</u>	<u>\$ 1,253,322</u>

CITY OF PATASKALA, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$ 1,700,323
Other	<u>16,316</u>
Total operating revenues	<u>1,716,639</u>
Operating expenses:	
Personal services	389,010
Contract services	304,512
Materials and supplies	48,868
Depreciation	188,530
Other	<u>74,032</u>
Total operating expenses	<u>1,004,952</u>
Operating income	<u>711,687</u>
Nonoperating revenues (expenses):	
Interest revenue	39,140
Interest expense and fiscal charges	<u>(324,965)</u>
Total nonoperating revenues (expenses)	<u>(285,825)</u>
Net income	425,862
Retained earnings January 1	<u>2,223,140</u>
Retained earnings December 31	<u>\$ 2,649,002</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF PATASKALA, OHIO

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,738,025
Cash received from other operations	16,316
Cash payments for personal services	(381,825)
Cash payments for contract services	(308,557)
Cash payments for materials and supplies	(47,847)
Cash payments for other expenses	(59,777)
	956,335
Net cash provided by operating activities	
	956,335
Cash flows from noncapital financing activities:	
Cash received from investment income	39,140
	39,140
Net cash provided by noncapital financing activities	
	39,140
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(228,382)
Proceeds from issuance of notes	1,233,000
Principal retirement	(1,622,698)
Interest paid	(304,856)
	(922,936)
Net cash used in capital and related financing activities.	
	(922,936)
Net increase in cash and cash equivalents	
	72,539
Cash and cash equivalents, January 1	1,600,258
Cash and cash equivalents, December 31	\$ 1,672,797
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 711,687
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	188,530
Changes in assets and liabilities:	
Decrease in accounts receivable	37,702
Decrease in materials and supplies inventory	105
Increase in prepayments	(8,535)
Increase in accounts payable	19,358
Decrease in accrued wages and benefits	(3,232)
Increase in compensated absences payable	5,240
Increase in pension obligation payable	5,480
	956,335
Net cash provided by operating activities	
	\$ 956,335

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN
 INTERGRAL PART OF THIS STATEMENT.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 1 - DESCRIPTION OF THE ENTITY

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 general purpose financial statements (GPFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading consistent with GASB Statement No. 14, “The Financial Reporting Entity.” Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU’s cooperate power, appoints a voting majority of the PCU’s board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City and for which the City is accountable. The primary government includes the City departments and agencies that provide the following services: police protection, street maintenance and repairs, building inspection, parks and recreation, and water and sewer services. The preceding financial statements include all funds and account groups of the City (the primary government). The City has no component units, but is a member of two insurance purchasing pools, described in Note 17. 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 2002 and 2001 for the operation of the Joint Fire District.

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 2002 and 2001 for the operation of the Sewer District.

B. Basis of Presentation - Fund Accounting

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate.

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

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

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

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all activities of the City not required to be included in another fund.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Fund - The capital projects fund is used to account for the acquisition or construction of major capital assets other than those financed by proprietary funds.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

PROPRIETARY FUNDS

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

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Agency Funds - The agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds have no measurement focus (i.e., assets equal liabilities), and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

ACCOUNT GROUPS

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

General Fixed Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

C. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and 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, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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: interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), and certain fines and forfeitures and fees.

DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002 and 2001, respectively, but which were levied to finance year 2003 and 2002, respectively, operations have been recorded as deferred revenues.

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

CITY OF PATASKALA, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

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

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. On the modified accrual basis of accounting, 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.

D. Budgets

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 appropriation ordinance, 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 the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

TAX BUDGET

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

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

ESTIMATED RESOURCES

The County Budget Commission determines if the budget justifies the 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 estimate needs to be either increased or decreased. The budget figures which appear in the statement of budgetary comparisons represent the final estimated resources as certified by the County Budget Commission.

APPROPRIATIONS

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

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 outstanding at year-end are canceled and the resulting unencumbered funds may be reappropriated in the subsequent fiscal year.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

ENCUMBRANCES

As a part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as a reduction of fund balance on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP-basis, encumbrances outstanding at year-end are reported as reservations of fund balances to indicate that a portion of fund balance has been segregated for expenditure on vendor performance.

Note 15 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting.

