



**Auditor of State
Betty Montgomery**

**CITY OF POWELL
DELRWARE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Powell
47 Hall Street
Powell, Ohio 43065

To the City Council:

We have audited the accompanying general purpose financial statements of the City of Powell, Delaware County, Ohio, (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 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.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group (GFAAG), which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2002, and the results of its operations 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 May 16, 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.

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

BETTY MONTGOMERY
Auditor of State

May 16, 2003

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City of Powell
 Combined Balance Sheet
 All Fund Types and Account Group
 December 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,440,797	\$508,208	\$40,607	\$1,696,342
Receivables:				
Property Taxes	291,495	0	387,451	605,391
Municipal Income Taxes	487,277	0	0	0
Other Local Taxes	0	27,942	0	0
Accounts	28,693	0	0	0
Intergovernmental	250,798	175,506	24,944	353,071
Accrued Interest	5,381	0	0	0
Interfund	75,300	0	0	0
Prepaid Items	7,820	0	0	600
Materials and Supplies Inventory	0	12,934	0	0
<u>Other Debits</u>				
Amount Available in Debt Service Funds for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	\$4,587,561	\$724,590	\$453,002	\$2,655,404
<u>Liabilities and Fund Equity</u>				
<u>Liabilities</u>				
Accounts Payable	\$18,651	\$10,652	\$0	\$14
Contracts Payable	0	64,312	0	450
Accrued Wages Payable	76,576	1,556	0	0
Retainage Payable	0	0	0	999
Intergovernmental Payable	15,152	417	0	0
Interfund Payable	0	0	0	75,300
Deferred Revenue	684,100	182,656	412,395	678,565
Undistributed Assets	0	0	0	0
Compensated Absences Payable	9,821	44	0	0
Accrued Interest Payable	0	0	0	18,700
Notes Payable	0	0	0	6,000,000
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	804,300	259,637	412,395	6,774,028
<u>Fund Equity</u>				
Fund Balance:				
Reserved for Encumbrances	143,288	83,462	0	96,444
Unreserved (Deficit)	3,639,973	381,491	40,607	(4,215,068)
Total Fund Equity (Deficit) and Other Credits	3,783,261	464,953	40,607	(4,118,624)
Total Liabilities and Fund Equity	\$4,587,561	\$724,590	\$453,002	\$2,655,404

See Accompanying Notes to the General Purpose Financial Statements

Fiduciary Fund Type	Account Group General Long - Term Obligations	Total (Memorandum Only)
Agency		
\$257,023	\$0	\$5,942,977
0	0	1,284,337
0	0	487,277
0	0	27,942
0	0	28,693
0	0	804,319
0	0	5,381
0	0	75,300
0	0	8,420
0	0	12,934
0	40,607	40,607
0	16,094,118	16,094,118
<u>\$257,023</u>	<u>\$16,134,725</u>	<u>\$24,812,305</u>
\$0	\$0	\$29,317
0	0	64,762
0	0	78,132
0	0	999
0	23,561	39,130
0	0	75,300
0	0	1,957,716
257,023	0	257,023
0	81,164	91,029
0	0	18,700
0	0	6,000,000
0	16,030,000	16,030,000
<u>257,023</u>	<u>16,134,725</u>	<u>24,642,108</u>
0	0	323,194
0	0	(152,997)
0	0	170,197
<u>\$257,023</u>	<u>\$16,134,725</u>	<u>\$24,812,305</u>

