



**Auditor of State  
Betty Montgomery**



**CITY OF PICKERINGTON  
FAIRFIELD COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

City of Pickerington  
Fairfield County  
100 Lockville Road  
Pickerington, Ohio 43147

To Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Pickerington, Fairfield County, (the City) as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We did not audit the data included in the statistical section of this report and therefore express no opinion thereon.

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

**Betty Montgomery  
Auditor of State**

August 4, 2003

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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**City of Pickerington, Ohio**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,364,934	\$855,301	\$3,249,513	\$17,419
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Property and Other Local Taxes	489,703	1,010,779	0	0
Municipal Income Taxes	362,508	0	0	0
Payment in Lieu of Taxes	0	0	157,976	0
Accounts	13,333	12	0	0
Accrued Interest	70	182	0	0
Loans	0	17,212	0	0
Due from Other Governments	235,883	225,029	56,720	0
Prepaid Items	7,412	21,874	0	0
Inventory of Supplies	12,585	46,360	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in General				
Obligation Bond Retirement Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$2,486,428</u>	<u>\$2,176,749</u>	<u>\$3,464,209</u>	<u>\$17,419</u>



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$4,778,177	\$182,258	\$0	\$0	\$0	\$10,447,602
0	37,665	416	0	0	38,081
0	0	0	0	0	1,500,482
0	0	0	0	0	362,508
0	0	0	0	0	157,976
862,050	0	0	0	0	875,395
0	0	0	0	0	252
0	0	0	0	0	17,212
0	0	0	0	0	517,632
36,437	0	0	0	0	65,723
20,278	0	0	0	0	79,223
3,650	0	0	0	0	3,650
30,888,331	0	0	10,957,976	0	41,846,307
0	0	0	0	17,419	17,419
0	0	0	0	6,592,170	6,592,170
<u>\$36,588,923</u>	<u>\$219,923</u>	<u>\$416</u>	<u>\$10,957,976</u>	<u>\$6,609,589</u>	<u>\$62,521,632</u>

(Continued)

**City of Pickerington, Ohio**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**December 31, 2002**  
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$174,685	\$53,061	\$355,232	\$0
Claims Payable	0	0	0	0
Contracts Payable	0	0	351,845	0
Retainage Payable	0	0	194,617	0
Accrued Salaries Payable	31,983	47,435	0	0
Accrued Interest Payable	0	0	40,711	0
Due to Other Governments	10,464	9,653	0	0
<u>Liabilities Payable from Restricted Assets:</u>				
Refundable Deposits	0	0	0	0
Deferred Revenue	763,495	1,184,656	208,640	0
Notes Payable	0	0	2,562,500	0
Compensated Absences Payable	5,490	42,332	0	0
General Obligation Revenue Bonds Payable	0	0	0	0
Capital Lease Obligations Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
Issue Two Notes Payable	0	0	0	0
Undistributed Monies	0	0	0	0
Total Liabilities	<u>986,117</u>	<u>1,337,137</u>	<u>3,713,545</u>	<u>0</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
<u>Retained Earnings:</u>				
Unreserved (Deficit)	0	0	0	0
<u>Fund Balances:</u>				
Reserved for Encumbrances	425,215	155,892	1,698,021	0
Reserved for Inventory	12,585	46,360	0	0
Reserved for Unclaimed Monies	784	0	0	0
Reserved for Loans Receivable	0	17,212	0	0
Unreserved (Deficit)	1,061,727	620,148	(1,947,357)	17,419
Total Fund Equity (Deficit) and Other Credits	<u>1,500,311</u>	<u>839,612</u>	<u>(249,336)</u>	<u>17,419</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,486,428</u>	<u>\$2,176,749</u>	<u>\$3,464,209</u>	<u>\$17,419</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$324,191	\$2,336	\$0	\$0	\$0	\$909,505
0	448,228	0	0	0	448,228
605,008	0	0	0	0	956,853
101,836	0	0	0	0	296,453
11,474	0	0	0	0	90,892
84,068	0	0	0	0	124,779
29,477	1,084	0	0	136,233	186,911
3,650	0	0	0	0	3,650
0	0	0	0	0	2,156,791
4,525,082	0	0	0	1,725,000	8,812,582
49,382	0	0	0	285,646	382,850
5,605,000	0	0	0	0	5,605,000
21,673	0	0	0	4,462,710	4,484,383
995,584	0	0	0	0	995,584
81,923	0	0	0	0	81,923
0	0	416	0	0	416
<u>12,438,348</u>	<u>451,648</u>	<u>416</u>	<u>0</u>	<u>6,609,589</u>	<u>25,536,800</u>
0	0	0	10,957,976	0	10,957,976
14,703,590	0	0	0	0	14,703,590
9,446,985	(231,725)	0	0	0	9,215,260
0	0	0	0	0	2,279,128
0	0	0	0	0	58,945
0	0	0	0	0	784
0	0	0	0	0	17,212
0	0	0	0	0	(248,063)
<u>24,150,575</u>	<u>(231,725)</u>	<u>0</u>	<u>10,957,976</u>	<u>0</u>	<u>36,984,832</u>
<u>\$36,588,923</u>	<u>\$219,923</u>	<u>\$416</u>	<u>\$10,957,976</u>	<u>\$6,609,589</u>	<u>\$62,521,632</u>

**City of Pickerington, Ohio**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2002

	General	Special Revenue	Capital Projects	Debt Service	Total (Memorandum Only)
<b>Revenues:</b>					
Property and Other Local Taxes	\$558,981	\$1,015,630	\$0	\$0	\$1,574,611
Municipal Income Taxes	3,041,993	0	0	0	3,041,993
Intergovernmental	380,129	440,445	230,996	0	1,051,570
Charges for Services	520,809	233,601	164,145	0	918,555
Fees, Permits and Fines	823,913	235,037	128,059	0	1,187,009
Payment in Lieu of Taxes	0	0	152,982	0	152,982
Rent	7,450	3,825	0	0	11,275
Interest	99,359	2,942	72,548	16,950	191,799
Donations	0	4,792	100	0	4,892
Other	67,542	25,932	0	0	93,474
<b>Total Revenues</b>	<b>5,500,176</b>	<b>1,962,204</b>	<b>748,830</b>	<b>16,950</b>	<b>8,228,160</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Security of Persons and Property	33,125	2,212,004	0	0	2,245,129
Public Health Services	100,010	0	0	0	100,010
Leisure Time Activities	0	668,724	0	0	668,724
Community Environment	870,156	127	0	0	870,283
Transportation	0	506,550	0	0	506,550
General Government	2,236,890	11,327	0	0	2,248,217
Capital Outlay	0	0	5,533,888	0	5,533,888
<b>Debt Service:</b>					
Principal Retirement	10,760	35,404	0	0	46,164
Interest and Fiscal Charges	3,016	6,971	254,150	0	264,137
<b>Total Expenditures</b>	<b>3,253,957</b>	<b>3,441,107</b>	<b>5,788,038</b>	<b>0</b>	<b>12,483,102</b>
Excess of Revenues Over (Under) Expenditures	<u>2,246,219</u>	<u>(1,478,903)</u>	<u>(5,039,208)</u>	<u>16,950</u>	<u>(4,254,942)</u>
<b>Other Financing Sources (Uses):</b>					
Inception of a Capital Lease	35,395	92,881	0	0	128,276
Lease Proceeds	0	0	4,300,000	0	4,300,000
Note Proceeds	0	0	1,725,000	0	1,725,000
Operating Transfers - In	0	1,489,361	723,434	0	2,212,795
Operating Transfers - Out	(2,212,795)	0	0	0	(2,212,795)
Sale of Fixed Assets	657	3,472	0	0	4,129
<b>Total Other Financing Sources (Uses)</b>	<b>(2,176,743)</b>	<b>1,585,714</b>	<b>6,748,434</b>	<b>0</b>	<b>6,157,405</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	69,476	106,811	1,709,226	16,950	1,902,463
Fund Balances (Deficit) at Beginning of Year	1,439,700	736,149	(1,958,562)	469	217,756
Decrease in Reserve for Inventory	(8,865)	(3,348)	0	0	(12,213)
<b>Fund Balances (Deficit) at End of Year</b>	<b><u>\$1,500,311</u></b>	<b><u>\$839,612</u></b>	<b><u>(\$249,336)</u></b>	<b><u>\$17,419</u></b>	<b><u>\$2,108,006</u></b>