E. Cash and Cash Equivalents

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

During fiscal years 2002 and 2001, investments were limited to nonnegotiable certificates of deposit and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Following Ohio statutes and other legal provisions, the City Council has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal years 2002 and 2001 amounted to \$31,329 and \$51,954, respectively which includes \$9,740 and \$21,188 assigned from other City funds.

At year-end, the City had monies on deposit with the Licking County Treasurer. This deposit relates to undistributed permissive taxes and has been reported on the combined balance sheet as "Cash with Fiscal Agent".

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at year-end is provided in Note 4.

F. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

G. Fixed Assets

Using a threshold of \$500, the City has capitalized fixed assets as follows:

Assets reported in the general fixed assets account group are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year; however, a majority of land has been capitalized at the Licking County Auditor's "assessed" value as of May 25, 1998. This valuation is a departure from GAAP. No depreciation is recognized for assets in the general fixed assets account group. Although optional by current reporting standards, the City has elected to include infrastructure in the general fixed assets account group, in the amount of \$28,000.

CITY OF PATASKALA, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

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

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction and engineering fees where applicable. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Machinery, equipment, furniture and fixtures	5 - 20
Buildings	40 - 60
Improvements other than buildings	20 - 50

The City's fixed assets are described in Note 8.

H. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Special assessment bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year. Capital lease obligations are reported as a liability of the general long-term obligations account group.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

I. 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.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

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.

The total liability for vacation payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by City ordinance and/or policy, plus applicable additional salary related payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditure, including amounts that are legally segregated for a specific future use. As a result, encumbrances, materials and supplies inventories, debt service, and prepayments are recorded as reservations of fund balance in the governmental funds.

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.
5. Non-recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

L. Inventories of Materials and Supplies

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

M. Estimates

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

N. Memorandum Only - Total Columns

The "Total" columns on the GPFS are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

O. Restricted Assets

Restricted assets in the special revenue funds represent cash and cash equivalents with a fiscal agent, which are held by Licking County in relation to Permissive Tax funds.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle, Fund Reclassification and Prior Period Adjustment

- i) GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36 Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33 were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the City for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions and voluntary nonexchange transactions. The adoption of these statements had an effect on fund balances as previously reported by the City at December 31, 2000.

A fund reclassification is required to properly state the general fund for amounts previously reported as agency funds. These fund reclassifications had an effect on fund balances as previously reported by the City at December 31, 2000.

A prior period adjustment is required to record cash with fiscal agent held by Licking County for permissive taxes not yet distributed. This prior period adjustment had an effect on fund balances as previously reported by the City at December 31, 2000.

The following is a summary of the fund balance restatement:

	General	Special Revenue
Fund balances as previously reported December 31, 2000	\$ 238,059	\$ 322,707
GASB No. 33 and No. 36 implementation	23,076	21,779
Reclassification of agency funds	155,975	3,220
Cash with fiscal agent previously not reported	-	32,308
Restated fund balances as of January 1, 2001	\$ 417,110	\$ 380,014

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

- ii) The fund reclassification of the previously reported agency funds to the general fund also affected the December 31, 2000 fund balances as reported on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types. The fund reclassification increased the general fund balance from \$221,680 to \$377,655 and the special revenue fund balance from \$390,080 to \$393,300.

B. Budgetary Non-Compliance

The following funds had appropriations in excess of estimated resources for the years ended December 31, 2002 and 2001, in noncompliance with Ohio Revised Code Section 5705.39.

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>2002 :</u>	
General Fund	\$ 238,701
<u>Special Revenue Fund:</u>	
Law Enforcement Trust	17,696
<u>2001 :</u>	
General Fund	\$ 138,587
<u>Special Revenue Funds:</u>	
Permissive License Tax	50,000
Police Levy	25,000
Sesquicentennial	35,000
<u>Enterprise Fund:</u>	
Water	1,686,005

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The following funds had expenditures in excess of appropriations for the year ended December 31, 2001, in noncompliance with Ohio Revised Code Section 5705.41(B).