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

	Governmental Fund Types			Total (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
<u>Revenues</u>					
Property Taxes	\$233,650	\$0	\$375,787	\$0	\$609,437
Municipal Income Taxes	2,582,992	0	0	0	2,582,992
Other Local Taxes	0	57,836	0	0	57,836
Intergovernmental	469,449	148,348	52,122	279,897	949,816
Charges for Services	5,135	46,721	0	330,049	381,905
Fees, Licenses, and Permits	617,863	0	0	0	617,863
Fines and Forfeitures	9,608	785	0	0	10,393
Interest	85,622	4,279	0	32,656	122,557
Miscellaneous	76,822	39,980	0	251,316	368,118
Total Revenues	4,081,141	297,949	427,909	893,918	5,700,917
<u>Expenditures</u>					
Current:					
Security of Persons and Property	1,216,875	64,885	0	0	1,281,760
Leisure Time Activities	49,839	191,664	0	0	241,503
Community Environment	444,120	0	0	0	444,120
Transportation	405,670	198,371	0	0	604,041
General Government	873,599	0	5,763	0	879,362
Capital Outlay	0	0	0	17,020,759	17,020,759
Debt Service:					
Principal Retirement	0	0	210,000	0	210,000
Interest and Fiscal Charges	0	0	281,538	172,069	453,607
Total Expenditures	2,990,103	454,920	497,301	17,192,828	21,135,152
Excess of Revenues Over (Under) Expenditures	1,091,038	(156,971)	(69,392)	(16,298,910)	(15,434,235)
<u>Other Financing Sources (Uses)</u>					
Proceeds of Bonds	0	0	0	10,915,000	10,915,000
Operating Transfers In	114	67,100	73,800	229,356	370,370
Operating Transfers Out	(370,256)	(114)	0	0	(370,370)
Total Other Financing Sources (Uses)	(370,142)	66,986	73,800	11,144,356	10,915,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	720,896	(89,985)	4,408	(5,154,554)	(4,519,235)
Fund Balances at Beginning of Year	3,062,365	554,938	36,199	1,035,930	4,689,432
Fund Balances (Deficit) at End of Year	<u>\$3,783,261</u>	<u>\$464,953</u>	<u>\$40,607</u>	<u>(\$4,118,624)</u>	<u>\$170,197</u>

See Accompanying Notes to the General Purpose Financial Statements

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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>						
Property Taxes	\$237,604	\$233,650	(\$3,954)	\$0	\$0	\$0
Municipal Income Taxes	2,150,000	2,527,026	377,026	0	0	0
Other Local Taxes	0	0	0	34,000	55,884	21,884
Intergovernmental	337,331	426,428	89,097	299,158	149,343	(149,815)
Charges for Services	2,000	5,055	3,055	51,500	43,201	(8,299)
Fees, Licenses, and Permits	236,760	633,101	396,341	0	0	0
Fines and Forfeitures	11,000	8,331	(2,669)	600	810	210
Interest	35,000	90,338	55,338	250	4,300	4,050
Miscellaneous	30,000	75,690	45,690	45,000	39,980	(5,020)
Total Revenues	3,039,695	3,999,619	959,924	430,508	293,518	(136,990)
<u>Expenditures</u>						
Current:						
Security of Persons and Property	1,236,709	1,218,970	17,739	112,958	108,263	4,695
Leisure Time Activities	106,954	65,546	41,408	344,769	209,893	134,876
Community Environment	480,721	450,432	30,289	0	0	0
Transportation	530,811	466,451	64,360	255,487	229,588	25,899
General Government	1,177,380	937,206	240,174	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,532,575	3,138,605	393,970	713,214	547,744	165,470
Excess of Revenues Over (Under) Expenditures	(492,880)	861,014	1,353,894	(282,706)	(254,226)	28,480
<u>Other Financing Sources (Uses)</u>						
Proceeds of Bonds	0	0	0	0	0	0
Proceeds of Notes	0	0	0	0	0	0
Contingencies	(36,850)	0	36,850	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	(75,300)	(75,300)	0	0	0	0
Operating Transfers In	0	114	114	76,100	67,100	(9,000)
Operating Transfers Out	(370,256)	(370,256)	0	(114)	(114)	0
Total Other Financing Sources (Uses)	(482,406)	(445,442)	36,964	75,986	66,986	(9,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(975,286)	415,572	1,390,858	(206,720)	(187,240)	19,480
Fund Balances at Beginning of Year	2,744,938	2,744,938	0	494,759	494,759	0
Prior Year Encumbrances Appropriated	124,832	124,832	0	44,370	44,370	0
Fund Balances at End of Year	\$1,894,484	\$3,285,342	\$1,390,858	\$332,409	\$351,889	\$19,480