See accompanying notes to the general purpose financial statements

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**City of Pickerington, Ohio**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Year Ended December 31, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$512,000	\$558,197	\$46,197
Municipal Income Taxes	2,748,000	3,001,134	253,134
Intergovernmental	486,767	471,090	(15,677)
Charges for Services	554,850	520,809	(34,041)
Fees, Permits and Fines	769,889	831,324	61,435
Payment in Lieu of Taxes	0	0	0
Rent	7,800	7,450	(350)
Interest	150,000	101,432	(48,568)
Donations	0	0	0
Other	38,375	67,510	29,135
Total Revenues	<u>5,267,681</u>	<u>5,558,946</u>	<u>291,265</u>
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	41,777	33,288	8,489
Public Health Services	112,149	104,010	8,139
Leisure Time Activities	0	0	0
Community Environment	991,961	903,946	88,015
Transportation	0	0	0
General Government	3,048,019	2,704,131	343,888
Other	85,924	84,258	1,666
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	<u>4,279,830</u>	<u>3,829,633</u>	<u>450,197</u>
Excess of Revenues Over (Under) Expenditures	<u>987,851</u>	<u>1,729,313</u>	<u>741,462</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	500	657	157
Lease Proceeds	0	0	0
Operating Transfers-In	0	0	0
Operating Transfers-Out	(2,214,697)	(2,212,795)	1,902
Proceeds from Sale of Notes	0	0	0
Total Other Financing Sources (Uses)	<u>(2,214,197)</u>	<u>(2,212,138)</u>	<u>2,059</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,226,346)</u>	<u>(482,825)</u>	<u>743,521</u>
Fund Balances at Beginning of Year	897,797	897,797	0
Prior Year Encumbrances Appropriated	345,093	345,093	0
Fund Balances at End of Year	<u>\$16,544</u>	<u>\$760,065</u>	<u>\$743,521</u>

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,011,000	\$1,015,630	\$4,630	\$67,000	\$82,575	\$15,575
0	0	0	0	0	0
450,545	465,699	15,154	158,555	141,795	(16,760)
200,794	225,588	24,794	90,000	164,145	74,145
91,361	237,317	145,956	53,360	129,516	76,156
0	0	0	56,410	64,545	8,135
3,675	3,825	150	0	0	0
1,820	2,823	1,003	13,295	52,515	39,220
4,650	4,792	142	0	100	100
29,540	29,774	234	0	0	0
<u>1,793,385</u>	<u>1,985,448</u>	<u>192,063</u>	<u>438,620</u>	<u>635,191</u>	<u>196,571</u>
2,377,248	2,293,004	84,244	0	0	0
0	0	0	0	0	0
746,962	666,010	80,952	0	0	0
35,135	131	35,004	0	0	0
503,243	483,196	20,047	0	0	0
15,129	11,337	3,792	0	0	0
0	0	0	0	0	0
0	0	0	8,518,608	7,337,391	1,181,217
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,677,717</u>	<u>3,453,678</u>	<u>224,039</u>	<u>8,518,608</u>	<u>7,337,391</u>	<u>1,181,217</u>
<u>(1,884,332)</u>	<u>(1,468,230)</u>	<u>416,102</u>	<u>(8,079,988)</u>	<u>(6,702,200)</u>	<u>1,377,788</u>
2,000	3,472	1,472	0	0	0
0	0	0	4,300,000	4,300,000	0
1,489,000	1,489,361	361	385,625	329,358	(56,267)
0	0	0	(743,115)	(743,115)	0
0	0	0	2,365,000	1,425,000	(940,000)
<u>1,491,000</u>	<u>1,492,833</u>	<u>1,833</u>	<u>6,307,510</u>	<u>5,311,243</u>	<u>(996,267)</u>
(393,332)	24,603	417,935	(1,772,478)	(1,390,957)	381,521
520,719	520,719	0	776,020	776,020	0
132,608	132,608	0	1,288,150	1,288,150	0
<u>\$259,995</u>	<u>\$677,930</u>	<u>\$417,935</u>	<u>\$291,692</u>	<u>\$673,213</u>	<u>\$381,521</u>

(Continued)

**City of Pickerington, Ohio**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Year Ended December 31, 2002  
 (Continued)

	Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property and Other Local Taxes	\$0	\$0	\$0
Municipal Income Taxes	0	0	0
Intergovernmental	11,000	16,998	5,998
Charges for Services	0	0	0
Fees, Permits and Fines	0	0	0
Payment in Lieu of Taxes	58,200	88,437	30,237
Rent	0	0	0
Interest	26,347	27,278	931
Donations	0	0	0
Other	0	0	0
Total Revenues	<u>95,547</u>	<u>132,713</u>	<u>37,166</u>
<u>Expenditures:</u>			
Current:			
Security of Persons and Property	0	0	0
Public Health Services	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Transportation	0	0	0
General Government	0	0	0
Other	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	8,629,500	8,629,500	0
Interest and Fiscal Charges	650,626	639,677	10,949
Total Expenditures	<u>9,280,126</u>	<u>9,269,177</u>	<u>10,949</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,184,579)</u>	<u>(9,136,464)</u>	<u>48,115</u>
<u>Other Financing Sources (Uses):</u>			
Sale of Fixed Assets	0	0	0
Lease Proceeds	0	0	0
Operating Transfers-In	2,094,029	2,082,395	(11,634)
Operating Transfers-Out	0	0	0
Proceeds from Sale of Notes	6,447,500	6,437,500	(10,000)
Total Other Financing Sources (Uses)	<u>8,541,529</u>	<u>8,519,895</u>	<u>(21,634)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(643,050)</u>	<u>(616,569)</u>	<u>26,481</u>
Fund Balances at Beginning of Year	717,419	717,419	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balances at End of Year	<u>\$74,369</u>	<u>\$100,850</u>	<u>\$26,481</u>

See accompanying notes to the general purpose financial statements



Total (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,590,000	\$1,656,402	\$66,402
2,748,000	3,001,134	253,134
1,106,867	1,095,582	(11,285)
845,644	910,542	64,898
914,610	1,198,157	283,547
114,610	152,982	38,372
11,475	11,275	(200)
191,462	184,048	(7,414)
4,650	4,892	242
67,915	97,284	29,369
<u>7,595,233</u>	<u>8,312,298</u>	<u>717,065</u>
2,419,025	2,326,292	92,733
112,149	104,010	8,139
746,962	666,010	80,952
1,027,096	904,077	123,019
503,243	483,196	20,047
3,063,148	2,715,468	347,680
85,924	84,258	1,666
8,518,608	7,337,391	1,181,217
8,629,500	8,629,500	0
650,626	639,677	10,949
<u>25,756,281</u>	<u>23,889,879</u>	<u>1,866,402</u>
<u>(18,161,048)</u>	<u>(15,577,581)</u>	<u>2,583,467</u>
2,500	4,129	1,629
4,300,000	4,300,000	0
3,968,654	3,901,114	(67,540)
(2,957,812)	(2,955,910)	1,902
8,812,500	7,862,500	(950,000)
<u>14,125,842</u>	<u>13,111,833</u>	<u>(1,014,009)</u>
(4,035,206)	(2,465,748)	1,569,458
2,911,955	2,911,955	0
1,765,851	1,765,851	0
<u>\$642,600</u>	<u>\$2,212,058</u>	<u>\$1,569,458</u>

**City of Pickerington, Ohio**  
 Combined Statement of Revenues, Expenses and  
 Changes in Retained Earnings  
 All Proprietary Fund Types  
 For the Year Ended December 31, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
<u>Operating Revenues:</u>			
Charges for Services	\$2,999,835	\$925,974	\$3,925,809
Tap-In Fees	270,812	0	270,812
Fees and Permits	20,420	0	20,420
Other Operating	36,753	0	36,753
Total Operating Revenues	<u>3,327,820</u>	<u>925,974</u>	<u>4,253,794</u>
<u>Operating Expenses:</u>			
Personal Services	914,899	49,929	964,828
Travel and Transportation	6,054	0	6,054
Contractual Services	1,683,231	193,122	1,876,353
Supplies and Materials	311,521	84,595	396,116
Depreciation	850,556	0	850,556
Claims	0	815,016	815,016
Total Operating Expenses	<u>3,766,261</u>	<u>1,142,662</u>	<u>4,908,923</u>
Operating Income (Loss)	<u>(438,441)</u>	<u>(216,688)</u>	<u>(655,129)</u>
<u>Non-Operating Revenues (Expenses):</u>			
Interest	48,312	0	48,312
Interest and Fiscal Charges	(437,981)	0	(437,981)
Capital Contributions from Developers	1,800,770	0	1,800,770
Capital Contributions from Customers	2,431,878	0	2,431,878
Loss on Disposal of Fixed Assets	(19,362)	0	(19,362)
Other Non-Operating Revenues	10,115	0	10,115
Other Non-Operating Expenses	(6)	0	(6)
Total Non-Operating Revenues (Expenses)	<u>3,833,726</u>	<u>0</u>	<u>3,833,726</u>
Net Income	3,395,285	(216,688)	3,178,597
Retained Earnings (Deficit) at Beginning of Year	<u>6,051,700</u>	<u>(15,037)</u>	<u>6,036,663</u>
Retained Earnings (Deficit ) at End of Year	<u>\$9,446,985</u>	<u>(\$231,725)</u>	<u>\$9,215,260</u>