<u>Fund/Department/Item</u>	<u>Excess</u>
<u>General Fund:</u>	
Clerk Municipal Court: Employee Benefits	\$ 1,032
Police: Employee Benefits	64,718
Land and Buildings: Salaries and Wages	479
Land and Buildings: Employee Benefits	185
<u>Special Revenue:</u>	
Street Levy: Supplies and Materials	31,469
Street Levy: Capital Outlay	9
State Highway: Supplies and Materials	4,341
Recreation Levy: Salaries and Wages	655
Recreation Levy: Employee Benefits	637
Police Levy: Supplies and Materials	48,506
Immobilization: Contractual Services	1,723
<u>Enterprise:</u>	
Sewer: Contractual	14,573
Sewer: Other	56,591

C. Deficit Balances

The following fund reported a deficit fund balance as of December 31, 2001:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Police Levy	\$ (14,738)

This deficit balance in the Police Levy special revenue fund is a result of the application of GAAP, namely in the recognition of a liability for accrued wages and benefits attributed to 2001. This deficit will be eliminated by tax revenues and other sources not recognized at December 31, 2001.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

The City may deposit or invest interim monies in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim moneys;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

Notwithstanding the foregoing requirements, the City may invest any moneys not required to be used for a period of six months in the following classes of investments:

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

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

Cash with Fiscal and Escrow Agents: At year-end, December 31, 2002 and 2001, the City had \$30,225 and \$24,519 on deposit with the Licking County Treasurer for permissive tax monies collected by the County, but not yet disbursed to the City. The data regarding insurance and collateralization can be obtained from the Licking County Comprehensive Annual Financial Report for the year ended December 31, 2002. This amount is not included in the City's depository balance below.

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".

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

Deposits: At years ending December 31, 2002 and 2001, the carrying amounts of the City's deposits were \$234,847 and \$1,016,087, respectively and the bank balances were \$312,056 and \$1,115,805, respectively. These balances include \$170,000 and \$180,000 in nonnegotiable certificates of deposit, respectively. Of the bank balances:

1. \$242,056 and \$317,270, respectively was covered by federal depository insurance; and
2. \$70,000 and \$798,535, respectively 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 FDIC.

Investments: The City's investments are required to be categorized to give an indication of the level of custodial credit 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.

	Category	Reported	Fair
<u>2002:</u>	3	Amount	Value
Repurchase agreements	<u>\$ 4,182,295</u>	<u>\$ 4,182,295</u>	<u>\$ 4,182,295</u>
Total investments		<u>\$ 4,182,295</u>	<u>\$ 4,182,295</u>
<u>2001:</u>	Category	Reported	Fair
	3	Amount	Value
Repurchase agreements	<u>\$ 1,290,826</u>	\$ 1,290,826	\$ 1,290,826
U.S. Government money market mutual funds		<u>468,553</u>	<u>468,553</u>
Total investments		<u>\$ 1,759,379</u>	<u>\$ 1,759,379</u>

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

The classification of cash and cash equivalents on the combined balance sheet 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 on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	2002	2001
	<u>Cash and Cash Equivalents/Deposits</u>	<u>Cash and Cash Equivalents/Deposits</u>
GASB Statement No. 9	\$ 4,447,367	\$ 2,799,985
Investments of the cash management pool:		
U.S. Government money market mutual funds	-	(468,553)
Repurchase agreements	(4,182,295)	(1,290,826)
Cash with fiscal and escrow agents	(30,225)	(24,519)
GASB Statement No. 3	\$ 234,847	\$ 1,016,087
	Investments	Investments
Investments of the cash management pool:		
U.S. Government money market mutual funds	\$ -	\$ 468,553
Repurchase agreements	4,182,295	1,290,826
GASB Statement No. 3	\$ 4,182,295	\$ 1,759,379

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at December 31, 2002, related to charges for goods and services rendered, consist of the following individual fund receivables and payables:

<u>2002:</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 6,317	\$ -
<u>Special Revenue Funds</u>		
Mayor's Court Computer	560	-
Alcohol Enforcement Education	50	-
Police Levy	360	-
<u>Agency Fund</u>		
Mayor's Court	<u>-</u>	<u>7,287</u>
Total	<u>\$ 7,287</u>	<u>\$ 7,287</u>

There were no interfund balances outstanding at December 31, 2001.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Real property taxes and public utility taxes in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the 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 revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the 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.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 6 - PROPERTY TAXES - (Continued)

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 year preceding the tax collection year, the lien date. Public utility tangible personal property currently is assessed at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for all City operations for the years ended December 31, 2002 and 2001 were \$12.40 and \$12.40, respectively per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