(continued)

City of Powell
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Budget (Non-GAAP Budgetary Basis) and Actual
 All Governmental Fund Types
 For the Year Ended December 31, 2002
 (continued)

	Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>						
Property Taxes	\$382,146	\$375,787	(\$6,359)	\$0	\$0	\$0
Municipal Income Taxes	0	0	0	0	0	0
Other Local Taxes	0	0	0	0	0	0
Intergovernmental	43,602	52,122	8,520	290,273	0	(290,273)
Charges for Services	0	0	0	37,000	330,049	293,049
Fees, Licenses, and Permits	0	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0	0
Interest	0	0	0	0	32,656	32,656
Miscellaneous	0	0	0	0	256,381	256,381
Total Revenues	425,748	427,909	2,161	327,273	619,086	291,813
<u>Expenditures</u>						
Current:						
Security of Persons and Property	0	0	0	0	0	0
Leisure Time Activities	0	0	0	0	0	0
Community Environment	0	0	0	0	0	0
Transportation	0	0	0	0	0	0
General Government	8,000	5,763	2,237	0	0	0
Capital Outlay	0	0	0	17,841,369	17,178,926	662,443
Debt Service:						
Principal Retirement	210,000	210,000	0	0	0	0
Interest and Fiscal Charges	281,700	281,538	162	176,000	153,369	22,631
Total Expenditures	499,700	497,301	2,399	18,017,369	17,332,295	685,074
Excess of Revenues Over (Under) Expenditures	(73,952)	(69,392)	4,560	(17,690,096)	(16,713,209)	976,887
<u>Other Financing Sources (Uses)</u>						
Proceeds of Bonds	0	0	0	11,000,000	10,915,000	(85,000)
Proceeds of Notes	0	0	0	6,000,000	6,000,000	0
Contingencies	0	0	0	0	0	0
Advances In	0	0	0	75,300	75,300	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	73,800	73,800	0	229,356	229,356	0
Operating Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	73,800	73,800	0	17,304,656	17,219,656	(85,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(152)	4,408	4,560	(385,440)	506,447	891,887
Fund Balances at Beginning of Year	36,199	36,199	0	698,818	698,818	0
Prior Year Encumbrances Appropriated	0	0	0	394,169	394,169	0
Fund Balances at End of Year	\$36,047	\$40,607	\$4,560	\$707,547	\$1,599,434	\$891,887

See Accompanying Notes to the General Purpose Financial Statements

Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$619,750	\$609,437	(\$10,313)
2,150,000	2,527,026	377,026
34,000	55,884	21,884
970,364	627,893	(342,471)
90,500	378,305	287,805
236,760	633,101	396,341
11,600	9,141	(2,459)
35,250	127,294	92,044
75,000	372,051	297,051
<u>4,223,224</u>	<u>5,340,132</u>	<u>1,116,908</u>
1,349,667	1,327,233	22,434
451,723	275,439	176,284
480,721	450,432	30,289
786,298	696,039	90,259
1,185,380	942,969	242,411
17,841,369	17,178,926	662,443
210,000	210,000	0
457,700	434,907	22,793
<u>22,762,858</u>	<u>21,515,945</u>	<u>1,246,913</u>
<u>(18,539,634)</u>	<u>(16,175,813)</u>	<u>2,363,821</u>
11,000,000	10,915,000	(85,000)
6,000,000	6,000,000	0
(36,850)	0	36,850
75,300	75,300	0
(75,300)	(75,300)	0
379,256	370,370	(8,886)
(370,370)	(370,370)	0
<u>16,972,036</u>	<u>16,915,000</u>	<u>(57,036)</u>
(1,567,598)	739,187	2,306,785
3,974,714	3,974,714	0
563,371	563,371	0
<u>\$2,970,487</u>	<u>\$5,277,272</u>	<u>\$2,306,785</u>

See Accountant's Compilation Report

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

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

A. The City

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

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

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

B. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to influence significantly the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Powell in 2002.