See accompanying notes to the general purpose financial statements

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**City of Pickerington, Ohio**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types  
 For the Year Ended December 31, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Charges for Services	\$2,431,243	\$2,921,919	\$490,676
Tap-In Fees	93,288	270,812	177,524
Fees and Permits	1,676,136	2,452,298	776,162
Other	2,541	36,753	34,212
Other Non-Operating Revenues	0	10,115	10,115
Interest	73,500	41,183	(32,317)
Utility Deposits Received	700	1,650	950
Proceeds of Notes	1,649,940	1,761,564	111,624
Sale of Fixed Assets	20,000	20,000	0
<b>Total Revenues</b>	<b>5,947,348</b>	<b>7,516,294</b>	<b>1,568,946</b>
<b>Expenses:</b>			
<b>Current:</b>			
Personal Services	978,312	934,886	43,426
Travel and Transportation	11,160	6,062	5,098
Contractual Services	2,173,341	1,584,863	588,478
Supplies and Materials	410,381	245,991	164,390
Claims	0	0	0
Utility Deposits Returned	1,600	1,000	600
Other	100	6	94
Capital Outlay	3,958,028	3,715,841	242,187
<b>Debt Service:</b>			
Principal Retirement	57,726	57,726	0
Interest and Fiscal Charges	56,730	56,730	0
<b>Total Expenses</b>	<b>7,647,378</b>	<b>6,603,105</b>	<b>1,044,273</b>
Excess of Revenues Over (Under ) Expenses Before Transfers	(1,700,030)	913,189	2,613,219
Operating Transfers - Out	(945,977)	(945,204)	773
Excess of Revenues Under Expenses and Operating Transfers	(2,646,007)	(32,015)	2,613,992
Fund Equity at Beginning of Year	1,976,073	1,976,073	0
Prior Year Encumbrances Appropriated	1,475,662	1,475,662	0
<b>Fund Equity at End of Year</b>	<b>\$805,728</b>	<b>\$3,419,720</b>	<b>\$2,613,992</b>

See accompanying notes to the general purpose financial statements

Internal Service Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$943,432	\$925,974	(\$17,458)	\$3,374,675	\$3,847,893	\$473,218
0	0	0	93,288	270,812	177,524
0	0	0	1,676,136	2,452,298	776,162
0	0	0	2,541	36,753	34,212
0	0	0	0	10,115	10,115
0	0	0	73,500	41,183	(32,317)
0	0	0	700	1,650	950
0	0	0	1,649,940	1,761,564	111,624
0	0	0	20,000	20,000	0
<u>943,432</u>	<u>925,974</u>	<u>(17,458)</u>	<u>6,890,780</u>	<u>8,442,268</u>	<u>1,551,488</u>
51,180	49,994	1,186	1,029,492	984,880	44,612
0	0	0	11,160	6,062	5,098
213,653	192,785	20,868	2,386,994	1,777,648	609,346
110,000	85,516	24,484	520,381	331,507	188,874
634,800	600,183	34,617	634,800	600,183	34,617
0	0	0	1,600	1,000	600
0	0	0	100	6	94
0	0	0	3,958,028	3,715,841	242,187
0	0	0	57,726	57,726	0
0	0	0	56,730	56,730	0
<u>1,009,633</u>	<u>928,478</u>	<u>81,155</u>	<u>8,657,011</u>	<u>7,531,583</u>	<u>1,125,428</u>
(66,201)	(2,504)	63,697	(1,766,231)	910,685	2,676,916
<u>0</u>	<u>0</u>	<u>0</u>	<u>(945,977)</u>	<u>(945,204)</u>	<u>773</u>
(66,201)	(2,504)	63,697	(2,712,208)	(34,519)	2,677,689
147,740	147,740	0	2,123,813	2,123,813	0
32,953	32,953	0	1,508,615	1,508,615	0
<u>\$114,492</u>	<u>\$178,189</u>	<u>\$63,697</u>	<u>\$920,220</u>	<u>\$3,597,909</u>	<u>\$2,677,689</u>

**City of Pickerington, Ohio**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2002**

	Enterprise	Internal Service	Total (Memorandum Only)
Increase (Decrease) in <u>Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$3,213,151	\$0	\$3,213,151
Cash Received from Quasi-External Transactions from Other Funds	0	925,974	925,974
Cash Payments to Employees for Services and Benefits	(921,112)	(48,845)	(969,957)
Cash Payments to Suppliers for Goods and Services	(1,123,754)	(275,381)	(1,399,135)
Cash Payments for Claims	0	(576,236)	(576,236)
Utility Deposits Received	1,650		1,650
Utility Deposits Returned	(1,000)	0	(1,000)
Other Operating Revenue	36,753	0	36,753
Other Non-Operating Revenues	10,115	0	10,115
Other Non-Operating Expenses	(6)	0	(6)
Net Cash Provided by Operating Activities	<u>1,215,797</u>	<u>25,512</u>	<u>1,241,309</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition of Capital Assets	(3,074,927)	0	(3,074,927)
Proceeds from Sale of Assets	20,000	0	20,000
Proceeds from Issuing Notes	4,536,564	0	4,536,564
Principal Paid on Notes Payable	(3,075,000)	0	(3,075,000)
Principal Paid on General Obligation Revenue Bonds Payable	(235,000)	0	(235,000)
Principal Paid on OWDA Loans Payable	(45,122)	0	(45,122)
Principal Paid on Issue II Notes Payable	(12,604)	0	(12,604)
Interest Paid on Notes Payable	(99,965)	0	(99,965)
Interest Paid on General Obligation Revenue Bonds Payable	(311,244)	0	(311,244)
Interest Paid on OWDA Loans Payable	(56,730)	0	(56,730)
Interest Paid on Capital Leases	(2,095)	0	(2,095)
Principal Paid on Capital Leases	(9,834)	0	(9,834)
Contributed Capital by Customers	2,431,878	0	2,431,878
Net Cash Provided by Capital and Related Financing Activities	<u>65,921</u>	<u>0</u>	<u>65,921</u>
<u>Cash Flows from Investing Activities:</u>			
Interest	<u>48,312</u>	<u>0</u>	<u>48,312</u>
Net Increase in Cash and Cash Equivalents	1,330,030	25,512	1,355,542
Cash and Cash Equivalents Beginning of Year	<u>3,451,797</u>	<u>194,411</u>	<u>3,646,208</u>
Cash and Cash Equivalents End of Year	<u><u>\$4,781,827</u></u>	<u><u>\$219,923</u></u>	<u><u>\$5,001,750</u></u>

(Continued)

**City of Pickerington, Ohio**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Year Ended December 31, 2002  
 (Continued)

	Enterprise	Internal Service	Total (Memorandum Only)
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>			
Operating Loss	(\$438,441)	(\$216,688)	(\$655,129)
<u>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</u>			
Depreciation	850,556	0	850,556
Other Non-Operating Revenues and Expenses	10,109	0	10,109
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(77,916)	0	(77,916)
Decrease in Inventory Supplies	73,347	0	73,347
Increase in Prepaid Items	(9,263)	0	(9,263)
Increase in Accounts Payable	232,986	2,336	235,322
Increase in Claims Payable	0	238,780	238,780
Increase in Contracts Payable	497,026	0	497,026
Increase in Retainage Payable	78,176	0	78,176
Increase in Accrued Salaries Payable	1,585	0	1,585
Increase (Decrease) in Due to Other Governments	(4,521)	1,084	(3,437)
Increase in Liabilities Payable from Restricted Assets	650	0	650
Increase in Compensated Absences Payable	1,503	0	1,503
Net Cash Provided by Operating Activities	<u>\$1,215,797</u>	<u>\$25,512</u>	<u>\$1,241,309</u>

Non-Cash Capital Financing Activities:

Developers contributed \$1,518,061 and \$282,709 in water and sewer lines respectively during fiscal year 2002.

See accompanying notes to the general purpose financial statements

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**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pickerington (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. In 1881 Pickerington was incorporated as a village. Pickerington was recognized as a village by the State of Ohio in 1930. The Village of Pickerington adopted a charter on November 4, 1980. On April 29, 1991 Pickerington was declared a City.

The municipal government provided by the charter is known as a mayor-council-manager form of government. Legislative power is vested in a seven-member council, each member elected to a four year term. The Mayor is elected by the citizens of Pickerington for a four year term. The Mayor appoints, with the concurrence of a majority vote of Council, the City Manager. The City Manager is the chief executive officer and the head of the administrative agencies of the City. She appoints all department heads and employees, except as otherwise provided in the Charter. The City Manager is responsible to the Mayor for the proper administration of all affairs of the City.

The financial statements of the City of Pickerington conform to generally accepted accounting principles for local government units as prescribed in the statements issued by Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, to its proprietary activities, provided that they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City utilizes the Standards of GASB Statement 14 for determining the reporting entity.

The financial reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include police protection, street maintenance and repairs, community and economic development, parks and recreation, and water and sewer services. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the City Manager through administrative and managerial requirements and procedures.