	<u>2002</u>	<u>2001</u>
Real property	\$ 219,979,650	\$ 181,943,850
Public utility	8,659,440	8,376,200
Tangible personal property	<u>8,457,930</u>	<u>8,495,440</u>
Total valuation	<u>\$ 237,097,020</u>	<u>\$ 198,815,490</u>

NOTE 7 - RECEIVABLES

Receivables at years ended December 31, 2002 and 2001 primarily consisted of taxes, accounts (licenses, fees, permits, fines and forfeitures) intergovernmental receivables, amounts due from other funds and interest on investments. All intergovernmental receivables have been classified as "Due From Other Governments" on the combined balance sheet. All receivables are considered fully collectible.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 7 - RECEIVABLES - (Continued)

A summary of principal items of receivables follows:

	<u>2002</u>	<u>2001</u>
<u>General Fund</u>		
Real and other taxes	\$ 576,592	\$ 553,984
Due from other governments	126,648	70,870
Accounts receivable	41,509	31,917
Due from other funds	6,317	-
Accrued interest	497	549
<u>Special Revenue Funds</u>		
Real and other taxes	1,452,674	1,398,445
Due from other governments	418,426	282,466
Accounts receivable	10,608	311
Due from other funds	970	-
<u>Enterprise Funds</u>		
Water		
Accounts receivable	72,324	62,895
Sewer		
Accounts receivable	94,535	60,543

NOTE 8 - FIXED ASSETS

A. A summary by class of the changes in general fixed assets during the fiscal years ending December 31, 2002 and 2001 are as follows:

	<u>Balance</u> <u>1/1/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/02</u>
Land	\$ 2,060,520	\$ 61,600	\$ -	\$ 2,122,120
Land improvements	61,660	-	-	61,660
Buildings	645,935	-	-	645,935
Machinery & equipment	385,093	6,077	(8,300)	382,870
Vehicles	<u>704,738</u>	<u>574,812</u>	<u>(109,458)</u>	<u>1,170,092</u>
Total general fixed assets	<u>\$ 3,857,946</u>	<u>\$ 642,489</u>	<u>\$ (117,758)</u>	<u>\$ 4,382,677</u>

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 8 - FIXED ASSETS - (Continued)

	Balance <u>1/1/01</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/01</u>
Land	\$ 1,903,520	\$ 157,000	\$ -	\$ 2,060,520
Land improvements	61,660	-	-	61,660
Buildings	645,935	-	-	645,935
Machinery & equipment	369,874	24,135	(8,916)	385,093
Vehicles	<u>736,238</u>	<u>-</u>	<u>(31,500)</u>	<u>704,738</u>
Total general fixed assets	<u>\$ 3,717,227</u>	<u>\$ 181,135</u>	<u>\$ (40,416)</u>	<u>\$ 3,857,946</u>

Additions to general fixed assets include vehicles acquired through capital leases entered into during the fiscal year. See Note 11 for capital leases obligations.

B. A summary of the proprietary fixed assets at December 31, 2002 and 2001, follows:

	Balance <u>12/31/02</u>	Balance <u>12/31/01</u>
Land	\$ 22,000	\$ 22,000
Land improvements	131,716	131,716
Buildings and improvements	4,623,150	4,637,947
Vehicles	92,063	92,063
Machinery and equipment	1,067,342	1,063,814
Sewer/water mains	1,616,745	1,616,745
Construction in progress	<u>380,242</u>	<u>-</u>
Total gross assets	7,933,258	7,564,285
Less: accumulated depreciation	<u>(2,298,533)</u>	<u>(2,151,923)</u>
Total net assets	<u>\$ 5,634,725</u>	<u>\$ 5,412,362</u>

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 9 - LONG TERM OBLIGATIONS

A. General Long-Term Obligations

The City's general long-term obligations at years ending December 31, 2002 and 2001 consist of the following:

	Balance <u>01/01/02</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/02</u>
Compensated absences	\$ 51,261	\$ 5,343	\$ -	\$ 56,604
Special assessment bonds	4,000	-	(4,000)	-
Capital lease obligation	<u>-</u>	<u>574,812</u>	<u>(118,129)</u>	<u>456,683</u>
Total general long-term obligations	<u>\$ 55,261</u>	<u>\$ 580,155</u>	<u>\$ (122,129)</u>	<u>\$ 513,287</u>

	Balance <u>01/01/01</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/01</u>
Compensated absences	\$ 40,597	\$ 10,664	\$ -	\$ 51,261
Special assessment bonds	<u>8,000</u>	<u>-</u>	<u>(4,000)</u>	<u>4,000</u>
Total general long-term obligations	<u>\$ 48,597</u>	<u>\$ 10,664</u>	<u>\$ (4,000)</u>	<u>\$ 55,261</u>

Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. The benefits will be paid from the fund from which the employee is paid. The capital lease obligation will be paid from operating revenues of the special revenue funds.