The City participates in two insurance pools, the Ohio Government Risk Management Plan and the Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan, and two jointly governed organizations, the Liberty Community Infrastructure Financing Authority and the Powell Community Infrastructure Financing Authority. These organizations are presented in Notes 16 and 17 to the combined financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Fund Accounting

The City uses funds and an account group 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 separate 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 available expendable 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 of governmental and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

General Fund

The General fund is the general operating fund of the City. It 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.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) whose use is restricted. The use and limitation of each special revenue fund is specified by City ordinances or federal and state statutes.

Debt Service Funds

The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Group

To make a clear distinction between long-term liabilities related to a specific fund and those of a general nature, the following account group is used:

General Long-Term Obligations Account Group

The general long-term obligations account group is used to account for all unmatured long-term obligations of the City.

B. Measurement Focus and Basis of Accounting

The accounting and financial 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.

Basis of accounting refers to 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 fund types and agency funds.

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of December 31, 2002, but which were levied to finance 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. Revenues that are not collected within the available period are recorded as deferred revenue.

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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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.

Estimated Resources

The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget 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 estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the Finance Director determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended official certificate of estimated resources issued during 2002.

Appropriations

A temporary appropriations ordinance to control the level of expenditures for all funds may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. Appropriations may not exceed estimated resources as established in the amended official certificate of estimated resources. Several appropriation ordinances were legally enacted by the City Council during the year. The budget figures which appear in the statements of budgetary comparisons represent the appropriated budget amounts and all supplemental appropriations.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by the City Council. For all funds, council appropriations are made to personal services, operating expenses, capital equipment, debt retirement, and transfer accounts for each department. The appropriations set by the City Council must remain fixed unless amended by City Council resolution. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within the City Council's appropriated amount.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance for subsequent-year expenditures for governmental fund types.

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 appropriation. Encumbered appropriations are carried forward to the succeeding year and are not reappropriated.

D. Cash and Investments

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

During 2002, the City invested in repurchase agreements and nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2002.

Following State statutes, the City has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during 2002 was \$85,622, which includes \$28,668 assigned from other City funds.

For presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity 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, and not purchased from the pool, are reported as investments.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

F. Inventory

Inventory is stated at cost on a first-in first-out basis and is expended when used. Inventory consists of salt to be used on roadways during winter.

G. Interfund Assets/Liabilities

Short-term interfund loans are classified as “Interfund Receivables/Payables” on the combined balance sheet.

H. 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. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

I. 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, contractually required pension contributions and compensated absences that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than thirty-one days after year end are considered not to have used current available expendable resources. Bonds are reported as liabilities in the general long-term obligations account group until due.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Reserves of Fund Equity

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

K. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. Interfund transfers are reported as operating transfers.

L. 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.

M. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2002, the CJIS Consortium special revenue fund and the Parks and Recreation capital projects fund had deficit fund balances, in the amount of \$64,312 and \$30,544, respectively. The General fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when the accruals occur.

The Golf Village capital projects fund had a deficit fund balance, in the amount of \$5,707,084, due to the requirement to reflect the liability in the fund receiving the note proceeds. The deficit will be eliminated when bonds are issued or the notes are repaid.