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

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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The following potential component units have been excluded from the City's financial statements because the City is not financially accountable for them nor are the entities fiscally dependent on the City:

Pickerington Local School District

Pickerington Public Library

Pickerington Senior Citizens Center, Inc.

The City participates in one jointly governed organization and two insurance purchasing pools. These organizations are the Fairfield-Hocking Major Crimes Unit, the Central Ohio Risk Management Association (CORMA), and the Ohio Municipal League Workers' Compensation Group Rating Program. These organizations are discussed in Notes 18 and 19 to the general purpose financial statements.

**B. Basis of Presentation - Fund Accounting**

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

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 the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental fund types**

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

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

**Special Revenue Funds** - These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specific purposes.

**Capital Projects Funds** - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term and proprietary debt principal and interest.

Proprietary funds

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

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

Internal Service Funds - These funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary funds

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

Account groups

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

General Fixed Assets Account Group - to account for all general fixed assets of the City other than those accounted for in proprietary funds.

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

C. 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 (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the tax is levied (See Note 5). Revenue from income taxes is recognized in the period in which the income is earned. 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 fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: state-levied locally shared taxes, income taxes, interest, grants, fees and rentals.

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

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

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

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

#### D. Budgets and Budgetary Accounting

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 appropriations cannot exceed estimated resources, as certified.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level (personal services and other expenditures) within each department. Budgetary modifications at this level may only be made by resolution of the City Council.

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues 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 ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if revenues are estimated to be greater or less than amounts previously certified. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources requested during 2002.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriations ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriations ordinance fixes spending authority at the fund, department and object level. The appropriations 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 only by an ordinance of Council. During the year several supplemental appropriation measures were passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts approved during the year, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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Lapsing of Appropriations

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

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.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

During 2002, investments were limited to treasury bills, certificates of deposit, STAR Ohio, 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 repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002.

Investment procedures are restricted by the provisions of the Ohio Revised Code. During 2002, interest was distributed to the general fund, certain special revenue funds, the debt service fund, capital projects, and enterprise funds. Interest revenue credited to the general fund during 2002 amounted to \$99,359, which includes \$67,748 assigned from other City funds.

For purposes of the combined statement of cash flows and for the 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.

F. Inventory of Supplies

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002 are recorded as prepaid items using the consumption method recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Restricted Assets

Restricted assets in the enterprise funds represent water/sewer customer deposits.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets (assets used to provide services accounted for in proprietary funds) are capitalized in the fund that uses them.

All purchased fixed assets are valued at cost when historical records are available and at estimated historical cost when no historical records exist. For certain assets estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund types is computed using the straight-line method over the following useful lives:

Building	40 years
Improvements to Land Other than Buildings	25 years
Equipment	10-15 years
Vehicles	6 years
Sewer Lines	25 years
Water Lines	25 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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For governmental and proprietary funds, the City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The City records a liability for accumulated unused sick leave for employees after five years of service. The current portion of unpaid compensated absences is the amount to be paid using available expendable resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

K. 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, contractually required pension contributions and special termination benefits are reported as a liability in the General Long-Term Obligation Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after fiscal year end are considered not to have used current available financial resources. Bonds, capital leases and long-term loans are recognized as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary funds.

Under Ohio Law, a debt retirement fund is created and used for the payment of debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and the enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund. To comply with GAAP reporting requirements, the City's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	The fund from which the employee's salary is paid.
Capital Leases	Parks and Recreation, Street Fund, Police Facilities Fund, and Water Fund
Bond Anticipation Notes	TIF-SR 256/204 Construction, Street Construction, TIF-Old Town Construction, TIF-Cycle Way Construction
Revenue Bonds	Water Fund and Sewer Fund
OWDA Loans	Sewer Fund
Issue II Notes	Water Fund

L. Capitalization of Interest

The City's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2002, interest costs incurred on construction projects in proprietary funds were not material.



**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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M. Reserves and Contributed Capital

Fund balance reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances, loans receivable, inventories of materials and supplies, and unclaimed monies. Under Ohio law, unclaimed monies are not available for appropriation until they have remained unclaimed for five years. Prior to 2001, contributed capital represented resources from other funds and private sources provided to enterprise funds that is not subject to repayment. Because the City had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1990, the exact amount of contributed capital pertaining to prior years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received after 2001 from private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

O. Self-Insurance Fund

The City created a self-insurance internal service fund for the purpose of providing employee health and life insurance benefits. Each fund pays for health care costs through payments to this fund in lieu of insurance premium payments.

P. Total Columns on General Purpose Financial Statements

Total columns on the General Purpose Financial Statements - Overview 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 generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Q. Estimates

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

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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NOTE 2 - ACCOUNTABILITY

A. Fund Deficits

The following funds had deficit fund balances as of December 31, 2002:

<u>Capital Projects Funds</u>	<u>Deficit Fund Balances</u>
TIF St. Rt. 256/204 Construction Fund	\$499,228
Street Construction Fund	1,432,131
TIF Old Town Construction Fund	897
TIF Windmill/ Diley Construction Fund	213,381
 <u>Internal Service Fund</u>	
Self Insurance Fund	235,306

The deficits in the Capital Projects Funds are the result of the issuance of debt to finance projects in these funds. Once the debt is retired, the deficits will be eliminated. In addition, the Internal Service medical insurance fund had a deficit retained earnings balance as a result of GAAP accounting accruals. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. For the proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).
6. Principal and interest payments on debt obligations are reported in debt service funds on the operating statement (budget basis) rather than in the funds receiving those proceeds (GAAP basis).
7. Revenues received by year-end and not posted to cash (budget basis) are recorded as revenue (GAAP basis).

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>
GAAP Basis	\$69,476	\$106,811	\$1,709,226	\$16,950
Adjustments:				
Revenue Accruals	81,039	22,891	11,883	(16,950)
Unrecorded Cash	3,761	353	0	0
Change in Fair Value	(26,030)	0	0	0
Expenditure Accruals	(814)	164,476	949,704	(639,677)
Encumbrances	(574,862)	(177,047)	(2,499,057)	0
Inception of a Capital Lease	(35,395)	(92,881)	0	0
Debt Principal Payments	0	0	0	(8,629,500)
Operating Transfers-In	0	0	(394,076)	2,082,395
Operating Transfers-Out	0	0	(743,115)	0
Revenue Allocated to Enterprise Funds for Debt Services	0	0	0	7,191
Revenue Allocated to Capital Projects Funds for Debt Service	0	0	(125,522)	125,522
Note Proceeds	<u>0</u>	<u>0</u>	<u>(300,000)</u>	<u>6,437,500</u>
Budget Basis	<u><u>(\$482,825)</u></u>	<u><u>\$24,603</u></u>	<u><u>(\$1,390,957)</u></u>	<u><u>(\$616,569)</u></u>

**City of Pickerington, Ohio**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended December 31, 2002**

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Net Income (Loss) / Excess of Revenues and Other Financing Sources  
Under Expenses and Operating Transfers  
Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$3,395,285	(\$216,688)
Adjustments:		
Revenue Accruals	(85,045)	0
Utility Deposits	650	0
Sale of Fixed Assets	20,000	0
Expense Accruals	(1,834,766)	218,253
Encumbrances	(1,355,919)	(4,069)
Depreciation	850,556	0
Debt Principal Payments	(57,726)	0
Operating Transfers-Out	(945,206)	0
Note Proceeds	1,761,564	0
Capital Contributions from Developers	(1,800,770)	
Loss on Disposal of Fixed Assets	19,362	0
Budget Basis	(\$32,015)	(\$2,504)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Policies and Procedures**

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

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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

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

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

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

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

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

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
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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 specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation to transfer from the custodian.

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."

**B. Cash on Hand**

At year end, the City had \$4,301 in undeposited cash on hand which is included on the balance sheet of the City as part of "equity in pooled cash and cash equivalents".

**C. Deposits**

At year end, the carrying amount of the City's deposits was (\$114,812) and the bank balance was \$712,526. Of the bank balance, \$262,526 was covered by federal deposit insurance and \$450,000 was considered uninsured and uncollateralized. Although collateral was held by the pledging financial institution's trust department or agent in the City's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**D. Investments**

GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio which is an investment fund operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Carrying Value</u>
Certificates of Deposit	\$650,000	\$0	\$0	\$650,000
STAR Ohio	0	0	6,394,057	6,394,057
U.S. Treasury Notes	2,906,002	0	0	2,906,002
Repurchase Agreement	0	649,785	0	649,785
Total	<u>\$3,556,002</u>	<u>\$649,785</u>	<u>\$6,394,057</u>	<u>\$10,599,844</u>

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement 9. Cash equivalents are defined to include investments with original maturities of three months or less, and the City's cash management pool.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications according to GASB Statement 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$10,489,333	\$0
Undeposited Cash	(4,301)	0
Investments:		
Certificates of Deposit	(650,000)	650,000
U.S. Treasury Notes	(2,906,002)	2,906,002
STAR Ohio	(6,394,057)	6,394,057
Repurchase Agreement	(649,785)	649,785
GASB Statement 3	(\$114,812)	\$10,599,844

**NOTE 5 - PROPERTY TAXES**

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

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

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

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments for machinery and equipment are 25 percent and 24 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2002, was \$7.80 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:

	2002
Real Property	\$232,203,350
Public Utility Real Property	9,290
Public Utility Tangible Personal Property	2,618,760
Tangible Personal Property	6,282,316
Total Assessed Value	\$241,113,716



**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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

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

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

NOTE 6 - INCOME TAX

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality equal to 50 percent of the amount obtained by multiplying the lower of the tax rate of such other municipality or of the City by the taxable income earned in or attributable to the municipality of employment.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration semi-annually.