The special assessment bonds bear an interest rate of 12.50% and matured during 2002. These bonds were repaid during the fiscal year from the proceeds of special assessments levied against the property owners who are primarily benefited from the project. Principal and interest payments were made from the debt service fund.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 9 - LONG TERM OBLIGATIONS - (Continued)

B. Enterprise Fund Obligations

The City had the following general obligation revenue bond and long-term loans outstanding at years ending December 31, 2002 and 2001 related to enterprise fund operations:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 1/1/02</u>	<u>Reductions</u>	<u>Balance 12/31/02</u>
Sewer bonds	5.50%-6.125%	2019	\$ 825,000	\$ (25,000)	\$ 800,000
Water OWDA loan	10.57%	2011	836,114	(58,205)	777,909
Sewer OWDA loan	7.55%	2009	<u>1,562,370</u>	<u>(127,480)</u>	<u>1,434,890</u>
Total enterprise fund obligations			<u>\$ 3,223,484</u>	<u>\$ (210,685)</u>	<u>\$ 3,012,799</u>

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 1/1/01</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
Sewer bonds	5.50%-6.125%	2019	\$ 850,000	\$ (25,000)	\$ 825,000
Water OWDA loan	10.57%	2011	889,280	(53,166)	836,114
Sewer OWDA loan	7.55%	2009	<u>1,680,902</u>	<u>(118,532)</u>	<u>1,562,370</u>
Total enterprise fund obligations			<u>\$ 3,420,182</u>	<u>\$ (196,698)</u>	<u>\$ 3,223,484</u>

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.

The City has received two loans from the Ohio Water Development Authority (OWDA). The OWDA loans are general obligations of the City, expected to be repaid from operating revenues of the water and sewer funds, respectively. These loans were obtained to make improvements to the City's facilities.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 9 - LONG TERM OBLIGATIONS - (Continued)

The following is a summary of the City's future annual debt service requirements to maturity for the enterprise fund obligations at December 31, 2002:

Years	General Obligation Revenue Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 30,000	\$ 48,640	\$ 78,640	\$ 200,830	\$ 182,080	\$ 382,910
2004	30,000	46,870	76,870	217,221	165,687	382,908
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 - 2012	215,000	171,044	386,044	1,030,613	186,896	1,217,509
2013 - 2017	285,000	97,388	382,388	-	-	-
2018 - 2019	140,000	12,863	152,863	-	-	-
Total	<u>\$ 800,000</u>	<u>\$ 506,405</u>	<u>\$ 1,306,405</u>	<u>\$ 2,212,799</u>	<u>\$ 919,251</u>	<u>\$ 3,132,050</u>

C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2002 and 2001, the City's total debt margins were \$21,882,388 and \$17,680,377, respectively, and the unvoted debt margins were \$10,027,537 and \$7,711,368, respectively.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 10 - NOTES PAYABLE

The City had the following general obligation notes outstanding at December 31, 2002:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 1/1/2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/2002</u>
<u>General Obligation Notes</u>							
<u>Enterprise Funds</u>							
Water Tower/System	3.78%	02/28/01	2/28/2002	\$1,233,000	\$ -	\$(1,233,000)	\$ -
Water Tower/System	2.22%	02/27/02	2/27/2003	-	1,133,000	-	1,133,000
Water Tower/System	3.78%	05/09/02	2/27/2003	-	695,000	-	695,000
Total general obligation notes				<u>\$1,233,000</u>	<u>\$1,828,000</u>	<u>\$(1,233,000)</u>	<u>\$1,828,000</u>

The City issued a note with an interest rate of 3.78% in 2001 for water tower/system expansion. The City made a principal payment of \$100,000 and retired the remaining \$1,133,000 in 2002 with proceeds of the new note issued described below.

The City issued a note with an interest rate of 2.22% in 2002 to replace the notes retired for water tower/system expansion in the amount of \$1,133,000. Additionally, the City issued a note with an interest rate of 2.26% in 2002 for water tower/system expansion in the amount of \$695,000. Property and revenue of the municipal water system has been pledged to repay the debt.