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances 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 (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for the governmental fund types (GAAP basis).
4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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		
	General	Special Revenue	Capital Projects
GAAP Basis	\$720,896	(\$89,985)	(\$5,154,554)
<u>Increases (Decreases) Due To</u>			
Revenue Accruals:			
Accrued 2001, Received in Cash 2002	298,022	16,361	5,065
Accrued 2002, Not Yet Received in Cash	(379,544)	(20,792)	(279,897)
Expenditure Accruals:			
Accrued 2001, Paid in Cash 2002	(109,400)	(575)	(62,122)
Accrued 2002, Not Yet Paid in Cash	120,200	76,981	20,163
Prepaid Items	(3,847)	23	(600)
Materials and Supplies Inventory	0	(12,934)	0

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types
(continued)

	General	Special Revenue	Capital Projects
Advances In	\$0	\$0	\$75,300
Advances Out	(75,300)	0	0
Proceeds of Notes	\$0	\$0	\$6,000,000
Encumbrances Outstanding at Year End (Budget Basis)	(155,455)	(156,319)	(96,908)
Budget Basis	\$415,572	(\$187,240)	\$506,447

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer 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.

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

At year end, the carrying amount of the City's deposits was \$848,837 and the bank balance was \$919,253. Of the bank balance, \$100,000 was covered by federal depository insurance and \$819,253 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$1,755,658	\$1,755,658	\$1,755,681
STAR Ohio		3,338,482	3,338,482
		\$5,094,140	\$5,094,163

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

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,942,977	\$0
Investments:		
Repurchase Agreements	(1,755,658)	1,755,658
STAR Ohio	(3,338,482)	3,338,482
GASB Statement No. 3	\$848,837	\$5,094,140

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2002 represent the collection of 2001 taxes. Real property taxes were levied in 2002 after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. These taxes will be collected in and are intended to finance 2003 operations. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semiannually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes were levied in 2002 after October 1, 2002, on the assessed values as of December 31, 2001, the lien date. These taxes will be collected in and are intended to finance 2003 operations. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2002 (other than public utility property) represent the collection of 2002 taxes. Tangible personal property taxes received in 2002 were levied after October 1, 2001, on the true value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value for equipment and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. The first payment is due April 30, with the remainder payable by September 20.

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

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

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations.

The full tax rate for all City operations for the year ended December 31, 2002, was \$3.13 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	
Agricultural/Residential	\$197,115,330
Commercial/Industrial	17,249,840
Public Utility Property	
Real	4,840
Personal	2,292,630
Tangible Personal Property	3,913,390
Total Assessed Value	<u>\$220,576,030</u>

During 2002, the City passed a 2.5 mill tax levy for parks and recreational purposes. Collection on the tax will begin in 2003.

NOTE 7 - MUNICIPAL INCOME TAXES

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

NOTE 8 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes; accounts; intergovernmental receivables arising from grants, entitlements, and shared revenues; accrued interest; and interfund receivables. All receivables are considered fully collectible within the next year.

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

NOTE 8 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Cigarette Tax	\$19
Estate Tax	77,512
Liquor Permits	3,964
Local Government	148,525
Homestead and Rollback	18,711
Municipal Court	1,942
Delaware County Juvenile Court	125
Total General Fund	250,798
Special Revenue Funds	
Street Maintenance and Repair	
Gasoline Tax	45,195
Motor Vehicle License Tax	23,735
Total Street Maintenance and Repair	68,930
State Highway	
Gasoline Tax	3,664
Motor Vehicle License Tax	1,924
Total State Highway	5,588
Parks and Recreation	
OCJS Grant	36,576
CJIS Consortium	
Office of Justice/Byrne Grant	64,312
DUI Enforcement	
Municipal Court	100
Total Special Revenue Funds	175,506

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

NOTE 8 - RECEIVABLES (continued)

	Amount
Debt Service Funds	
General Obligation 1995 Road Levy Bond Retirement Fund	
Homestead and Rollback	\$6,546
General Obligation 1997 Land Acquisition Bond Retirement Fund	
Homestead and Rollback	6,239
General Obligation Bond Retirement Fund	
Homestead and Rollback	12,159
Total Debt Service Funds	24,944
Capital Projects Fund	
Voted Park Improvement Fund	
Homestead and Rollback	38,984
Delaware County	34,190
Issue II	279,897
Total Capital Projects Fund	353,071
Total All Funds	\$804,319

NOTE 9 - INTERFUND ASSETS/LIABILITIES

At December 31, 2002, the General fund had an interfund receivable and the Parks and Recreation capital projects fund had an interfund payable, in the amount of \$75,300.