Income tax proceeds are to be used for the purposes of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Pickerington. In 2002, the proceeds were receipted into the General Fund. Income tax revenue for 2002 was \$3,041,993.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2002 consisted primarily of taxes, intergovernmental receivables arising from grants, loans, entitlements and shared revenues, interest on investments, and utility accounts. All receivables are considered fully collectible.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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A summary of intergovernmental receivables follows:

<u>General Fund</u>	
Local Government	\$202,883
Homestead and Rollback	30,000
Transitional Work Grant	3,000
Total General Fund	<u>235,883</u>
<u>Special Revenue Funds</u>	
<u>Immobilization Fund</u>	
Vehicle Impoundment	<u>100</u>
<u>Law Enforcement Seizure Fund</u>	
License Confiscation	<u>35</u>
<u>Police Fund</u>	
COPS Universal Hiring Grant	8,201
STOP Wages Grant	436
December Quarterly Traffic Control	2,180
December Dispatching Services	5,833
Homestead and Rollback	60,000
Total Police Fund	<u>76,650</u>
<u>State Highway Fund</u>	
Gasoline Tax	8,127
Motor Vehicle License Tax	3,065
Total State Highway Fund	<u>11,192</u>
<u>Street Fund</u>	
Gasoline Tax	94,325
Motor Vehicle License Tax	38,684
Permissive Tax	4,043
Total Street Fund	<u>137,052</u>
Total Special Revenue Funds	<u>225,029</u>
<u>Capital Projects Funds</u>	
<u>CDBG</u>	
CDBG Formula 2000	3,445
CDBG Formula 2001	13,000
CDBG Formula 2002	13,000
Total CDBG	<u>29,445</u>
<u>St. Rt. 256 Highway Fund</u>	
Permissive Tax	<u>6,056</u>
<u>TIF St. Rt. 256/204 Construction Fund</u>	
Homestead and Rollback	<u>21,219</u>
Total Capital Projects Funds	<u>56,720</u>
Total All Funds	<u><u>\$517,632</u></u>

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

Payment in Lieu of Taxes

The City entered into Tax Increment Financing Agreements in 1997 between the City and Bob Evans Farms, Inc., Pickerington Plaza Limited Partnership, and Steak n Shake, Inc., for the purpose of constructing a movie theater, two restaurants and a retail center. To encourage this improvement, the companies were granted an exemption from paying any property taxes on the new construction; however, payments in lieu of taxes are made to the City in an amount equal to the real property taxes that otherwise would have been due in that current year. These payments are being used to finance public improvements and will continue over ten years. A receivable for the amount that will be received by the City in 2003 has been recorded in the Tax Increment Financing Capital Projects Fund with a corresponding credit to deferred revenue. The City is not able to record a receivable for all future payments because the payments are based upon projected collections. A receivable has been recorded in the amount of \$157,976 which represents amounts measurable at December 31, 2002.

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at December 31, 2002 follows:

Land	\$651,728
Improvements to Land Other than Buildings	468,969
Buildings	12,918,934
Equipment	786,154
Vehicles	255,833
Infrastructure	19,151,516
Construction in Progress	3,816,194
Total	<u>38,049,328</u>
Less: Accumulated Depreciation	<u>(7,160,997)</u>
Net Fixed Assets	<u><u>\$30,888,331</u></u>

Changes in general fixed assets during the year ended December 31, 2002, were as follows:

Class	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Land	\$549,030	\$1,436,311	\$0	\$1,985,341
Improvements to Land				
Other than Buildings	323,215	35,970	0	359,185
Buildings	1,385,474	5,774	0	1,391,248
Equipment	3,007,838	432,762	(42,968)	3,397,632
Vehicles	724,906	31,208	(69,658)	686,456
Construction in Progress	211,067	2,998,623	(71,576)	3,138,114
Totals	<u>\$6,201,530</u>	<u>\$4,940,648</u>	<u>(\$184,202)</u>	<u>\$10,957,976</u>

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2002 employer pension contribution rate for the City was 8.55 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$201,590, \$197,745, and \$114,488, respectively. The full amount has been contributed for 2001 and 2000. 74 percent has been contributed for 2002 with the remainder being reported as a fund liability and within the general long term obligations account group.

**B. Ohio Police and Fire Pension Fund**

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

The City has no firefighters. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The City's contributions to OP&F for the years ended December 31, 2002, 2001, and 2000 were \$125,853, \$121,216, and \$113,734, respectively. The full amount has been contributed for 2001 and 2000. 74 percent has been contributed for 2002 with the remainder being reported as a fund liability and within the general long term obligations account group.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System (OPERS)**

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.0 percent was the portion that was used to fund health care for 2002.

**City of Pickerington, Ohio**  
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Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.0 percent annually.

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

The number of active contributing participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$117,889. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not he 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 as described in GASB Statement 12. The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care cost paid from the OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2002. 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 City's actual contributions for 2002 that were used to fund postemployment benefits were \$83,009 for police. The OP&F's total health care expense for the year ended December 31, 2001 (the latest information available) was \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police.

**NOTE 11 – COMPENSATED ABSENCES**

Vacation leave is earned at varying rates based upon length of service. A maximum number of vacation hours may be accumulated based on length of service. Any unused vacation exceeding the maximum allowance is eliminated from the employee's leave balance. At the time of termination of employment or death, an employee (or his estate) is paid for his unused vacation leave.

Sick leave is earned at the rate of four and six tenths hours per eighty hours of service and can be accumulated without limit. In the case of death or retirement of an employee who has ten years of service, an employee or his estate is paid for one-third of his accumulated sick leave up to a maximum payment equal to forty days.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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After forty or more days have been accumulated, City employees are eligible to sell back certain amounts of sick leave. The formula depends on the number of sick days taken in the preceding calendar year. Employees eligible to retire within three years are also eligible to sell back leave. All employees must retain a minimum balance of forty days.

Unpaid compensated absences of \$47,822 at December 31, 2002, were reported as an accrued liability in the governmental fund types. The liability for compensated absences in the proprietary funds at December 31, 2002, was \$49,382. The balance of the liability is reported in the General Long-Term Obligations Account Group in the amount of \$285,646.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2002, the City contracted with CORMA for property and general liability, automobile liability, boiler and machinery liability, law enforcement liability, and public officials' liability.

Under the CORMA program for general liability, law enforcement liability, and public officials liability, the City has \$2,000,000 of total liability coverage for each occurrence. There is no deductible for general liability insurance. The City carries a \$50,000 deductible for both law enforcement and public officials' liability insurance. Property insurance is covered to a limit of \$100,000,000 with a \$25,000 deductible. Under automobile liability the City has \$1,000,000 of total liability coverage for each occurrence. Automobile insurance carries a \$100 per vehicle deductible for comprehensive coverage and a \$250 per vehicle collision coverage. Boiler and machinery insurance is covered to a limit of \$50,000,000 with various sublimits. The City carries a \$1,000 deductible for boiler and machinery liability. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

The City participates in the Ohio Municipal League workers' compensation group rating plan (the Plan), an insurance purchasing pool (see Note 20). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating municipalities is calculated as one experience in order to create a lower workers' compensation premium rate. Each municipality pays its workers' compensation premium to the State based on the rate for the Plan rather than the municipality's individual rate. In order to allocate the savings derived by the formation of the Plan, and to maximize the number of participants in the Plan, annual calculations are made of the total savings accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. Collections of rate contributions from or payments of rate equalization rebates to the various participants are then made. Participation in the Plan is limited to municipalities that can meet the Plan's selection criteria. The firm of Gates McDonald & Company performs claims administration, actuarial cost control, and consulting services for participants. Each year the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City has elected to provide employee medical, dental, vision and life insurance benefits through a self-insured program. The City maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The City pays 90 percent of medical claims for those employees that use a physician on the City's provider list, and 80 percent for those employees that do not. The City purchases total stop-loss coverage of \$20,000 per family and \$10,000 per single, including aggregate stop-loss in excess of \$485,086.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

The liability for unpaid claim costs of \$448,228 reported in the fund at December 31, 2002 is based on the requirements of GASB Statement 30 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Estimates were calculated by using actual claims reports for several months following the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability in 2001 and 2002 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$109,412	\$391,966	\$291,930	\$209,448
2002	209,448	815,016	576,236	448,228

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

A new capital lease obligation recorded in the general long-term obligations account group relates to the construction of a new police facility and the necessary operational equipment within the facility. On May 28, 2002, as part of the agreement, First Star Bank, as lessor, wired \$4.3 million in lease proceeds to the City for a portion of the costs of construction. At December 31, 2002 the City has expended \$2,588,250 for the construction of the building and \$335,958 for operational equipment. The remainder will be expended as costs are incurred. At year end, general fixed assets under this lease were capitalized in the general fixed asset account group under construction in progress in the amount of \$2,924,208 which includes the cost of construction of the building and equipment purchased. Only an interest payment on the lease has been made as of December 31, 2002. The principal amount owed on the lease at year end is \$4.3 million.