The City had the following general obligation notes outstanding at December 31, 2001:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 1/1/2001</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/2001</u>
<u>General Obligation Notes</u>							
<u>Special Revenue Funds</u>							
Capital Improvements							
- Infrastructure	5.50%	12/11/00	12/10/01	\$ 20,000	\$ -	\$ (20,000)	\$ -
<u>Enterprise Funds</u>							
Sewer System Expansion	5.58%	08/05/00	08/04/01	93,000	-	(93,000)	-
Water Tower Construction	4.75%	03/03/00	03/02/01	453,000	-	(453,000)	-
Water Sytem Expansion	5.05%	10/28/00	10/27/01	880,000	-	(880,000)	-
Water Tower/System	3.78%	02/28/01	02/28/02	-	1,233,000	-	1,233,000
Total general obligation notes				<u>\$1,446,000</u>	<u>\$1,233,000</u>	<u>\$(1,446,000)</u>	<u>\$1,233,000</u>

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 10 - NOTES PAYABLE - (Continued)

A general obligation notes, with an interest rate of 5.50%, was issued in 2000 to cover the City's share of the costs for a capital improvements project for the City's infrastructure. The project was largely financed with State of Ohio funds. The City retired this note in 2001 by repaying the balance of \$20,000.

The City issued a note with an interest rate of 5.58% in 2000 for sewer system expansion. The City retired the remaining \$93,000 of this note in 2001.

The City issued a note with an interest rate of 4.75% in 2000 for construction of a water tower. The City retired the remaining \$453,000 of this note in 2001 with proceeds of the new note issued described below.

The City issued a note with an interest rate of 5.05% in 2000 for water system expansion. The City retired the remaining \$880,000 in 2001 with proceeds of the new note issued described below.

The City issued a note with an interest rate of 3.78% in 2001 to replace the notes retired for water tower construction and water system expansion in the amount of \$1,233,000. Property and revenue of the municipal water system has been pledged to repay the debt.

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During the year ended December 31, 2002, the City entered into capitalized lease agreements for the acquisition of vehicles, which were accounted for as a capital outlay expenditure and other financing source - proceeds of capital lease in the special revenue funds.

During fiscal 2002, the City entered into capital lease obligations for the acquisition of vehicles. The terms of the lease agreements provide an option to purchase the vehicles. These leases meet the criteria of capital leases as defined by FASB No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in year ending December 31, 2002 totaled \$118,129. This amount is reflected as debt service principal retirement in the special revenue funds.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is an analysis of vehicles acquired by capital lease as of December 31, 2002:

<u>2002</u> :	<u>General Fixed Assets Account Group</u>
Police vehicles	\$ 238,569
Street vehicles	<u>336,243</u>
Carrying value	<u>\$ 574,812</u>

There were no capital leases entered into or outstanding at December 31, 2001.

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

<u>Year Ending December 31</u>	<u>General Long-Term Obligations Account Group</u> <u>Total</u>
2003	\$ 141,398
2004	141,398
2005	141,399
2006	<u>77,234</u>
Total future minimum lease payments	501,429
Less: amount representing interest	<u>(44,746)</u>
Present value of future minimum lease payments	<u>\$ 456,683</u>

The City does not have capitalized lease obligations after fiscal year 2006.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$132,048, \$98,258, and \$84,231, respectively; 78% has been contributed for 2002 and 100% for 2001 and 2000. \$29,549, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2002, 2001, and 2000 were \$124,674, \$80,713, and \$118,784, respectively; 77% has been contributed for 2002 and 100% for the years 2001 and 2000. \$28,234, representing the unpaid contributions for 2002, is recorded as a liability within the respective funds.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) 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 OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$47,825.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

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

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

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. 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.

The number of participants eligible to receive health care benefits as of December 31, 2001 (the latest information available), is 13,174 for police officers and 10,239 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$37,379 and \$11,811, respectively. OP&F's total health care expense for the year ending December 31, 2001 (the latest information available), was \$122.299 million, which was net of member contributions of \$6.875 million.