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

NOTE 10 - 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 participated in the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following insurance coverage:

Type of Coverage	Coverage	Deductible
General Liability		
Occurrence	\$5,000,000	\$0
Aggregate	7,000,000	0
Law Enforcement Liability		
Occurrence	5,000,000	5,000
Aggregate	7,000,000	5,000
Public Official Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Ohio Stop Gap	5,000,000	0
Employee Benefits Liability		
Occurrence	1,000,000	0
Aggregate	3,000,000	0
Automobile Liability		
Bodily Injury	5,000,000	1,000
Medical - each accident	1,000	0
Property	3,204,450	1,000
Inland Marine	311,100	500
Electronic Data Processing	50,000	500
Crime	25,000	0

There have been no significant reductions in insurance coverage from 2001, and no insurance settlement has exceeded insurance coverage during the last three years.

For 2002, the City participated in the Ohio Municipal League Equity Pooling Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City contributes to the Ohio Public Employees Retirement System (System), a cost-sharing multiple employer defined benefit pension plan administered by the Ohio Public Employees Retirement Board. The System 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. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City is required to contribute 13.55 percent; 8.55 percent was the portion used to fund pension obligations for 2002. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the System for the years ended December 31, 2002, 2001, and 2000, were \$69,450, \$71,054, and \$46,390, respectively; 91 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002, in the amount of \$6,412, is recorded as a liability within the respective funds and 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 (Fund), a cost-sharing multiple employer defined benefit pension plan administered by the Fund's Board of Trustees. The Fund provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police; 11.75 percent was the portion used to fund pension obligations for 2002. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2002, 2001, and 2000, were \$82,310, \$75,065, and \$67,203, respectively; 90 percent has been contributed for 2002 and 100 percent has been contributed for 2001 and 2000. The unpaid contribution for 2002, in the amount of \$8,074, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate was 13.55 percent of covered payroll; 5 percent was the portion used to fund health care for 2002.

Benefits are advance funded using the entry age normal cost method. Significant actuarial assumptions include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually, and an additional increase in total payroll of .5 percent to 6.3 percent based on additional pay increases. Health care premiums were assumed to increase 4 percent annually.

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

At December 31, 2001, the total number of benefit recipients eligible for OPB through the System was 402,041. As of December 31, 2001, the actuarial value of net assets available for future OPB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively. The City's actual contributions for 2002 which were used to fund OPB were \$40,614.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (Fund) 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 the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Fund's Board of Trustees to provide health care coverage and states that health care costs paid from the Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate was 19.5 percent of covered payroll; 7.75 percent was the portion used to fund health care for 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.

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

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

The number of participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters. The City's actual contributions for 2002 that were used to fund postemployment benefits were \$54,290 for police. The Fund's total health care expenses for the year ended December 31, 2001, (the latest information available), were \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 13 - COMPENSATED ABSENCES

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

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

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

NOTE 14 - SHORT-TERM OBLIGATIONS

Short-term obligations activity for the year ended December 31, 2002, was as follows:

	Interest Rate	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<u>Capital Projects Fund</u>					
Various Purpose Bond					
Anticipation Notes	2.04%	\$0	\$6,000,000	\$0	\$6,000,000

According to Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The City's bond anticipation notes are supported by the full faith and credit of the City and have a maturity of one year. The liability is presented in the fund receiving the proceeds.