In addition, the City has entered into capital leases for four dump trucks, two copiers, a bulldozer, two mowers, a tractor, a digital imaging system and its computer equipment. The agreements stipulate that ownership is transferred to the City by the end of the lease terms. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the general purpose financial statements for the governmental funds. Equipment acquired by lease has been capitalized in the general fixed assets account group and a proprietary fund in the amounts of \$633,851 and \$52,657 which are equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and the Water Enterprise Fund. The Water Enterprise Fund net value of \$43,882 represents the present value in the amount of \$52,657 and the associated accumulated depreciation in the amount of \$8,775. Principal payments towards all capital leases during 2002 totaled \$46,164 for governmental funds and \$9,834 for proprietary funds.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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The following is a schedule of the future minimum lease payments at December 31, 2002:

Year	General Long-Term Obligations	Enterprise Fund
2003	\$399,772	\$11,929
2004	385,692	11,929
2005	372,631	-
2006	358,939	-
2007	349,678	-
2008 - 2012	1,720,739	-
2013 - 2017	1,766,687	-
2018 - 2022	1,828,468	-
Total	<u>7,182,606</u>	<u>23,858</u>
Less: Amount Representing Interest	<u>(2,720,596)</u>	<u>(2,185)</u>
Present Value of Net Minimum Lease	<u><u>\$4,462,010</u></u>	<u><u>\$21,673</u></u>



**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

**NOTE 14 - LONG-TERM OBLIGATIONS**

Changes in the City's long-term obligations during 2002 consist of the following:

	<u>Maturity</u>	<u>Balance January 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2002</u>
<b><u>General Long-Term Obligations</u></b>					
Compensated Absences		\$293,090	\$257,377	\$264,821	\$285,646
Intergovernmental Payable		90,965	136,233	90,965	136,233
Notes Payable (See Note 15)	various	0	1,725,000	0	1,725,000
Capital Leases Payable	various	80,598	4,428,276	46,164	4,462,710
<b>Total General Long-Term Obligations</b>		<b>464,653</b>	<b>6,546,886</b>	<b>401,950</b>	<b>6,609,589</b>
<b><u>Enterprise Funds</u></b>					
<b>\$1,500,000 - 5.85% - 1994</b>					
Water System Improvement General Obligation Revenue Bonds	Dec 2014	1,160,000	0	65,000	1,095,000
<b>\$2,500,000 - 5.50% - 1995</b>					
Sanitary Sewer Improvement General Obligation Revenue Bonds	Dec 2015	2,010,000	0	100,000	1,910,000
<b>\$2,850,000 - 4.85% - 1999</b>					
Sanitary Sewer Improvement General Obligation Revenue Bonds	Dec 2023	2,670,000	0	70,000	2,600,000
<b>Total General Obligation Revenue Bonds</b>		<b>5,840,000</b>	<b>0</b>	<b>235,000</b>	<b>5,605,000</b>
<b>\$440,864 - 6.25% - 1973 OWDA Loans</b>	Jan 2014	235,617	0	15,499	220,118
<b>\$819,398 - 4.64% - 2001 OWDA Notes</b>	June 2019	793,607	11,482	29,623	775,466
<b>Total OWDA</b>		<b>1,029,224</b>	<b>11,482</b>	<b>45,122</b>	<b>995,584</b>
<b>\$189,057 - 0.00% - 1993 Issue II Notes</b>	July 2009	94,527	0	12,604	81,923
Capital Leases Payable	various	31,507	0	9,834	21,673
<b>Total Enterprise Funds</b>		<b>6,995,258</b>	<b>11,482</b>	<b>302,560</b>	<b>6,704,180</b>
<b>Total All Types</b>		<b>\$7,459,911</b>	<b>\$6,558,368</b>	<b>\$704,510</b>	<b>\$13,313,769</b>

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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The sanitary sewer improvement bonds and the water system improvement bonds will be paid from revenues derived by the City from the operation of the sewer and water systems and are backed by the full faith and credit of the City.

The 1973 OWDA loans represent amounts borrowed from the Ohio Water Development Authority for the construction of sewer system improvements. The 2001 OWDA loan borrowed from the Ohio Water Pollution Control Loan Fund was also issued for the purpose of improving the sewer system. The City has been approved for a line of credit which could reach up to \$926,892. After receiving the project's construction billings, the City requests a draw down from the Ohio Water Pollution Control Fund to cover the project costs. The amount drawn down as of December 31, 2001 was \$807,916. During 2002, an additional \$11,482 was drawn down, making the full amount borrowed at December 31, 2002 \$819,398. During 2001 and 2002 the City made principal payments of \$14,309 and \$29,623. The loans will be paid from Sewer Enterprise Fund revenue.

The Issue II notes represent amounts borrowed from the Ohio Public Works Commission for the improvement of filters to the water plant. The notes were issued interest free and will be paid from Water Enterprise Fund revenue.

The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund in which the employee is paid. Capital leases payable are paid from the General Fund, Special Revenue Street Fund, the Special Revenue Parks and Recreation Fund, the Capital Projects Police Facilities Fund, and the Water Enterprise Fund.

As of December 31, 2002, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$17,412,734.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

Principal and interest requirements to retire the City's general obligation bonds outstanding at December 31, 2002 were:

Year	Sewer General Obligation Bonds		Water General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$175,000	\$234,490	\$65,000	\$64,058	\$240,000	\$298,548
2004	185,000	225,320	65,000	60,255	250,000	285,575
2005	195,000	215,633	75,000	56,453	270,000	272,086
2006	200,000	205,428	80,000	52,065	280,000	257,493
2007	220,000	194,948	80,000	47,385	300,000	242,333
2008-2012	1,265,000	789,835	490,000	159,705	1,755,000	949,540
2013-2017	1,225,000	420,065	240,000	21,351	1,465,000	441,416
2018-2023	1,045,000	184,543	0	0	1,045,000	184,543
Total	<u>\$4,510,000</u>	<u>\$2,470,262</u>	<u>\$1,095,000</u>	<u>\$461,272</u>	<u>\$5,605,000</u>	<u>\$2,931,534</u>

Principal and interest requirements to retire the City's OWDA loans and Issue II notes outstanding at December 31, 2002 were:

Year	OWDA		Issue II
	Principal	Interest	Principal
2003	\$43,884	\$49,661	\$12,604
2004	46,200	47,345	12,604
2005	48,642	44,904	12,604
2006	51,214	42,332	12,604
2007	53,926	39,620	12,604
2008-2012	314,879	150,206	18,903
2013-2017	239,527	81,041	0
2018-2023	197,312	19,214	0
Total	<u>\$995,584</u>	<u>\$474,323</u>	<u>\$81,923</u>

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

**NOTE 15 - SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2002, follows:

	Balance January 1, 2002	Increase	Decrease	Less Amount Reported in GLTOAG	Balance December 31, 2002
<b>Capital Projects Funds</b>					
Municipal Building - 3.23%	\$125,000	\$0	\$125,000	\$0	\$0
Street Improvement/ E. Street Realignment - 1.75%	1,070,000	1,690,000	1,070,000	0	1,690,000
TIF SR 256/204/ TIF Hill Road - 2.54%	1,400,000	413,000	1,400,000	393,000	20,000
TIF Old Town - 2.54%	780,000	780,000	780,000	597,000	183,000
TIF Cycle Way - 2.52%	0	625,000	0	625,000	0
Courtright Road Realignment - 2.29%	150,000	125,000	150,000	110,000	15,000
Police Facility - 1.85 -1.95%	800,000	1,150,000	1,600,000	0	350,000
Diley Road - 2.83%	0	110,000	0	0	110,000
TIF Windmill/ Diley - 2.68%	194,500	194,500	194,500	0	194,500
<b>Total Capital Projects Funds</b>	<b>4,519,500</b>	<b>5,087,500</b>	<b>5,319,500</b>	<b>1,725,000</b>	<b>2,562,500</b>
<b>Enterprise Funds</b>					
Water Plant Tower - 2.25%	1,475,000	1,275,000	1,475,000	0	1,275,000
Water Plant - 3.70%	0	295,582	0	0	295,582
Water Plant Engineer - 2.40%	550,000	550,000	550,000	0	550,000
Sewer D-Line IV - 2.50%	0	1,079,500	0	0	1,079,500
Sewer - 2.16%	500,000	400,000	500,000	0	400,000
Sewer Plant Engineer - 2.25%	0	375,000	0	0	375,000
Sewer Plant Engineer - 2.25%	550,000	550,000	550,000	0	550,000
<b>Total Enterprise Funds</b>	<b>3,075,000</b>	<b>4,525,082</b>	<b>3,075,000</b>	<b>0</b>	<b>4,525,082</b>
<b>Total All Fund Types and Account Group</b>	<b>\$7,594,500</b>	<b>\$9,612,582</b>	<b>\$8,394,500</b>	<b>\$1,725,000</b>	<b>\$7,087,582</b>