NOTE 14 - 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.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 14 - OTHER EMPLOYEE BENEFITS - (Continued)

As of December 31, 2002 and 2001, the liability for non-current compensated absences in governmental fund types was \$56,604 and \$51,261, respectively, and that amount was reported in the general long-term obligations account group. The current portion of compensated absences (those paid using current expendable available resources) for governmental fund type employees was \$303 and \$957 for the years ended December 31, 2002 and 2001, respectively and has been recorded as fund liability. \$16,968 and \$15,846 were the liability for compensated absences reported in the enterprise funds at December 31, 2002 and 2001, respectively. The total liability for the City's compensated absences for all fund types and account groups was \$73,875 and \$68,064, respectively.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of GAAP basis, the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures 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) Short-term note proceeds and note principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- 5) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP).

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

EXCESS/(DEFICIENCY) OF REVENUES AND OTHER
FINANCING SOURCES OVER/(UNDER) EXPENDITURES

	Governmental Fund Types		
<u>2002:</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Budget basis	\$ 297,560	\$ 258,939	\$ 1,878
Adjustments:			
Net adjustment for revenue accruals	37,350	18,815	-
Net adjustment for expenditure accruals	(82,083)	(559,084)	-
Net adjustment for other financing sources (uses) accruals	-	574,812	-
Encumbrances	<u>16,416</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 269,243</u>	<u>\$ 293,482</u>	<u>\$ 1,878</u>

	Governmental Fund Types		
<u>2001:</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Budget basis	\$ 295,121	\$ 1,191	\$ (2,509)
Adjustments:			
Net adjustment for revenue accruals	(52,347)	(2,777)	-
Net adjustment for expenditure accruals	<u>70,660</u>	<u>57,314</u>	<u>-</u>
GAAP basis	<u>\$ 313,434</u>	<u>\$ 55,728</u>	<u>\$ (2,509)</u>

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains three enterprise funds, two of which are intended to be self-supporting from user fees charged for services provided to consumers for water and sewer, while the other fund is used to account for operations at Highland Hills. Segment information for the year ended December 31, 2002 and 2001 is as follows:

<u>2002:</u>	<u>Water</u>	<u>Sewer</u>	<u>Highland Hills</u>	<u>Total</u>
Operating revenues	\$ 996,440	\$ 1,039,747	\$ -	\$ 2,036,187
Depreciation	83,294	99,324	-	182,618
Operating income	335,597	625,767	-	961,364
Net income	208,633	462,513	-	671,146
Additions to property, plant and equipment	415,586	765	-	416,351
Net working capital	1,855,863	995,564	891	2,852,318
Total assets	4,768,973	3,780,701	891	8,550,565
Long-term liabilities payable from fund revenues	2,621,300	2,236,467	-	4,857,767
Total equity	1,788,659	1,530,598	891	3,320,148
Encumbrances at 12/31/02	255,182	25,727	-	280,909
<u>2001:</u>				
Operating revenues	\$ 918,096	\$ 798,543	\$ -	\$ 1,716,639
Depreciation	87,056	101,474	-	188,530
Operating income	220,648	491,039	-	711,687
Net income	101,044	324,818	-	425,862
Additions to property, plant and equipment	208,448	19,934	-	228,382
Net working capital	1,122,443	585,636	-	1,708,079
Total assets	3,743,671	3,480,496	891	7,225,058
Long-term liabilities payable from fund revenues	2,079,853	2,392,477	-	4,472,330
Total equity	1,580,026	1,068,085	891	2,649,002

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 17 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is part of the Ohio Government Risk Management Plan, an insurance purchasing pool, for all property, crime, liability, boiler and machinery, and public official liability. The City has transferred its risk of loss to the insurance carrier to the extent of the respective policy limitations.

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 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.

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 18 - CONTINGENCIES

A. Grants

The City receives financial assistance from various federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the 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, 2002.

B. Litigation

The City is involved in two zoning lawsuits. One suit was filed in 1998 and is still pending, and the second suit was filed during 2002. 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 19 - CONTRACTUAL COMMITMENTS

During the year ended December 31, 2002, the City entered into agreements to construct a new water tower, a new shelter house and extend a street. Estimated total cost of these projects at December 31 was \$711,924.

As of December 31, City funds expended totaled \$81,950, all of which was capitalized. Management expects the projects to be completed during 2004.