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

NOTE 15 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2002, was as follows:

	Interest Rate	Balance 12/31/01	Additions	Reductions	Balance 12/31/02
<u>General Obligations Bonds</u>					
Various Purpose 1997A	7.10%	\$2,460,000	\$0	\$75,000	\$2,385,000
Various Purpose 1997B	5.75	525,000	0	45,000	480,000
Road Improvement	3.70	2,340,000	0	90,000	2,250,000
Golf Village 2002	3-5.5	0	10,915,000	0	10,915,000
Total General Obligation Bonds		5,325,000	10,915,000	210,000	16,030,000
<u>Other Long-Term Obligations</u>					
Intergovernmental Payable		62,328	23,561	62,328	23,561
Compensated Absences Payable		62,736	18,428	0	81,164
Total Other Long-Term Obligations		125,064	41,989	62,328	104,725
Total Long-Term Obligations		\$5,450,064	\$10,956,989	\$272,328	\$16,134,725

General Obligation Bonds

All general obligation bonds are supported by the full faith and credit of the City of Powell. The general obligation bonds are presented as a liability in the general long-term obligations account group and are payable from unvoted property tax revenues to the extent that other resources are not available to meet annual principal and interest expenditures.

Golf Village 2002

On October 15, 2002, the City issued \$10,915,000 in general obligation bonds to purchase certain interests in the Liberty Community Infrastructure Financing Authority (Financing Authority), currently known as Golf Village. Interests acquired primarily consisted of various roads and infrastructure improvements. As part of the agreement, the Financing Authority is required to collect and remit to the City a Community Development Charge in an amount sufficient to pay annual principal and interest costs on the City's general obligation bonds. The Community Development Charge is calculated and collected annually by the Financing Authority.

The bonds maturing after December 1, 2012, are subject to redemption at the option of the City, either in whole or in part in such order as the City shall determine, on any interest payment date on or after December 1, 2012, at redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

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

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

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

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

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

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

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Intergovernmental Payable

The intergovernmental payable, representing the City's contractually required pension obligation, will be paid from the fund from which the employees' salaries are paid.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid.

The City's legal debt margin was \$1,171,090 at December 31, 2002.

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

Year	General Obligation Bonds	
	Principal	Interest
2003	\$370,000	\$901,639
2004	410,000	813,778
2005	470,000	795,818
2006	465,000	775,665
2007	545,000	752,080
2008-2012	2,695,000	3,360,216
2013-2017	2,950,000	2,713,591
2018-2022	2,270,000	1,973,100
2023-2027	2,400,000	1,384,625
2028-2032	3,455,000	580,246
	\$16,030,000	\$14,050,758

NOTE 16 - INSURANCE POOLS

A. Ohio Government Risk Management Plan

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

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

NOTE 16 - INSURANCE POOLS (continued)

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

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Liberty Community Infrastructure Financing Authority

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

B. Powell Community Infrastructure Financing Authority

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

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

NOTE 18 - CONTINGENT LIABILITIES

A. Litigation

There are currently no matters in litigation with the City as a defendant.

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 the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.



**Auditor of State
Betty Montgomery**

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

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

To the City Council:

We have audited the financial statements of the City of Powell, Delaware County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 16, 2003, wherein we disclosed the omission of the General Fixed Assets Account Group. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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. The reportable condition is described in the accompanying schedule of findings as item 2002-001.

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**Internal Control Over Financial Reporting
(Continued)**

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 believe the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 16, 2003.

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



BETTY MONTGOMERY
Auditor of State

May 16, 2003

**CITY OF POWELL
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

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

FINDING NUMBER 2002-001

Reportable Condition Deemed Material Weakness

Fixed Assets

The City does not have policies and procedures in place to record, process, and track fixed assets. This has resulted in the City being unable to maintain a fixed asset inventory listing.

The lack of policies and procedures over fixed asset inventory tracking could lead to loss and theft of assets without management knowledge. In addition, without an accurate and complete fixed asset inventory listing, the City cannot be sure if all vehicles and buildings are adequately insured.

We recommend the City establish and implement procedures to account for all fixed assets purchased and owned by the City to ensure accountability and completeness of all assets.

**CITY OF POWELL
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Status
2001-20621-001	Fixed Assets- Lack of policies and procedures	Not Corrected. Repeated for 2002 audit.



**Auditor of State
Betty Montgomery**

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**CITY OF POWELL
DELAWARE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 26, 2003**