The notes outstanding at December 31, 2002 were issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City. The amounts reported in the funds mature within one year. \$1,725,000 in notes outstanding in notes at December 31, 2002, are being reported in the General Long Term Obligation Account Group because these notes (or a portion thereof) have been refinanced in 2003 and now have maturity dates beyond December 31, 2003. The City entered into an agreement with the Fairfield National Bank that allows the City to draw down portions of a \$3.9 million Water Plant Bond Anticipation Note. As of December 31, 2002, the City had drawn down a total of \$295,582.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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**NOTE 16 - SEGMENT INFORMATION**

The City's enterprise funds account for the provision of sewer and water services. Key financial information as of and for the year ended December 31, 2002 for each enterprise fund and internal service fund is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating Revenues	\$1,723,624	\$1,604,196	\$3,327,820
Depreciation Expense	345,621	504,935	850,556
Operating Income (Loss)	134,302	(572,743)	(438,441)
Net Non-Operating Revenues/(Expenses)	902,338	2,931,388	3,833,726
Net Income	1,036,640	2,358,645	3,395,285
Current Capital Contributions	1,201,188	3,031,460	4,232,648
Property, Plant and Equipment:			
Additions	1,942,186	2,933,511	4,875,697
Deletions	36,099	20,000	56,099
Net Working Capital	251,121	(238,700)	12,421
Total Assets	20,762,401	15,826,522	36,588,923
Bonds and Other Long-Term Liabilities Payable from Revenue	5,518,478	1,231,699	6,750,177
Total Equity	12,422,450	11,728,125	24,150,575
Encumbrances at 12/31/2002	946,882	409,037	1,355,919

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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**NOTE 17 - SIGNIFICANT CONTRACTUAL OBLIGATIONS**

As of December 31, 2002 the City had the following material contractual purchase commitments. The amount for each project is as follows:

<u>Source</u>	<u>Purchase Commitments</u>	<u>Amount Paid as of December 31, 2002</u>	<u>Remaining on Contracts</u>
Sewer Plant Expansion Project	\$575,000	\$304,500	\$270,500
Sewer D-Line Phase IV Project	812,826	538,686	274,140
Sycamore Creek Project	188,000	0	188,000
Police Facility Project	3,567,061	2,972,297	594,764
Diley Road Project	364,055	129,345	234,710
Pickerington Cycle Way Project	573,340	15,305	558,035
Hill Road Sidewalk Project	1,337,421	1,020,097	317,324
Courtright Road Extension Project	541,050	304,445	236,605
Water Plant Expansion Project	3,697,264	1,280,628	2,416,636

**NOTE 18 – JOINTLY GOVERNED ORGANIZATION**

The City is a participant in the Fairfield Hocking Major Crimes Unit, a jointly governed organization. The organization is composed of an operating board which consists of seven members: the Fairfield County sheriff and prosecuting attorney, the Hocking County sheriff and prosecuting attorney, and the chiefs of police from the City of Pickerington, the City of Lancaster, and the City of Logan. The purpose of the organization is to provide additional police protection to the citizens of Fairfield and Hocking Counties and to reduce the influence and affects of illegal drug trafficking activities and other major crimes. The City contributed \$24,771 in man hours to the Fairfield Hocking Major Crimes Unit during 2002.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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NOTE 19 - POOLS

A. Central Ohio Risk Management Association (CORMA)

The Central Ohio Risk Management Association Inc. (CORMA) is a shared risk pool which is administered by three cities in Northeast Ohio. Its present members in addition to the City of Pickerington are the Cities of Dublin, Upper Arlington and Westerville. CORMA was formed as an Ohio non-profit corporation for the purpose of establishing the CORMA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Each member has a representative on the Board of Trustees that approve bylaws, establish policies and contract with service providers for the best savings. Member cities agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORMA. These coverages include comprehensive general liability, property insurance, crime insurance, employee benefits liability, law enforcement liability, public officials liability, automotive liability, and healthcare professional liability.

B. The Ohio Municipal League Workers' Compensation Group Rating Program

The City is participating in a group rating plan for workers' compensation called The Ohio Municipal League Workers' Compensation Group Rating Program, as established under Section 4123.29 of the Ohio Revised Code. The group rating plan is sponsored by the Ohio Municipal League.

The Ohio Municipal League is governed by a Board of Trustees, elected by membership. The Board consists of all past presidents of the League, as long as they are municipal officials, and 28 trustees (also municipal officials) elected for two year terms. The Board exercises general oversight over operation of the workers' compensation group. League staff maintains direct and on-going liaison with the program contract operator, Gates McDonald.

NOTE 20 - CONTINGENT LIABILITIES

A. Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

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

NOTE 21 - SUBSEQUENT EVENTS

On December 31, 2002, the City ended its self insurance program with Central Benefits. Beginning January 1, 2003, the city entered into a contract with Central Ohio Health Care Consortium through E.V. Benefits for health self-insurance.

**City of Pickerington, Ohio**  
Notes to the General Purpose Financial Statements  
For the Year Ended December, 31 2002

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On February 4, 2003, the City issued bond anticipation notes in the amount of \$322,500 for the State Route 256/Stonecreek Dr. street and traffic signal improvements. The notes have an interest rate of 1.96 percent and mature March 26, 2004.

On February 24, 2003, the City issued bond anticipation notes in the amount of \$1,800,000 for engineering and construction street improvements in downtown. The notes have an interest rate of 1.37 percent and mature April 17, 2004.

On February 18, 2003, the City issued bond anticipation notes in the amount of \$346,000 for constructing improvements to Diley Rd. The notes have an interest rate of 1.37 percent and mature March 26, 2004.

On April 1, 2003, the City issued bond anticipation notes in the amount of \$1,075,000 for the renewal of notes previously issued for paying part of the cost of acquiring and construction improvements to the water supply and waterworks system. The notes have an interest rate of 1.38 percent and mature May 21, 2004.

On May 20, 2003, the City issued bond anticipation notes in the amount of \$1,900,000 for the renewal of notes previously issued to pay part of the cost of acquiring and construction improvements to the sanitary sewer collection and treatment system. The notes have an interest rate of 1.137 percent and mature June 18, 2004.

On May 20, 2003, the City issued bond anticipation notes in the amount of \$500,000 for the renewal of notes previously issued for paying part of the cost of acquiring and construction improvements to the water system. The notes have an interest rate of 1.137 percent and mature June 18, 2004.

Through August, 2003, the City drew down an additional \$2,271,524 of the \$3.9 million Water Plant Bond Anticipation Notes (see Note 15).



**STATISTICAL SECTION**

THE FOLLOWING UNAUDITED STATISTICAL TABLES  
REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND  
FISCAL CAPACITY OF THE CITY

**City of Pickerington, Ohio**  
**Real Property Tax Levies and Collections**  
**Last Ten Years**

Collection Year	Total Tax Levy (1)	Current Tax Collections	Delinquent Tax Collections (2)	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1993	\$473,798	\$448,112	\$13,627	\$461,739	97.45%	\$14,492	3.06%
1994	489,637	486,909	10,873	497,782	101.66	13,782	2.81
1995	520,407	514,957	9,835	524,792	100.84	12,492	2.40
1996	604,674	598,816	8,488	604,304	100.43	12,635	2.09
1997	594,544	555,953	6,838	562,791	94.66	17,404	2.93
1998	621,924	608,817	8,242	617,059	99.22	20,765	3.34
1999	673,947	654,598	13,053	667,651	97.13	29,110	4.32
2000	742,888	700,256	20,768	721,024	97.10	24,708	3.30
2001	1,210,588	1,161,218	18,946	1,180,165	97.50	62,371	5.20
2002	1,372,739	1,323,768	34,506	1,358,274	98.90	41,784	3.00

Source: County Auditor; Fairfield County, Ohio

(1) These figures do not include homestead, 10% rollback and 2.5% rollback.

(2) Delinquent collections include penalties and interest.  
Differences are due to adders, remitters, and refunds.