Contracts related to this project outstanding at December 31, 2002 were as follows:

<u>Vendor</u>	<u>Total Contract Amount</u>	<u>Amount Paid/Accrued in Fiscal 2002</u>	<u>Balance of Contract 12/31/2002</u>
CBI Constructors	\$ 693,750	\$ 81,950	\$ 611,800
Performance Site Management	7,634	-	7,634
Richard G. Dorsey	<u>10,540</u>	<u>-</u>	<u>10,540</u>
Total contractual commitments	<u>\$ 711,924</u>	<u>\$ 81,950</u>	<u>\$ 629,974</u>

CITY OF PATASKALA, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

A. Finance Director

Janice Claprod served as Interim Finance Director and she was appointed as Finance Manager during the year. As Finance Manager she fulfilled the duties of Finance Director since this position was not filled until the following year. On March 3, 2003, Charles Williams was appointed Finance Director of the City.

B. General Obligation Notes

The Water Tower/System notes matured on February 27, 2003. The City retired the notes by making a principal payment in the amount of \$133,000 and issuing a note for \$1,695,000.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

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

Members of Council and Mayor
The City of Pataskala
196 E. Broad Street
Pataskala, Ohio 43062

We have audited the general purpose financial statements of the City of Pataskala as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 24, 2003, which was qualified due to the City not reporting its governmental fund land values at a historical cost. The City implemented Governmental Accounting Standards Board GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, an amendment of GASB Statement No. 33 for the year ended December 31, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Pataskala's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2002-COP-001 and 2002-COP-002. We also noted certain immaterial instances of noncompliance, which we have reported to management of the City of Pataskala in a separate letter dated April 24, 2003.

Members of Council and Mayor
The City of Pataskala

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pataskala's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Pataskala's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-COP-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2002-COP-003 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Pataskala in a separate letter dated April 24, 2003.

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

Trimble, Julian & Grube, Inc.
April 24, 2003

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

**1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2002-COP-001
----------------	--------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated revenues.

It was noted during the audit that during the years ended December 31, 2002 and 2001, the total appropriations exceeded the total estimated revenues in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>2002 :</u>	
General Fund	\$ 238,701
<u>Special Revenue Fund:</u>	
Law Enforcement Trust	17,696
<u>2001 :</u>	
General Fund	138,587
<u>Special Revenue Funds:</u>	
Permissive License Tax	50,000
Police Levy	25,000
Sesquicentennial	35,000
<u>Enterprise Fund:</u>	
Water	1,686,005

With appropriations exceeding estimated revenues, the City is appropriating monies that are not lawfully in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the City comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated revenue plus available balances records. If it is determined that estimated revenues plus available balances will be greater than initially anticipated, the City should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

**1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2002-COP-002
----------------	--------------

The following funds had expenditures in excess of appropriations for the year ended December 31, 2001, in noncompliance with Ohio Revised Code Section 5705.41(B).

<u>Fund/Department/Item</u>	<u>Excess</u>
<u>General Fund:</u>	
Clerk Municipal Court: Employee Benefits	\$ 1,032
Police: Employee Benefits	64,718
Land and Buildings: Salaries and Wages	479
Land and Buildings: Employee Benefits	185
 <u>Special Revenue:</u>	
Street Levy: Supplies and Materials	31,469
Street Levy: Capital Outlay	9
State Highway: Supplies and Materials	4,341
Recreation Levy: Salaries and Wages	655
Recreation Levy: Employee Benefits	637
Police Levy: Supplies and Materials	48,506
Immobilization: Contractual Services	1,723
 <u>Enterprise:</u>	
Sewer: Contractual	14,573
Sewer: Other	56,591

With expenditures exceeding appropriations, the City is spending monies that have not lawfully been appropriated by City Council. This may result in unnecessary spending.

We recommend the City monitor its budget on a more regular basis. If additional expenditures/expenses are necessary, the City should follow its policies and procedures and have council amend its appropriations as necessary.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)

Finding Number	2002-COP-003
----------------	--------------

Fixed Assets

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 2001 and 2000. 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.

Accounting principles generally accepted in the United States of America (GAAP) requires that the governmental assets be valued at cost or estimated cost. The City should locate the applicable deeds for the land in order to properly value it in accordance with applicable accounting principles.

**CITY OF PATASKALA
LICKING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-20645-001	Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Finding now located in management letter.
2000-20645-002	Land Valuation	No	Not corrected.
2000-20645-003	Fixed assets additions and deletions.	Yes	Finding no longer valid.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JULY 29, 2003**