**City of Pickerington, Ohio**  
**Personal Property Tax Levies and Collections**  
**Last Ten Years**

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections (1)	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1993	\$21,899	\$19,592	\$536	\$20,128	91.91%	\$1,591	7.27%
1994	24,635	21,853	1,600	23,453	95.20	1,272	5.16
1995	23,854	19,223	859	20,083	84.19	1,835	7.69
1996	25,258	20,535	73	20,608	81.59	1,593	6.31
1997	29,327	27,810	473	28,283	96.44	2,873	9.79
1998	28,863	27,382	957	28,339	98.18	1,481	5.13
1999	37,031	32,873	123	32,996	89.10	3,191	8.61
2000	40,493	38,899	7,782	46,681	115.28	1,478	3.65
2001	46,718	43,652	54	43,706	93.60	3,251	7.00
2002	47,808	43,622	195	43,817	91.70	3,479	7.30

Source: County Auditor; Fairfield County, Ohio

(1) Delinquent collections include penalties and interest.  
Differences are due to adders, remitters, and refunds.

**City of Pickerington, Ohio**  
**Assessed Value of Taxable Property**  
**Last Ten Years**

<u>Collection Year</u>	<u>Assessed Real</u>	<u>Assessed Public Utility Real</u>	<u>Assessed Tangible Personal (1)</u>	<u>Total</u>
1993	\$83,030,270	\$4,040	\$6,768,129	\$89,802,439
1994	91,983,040	4,530	5,911,110	97,898,680
1995	95,153,130	5,070	6,588,160	101,746,360
1996	120,289,340	5,490	6,283,365	126,578,195
1997	124,554,130	5,640	7,276,745	131,836,515
1998	130,296,600	7,210	8,479,540	138,783,350
1999	148,856,150	7,160	8,966,527	157,829,837
2000	160,131,600	3,559	9,025,307	169,160,466
2001	169,250,550	3,474	9,984,978	179,239,002
2002	232,203,350	9,290	8,901,076	241,113,716

Source: County Auditors; Fairfield County, Ohio and Franklin County, Ohio.

(1) Includes Public Utility Tangible Personal.

**City of Pickerington, Ohio**  
**Property Tax Rates - Direct and Overlapping Governments**  
**(Per \$1,000 of Assessed Values)**  
**Last Ten Years**

Collection Year	City General Fund (1)	City Police Fund (1)	Total City	Pickerington Local Schools (2)	Fairfield County (2)	Violet Township (2)	Eastland Joint Vocational School (2)
1993	\$2.30	\$5.50	\$7.80	\$66.21	\$8.55	\$6.35	\$1.24
1994	2.30	5.50	7.80	67.66	8.55	5.70	1.23
1995	2.30	5.50	7.80	67.76	7.05	5.70	1.20
1996	2.30	5.50	7.80	65.00	7.05	9.80	1.20
1997	2.30	5.50	7.80	68.96	7.05	8.55	1.20
1998	2.30	5.50	7.80	66.36	7.05	8.55	1.20
1999	2.30	5.50	7.80	66.36	7.05	8.55	2.00
2000	2.30	5.50	7.80	66.36	7.05	9.80	2.00
2001	2.30	5.50	7.80	70.30	7.05	8.30	2.00
2002	2.30	5.50	7.80	70.10	7.05	12.15	2.00

Source: (1) City of Pickerington

(2) County Auditor; Fairfield County, Ohio

**City of Pickerington, Ohio**  
**Computation of Overall Legal Debt Margin**  
**December 31, 2002**

Assessed Value		<u>\$241,113,716</u>
Overall Debt Margin (10 ½ % of the Assessed Value)		\$21,700,234
Total Voted and Unvoted Debt Outstanding at December 31, 2002	<u>\$15,495,089</u>	
 Exempt Obligations:		
Revenue Bonds Payable	5,605,000	
OWDA Loans Payable	995,584	
Issue 2 Notes Payable	81,923	
Notes Payable from Enterprise Fund Revenues	<u>4,525,082</u>	
Total	<u>11,207,589</u>	
Net Subject to 10 ½ percent limitation		<u>4,287,500</u>
Legal Debt Margin within 10 ½ percent limitation		<u>\$17,412,734</u>

**City of Pickerington, Ohio**  
**Computation of Direct and Overlapping**  
**General Obligation Bonded Debt**  
**December 31, 2002**

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Pickerington</u>	<u>Amount Applicable to the City of Pickerington</u>
City of Pickerington	\$0	100%	\$0
Pickerington Local School District	120,534,228	30.61	36,895,527
Fairfield County	2,210,000	10.3	227,630
Violet Township	<u>200,000</u>	<u>36.28</u>	<u>72,560</u>
Total			<u><u>\$37,195,717</u></u>

(1) Amount includes only general obligation bonds payable from property taxes.

Note: The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by the subdivision's total assessed valuation.

**City of Pickerington, Ohio**  
Principal Taxpayers  
December 31, 2002

Taxpayer	Type	2002 Assessed Value	Percentage of Total Assessed Value
AERC Turnberry Inc.	Real Estate Management	\$5,421,160	2.45%
Lakes Edge Partnership	Real Estate Management	3,926,830	1.77
Regency Centers LP	Shopping Center	3,288,630	1.48
Pickerington Square LP	Shopping Center	2,907,010	1.31
Rockford Homes Inc.	Real Estate Management	2,282,450	1.03
Hill Road Plaza LLC	Shopping Center	2,029,430	.92
DDR Continental	Shopping Center	1,979,410	.89
Centex Homes	Real Estate Management	1,953,670	.88
Diley Road Associates LLC	Shopping Center	1,899,260	.86
BGM Development Corp	Real Estate Management	1,795,530	.81

Source: County Auditor; Fairfield County, Ohio





## **Auditor of State Betty Montgomery**

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

City of Pickerington  
Fairfield County  
100 Lockville Road  
Pickerington, Ohio 43147

To Members of City Council:

We have audited the general purpose financial statements of the City of Pickerington, Fairfield County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As a part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated August 4, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-002.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 do not believe the reportable condition described above is a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 4, 2003.

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

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

**Betty Montgomery**  
**Auditor of State**

August 4, 2003

**CITY OF PICKERINGTON  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2002-001</b>
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Finding Repaid Under Audit

Section 1067.06 Stormwater Utility Charges of the Pickerington Codified Ordinances establishes a stormwater system capacity charge of six hundred dollars (\$600) for each building permit for new housing or commercial start, effective from and after January 1, 2001. Such fee shall be increased by three percent for each of the years following 2001.

The stormwater system capacity charge for 2002 was six hundred eighteen dollars (\$618) for each new construction building permit. In error, the Building Department only charged six hundred (\$600) for 369 new construction residential building permits issued in 2002 leaving a total of six thousand six hundred forty two dollars (\$6,642) in uncollected charges.

The City collected \$6,642 from the respective developers during the course of our audit.

<b>Finding Number</b>	<b>2002-002</b>
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Fixed Assets

The City should maintain a current listing of all fixed assets. This list should be maintained by the Finance Director and be updated yearly for additions and disposals. An appropriate asset tracking or management system allows the City to properly report the value of its fixed assets in its financial statements including accounting for and reporting depreciation. It also helps in reflecting dollar value of assets for insurance coverage, proof of loss, and replacement of assets.

The City's fixed asset listing is on the Sanderson Creative Microsystems Inc. (CMI) system maintained by the City. The City's fixed asset listing for its general fixed assets was not reconciled in total with supplementary fixed asset records supporting the amount reflected on the financial statements. The City's listing includes fixed assets that do not meet its stated capitalization threshold of \$1,000. The City's fixed asset listing has a general fixed assets total of approximately \$11,180,000 and the financial statements report an amount of approximately \$10,958,000. The City's fixed asset listing has a proprietary fixed asset total of approximately \$38,091,000 and the financial statements report an amount of approximately \$38,049,000. Variances between the CMI system total and supplementary fixed asset information amounts in some asset classes are significant. This deficiency could result in inaccurate financial reporting of the City's fixed assets and hinder the prevention of loss or misappropriation of assets.

We recommend the City perform a physical inventory of all fixed assets held by the City. The CMI system should be updated to reflect the assets held and should be updated throughout the year for additions and deletions of fixed assets and such updates should be posted to the proper asset class. A comprehensive review and update of CMI system data and accurate and timely posting of fixed asset changes should eliminate the need for supplementary fixed asset information. We also recommend the City review and revise its fixed assets accounting policies that address the procedures to be followed in acquiring fixed assets, disposing of assets, tracking of assets within the City, valuating of assets and performing annual physical inventory counts.

The City plans to contract with an appraisal firm to inventory and value fixed assets as of December 31, 2003. The Sanderson CMI system will be updated to reflect the appraisers' inventory and valuation of fixed assets.





**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 PICKERINGTON**

**FAIRFIELD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 25, 2003**