

**CITY OF GAHANNA  
FRANKLIN COUNTY, OHIO**

***Basic Financial Statements***  
(Audited)

For The Year Ended  
December 31, 2005

**W. JEROME ISLER, DIRECTOR OF FINANCE**





**Auditor of State  
Betty Montgomery**

City Council  
City of Gahanna  
200 South Hamilton Rd.  
Gahanna, OH 43230

We have reviewed the *Independent Auditor's Report* of the City of Gahanna, Franklin County, prepared by Julian and Grube, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

October 3, 2006

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**CITY OF GAHANNA  
FRANKLIN COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditors' Report

Members of Council and Mayor  
City of Gahanna  
200 South Hamilton Road  
Gahanna, Ohio 43230

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, Ohio, (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and respective budgetary comparisons for the general fund and miscellaneous lease receipts special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the basic financial statements, the City has restated net assets and nonmajor fund balance due to errors and omissions related to permissive tax money.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 25, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Julian & Grube, Inc.  
July 25, 2006

*City of Gahanna, Ohio*  
Management's Discussion and Analysis  
For The Year Ended December 31, 2005  
(Unaudited)

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Gahanna's discussion and analysis of the annual financial report provides a review of the financial performance for the year ended December 31, 2005.

**FINANCIAL HIGHLIGHTS**

- ' The City's total net assets increased \$9,346,981. Expenses of Governmental Activities exceeded revenues by \$2,571,938. Net assets of Business-Type Activities increased by \$11,918,919.
- ' General revenues of Governmental Activities accounted for \$20,535,670 or 71.14 percent of all governmental revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$8,332,784 or 28.86 percent of total governmental revenues of \$28,868,454.
- ' Enterprise funds reflected a total operating income of \$1,255,078. The Water Fund reflected an operating loss of \$330,314, while the Sewer Fund and Storm Water Fund reflected operating income of \$1,428,559 and \$156,833, respectively, due to higher revenue received for capacity charges.
- ' The City had \$20,734,064 in expenses related to Governmental Activities. \$8,332,784 of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily income taxes) of \$20,535,670 were more than adequate to provide for these programs. The City had \$8,995,792 in expenses related to Business-Type Activities, which were offset entirely by program specific charges for services.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Gahanna's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. For Governmental Funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.



## **REPORTING THE CITY AS A WHOLE**

### *Statement of Net Assets and the Statement of Activities*

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine if the City of Gahanna is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

Governmental Activities – Most of the City's services are reported here including police, public health, leisure time activities, community development, basic utility service, transportation, and general government.

Business-Type Activities – These services include water, sewer and storm water. Service fees for these operations are charged based upon the amount of usage except for the storm water charges. The intent is that the fees charged recoup operational costs. Fees for the Storm Water Fund are based on Equivalent Residential Units (ERU) and transfers. The intent of the storm water fees is to cover the cost of repairs and improvements.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### *Fund Financial Statements*

The analysis of the City's major funds begins on page 8. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Director of Finance, with the approval of Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City of Gahanna's major funds are the General Fund, the Miscellaneous Lease Receipts Special Revenue Fund, the Bond Retirement Debt Service Fund, and the Water, Sewer and Storm Water Enterprise Funds.

**Governmental Funds** – Most of the City’s services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds is reconciled in the financial statements.

**Enterprise Funds** – When the City charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in Proprietary Funds. Proprietary Funds use the same basis of accounting as Business-Type Activities; therefore, these statements will essentially match.

## THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City’s net assets for 2005 compared to 2004.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	Restated 2004	2005	2004	2005	Restated 2004	2005
<b>Assets</b>						
Current And Other Assets	\$38,509,380	\$51,751,861	\$16,313,865	\$18,466,621	\$54,823,245	\$70,218,482
Nondepreciable Capital Assets	16,979,024	26,995,770	668,446	1,250,428	17,647,470	28,246,198
Depreciable Capital Assets, Net	41,173,984	29,166,200	41,221,491	50,312,805	82,395,475	79,479,005
Total Assets	<u>96,662,388</u>	<u>107,913,831</u>	<u>58,203,802</u>	<u>70,029,854</u>	<u>154,866,190</u>	<u>177,943,685</u>
<b>Liabilities</b>						
Current And Other Liabilities	5,491,708	5,286,582	1,658,535	1,741,671	7,150,243	7,028,253
Long-Term Liabilities: Due Within One Year	934,254	1,358,643	185,177	211,520	1,119,431	1,570,163
Due in More Than One Year	2,224,436	15,828,554	665,461	463,115	2,889,897	16,291,669
Total Liabilities	<u>\$8,650,398</u>	<u>\$22,473,779</u>	<u>\$2,509,173</u>	<u>\$2,416,306</u>	<u>\$11,159,571</u>	<u>\$24,890,085</u>

(Continued)

Table 1  
Net Assets  
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	Restated				Restated	
	2004	2005	2004	2005	2004	2005
<b>Net Assets</b>						
Invested In Capital Assets, Net Of Related Debt	\$56,231,561	\$52,475,808	\$41,052,447	\$50,910,262	\$97,284,008	\$103,386,070
Restricted for:						
Capital Outlay	3,088,848	1,217,296	0	0	3,088,848	1,217,296
Debt Service	1,263,190	1,080,172	0	0	1,263,190	1,080,172
Other Purposes	4,779,371	6,820,600	0	0	4,779,371	6,820,600
Unrestricted	22,649,020	23,846,176	14,642,182	16,703,286	37,291,202	40,549,462
Total Net Assets	<u>\$88,011,990</u>	<u>\$85,440,052</u>	<u>\$55,694,629</u>	<u>\$67,613,548</u>	<u>\$143,706,619</u>	<u>\$153,053,600</u>

Total net assets increased \$9,346,981. Net assets of the City's Governmental Activities decreased by \$2,571,938, primarily due to the transfer of governmental capital assets to the new Storm Water Enterprise Fund, with unrestricted net assets increasing \$1,197,156, due to revenues increasing more than expenses.

The net assets of the City's Business-Type Activities increased by \$11,918,919, primarily due to capital contributions into the newly created Storm Water Enterprise Fund. The City strives to control operation expenses for Business-Type Activities in order to maintain stability in charges for services and to closely monitor the trends of the growing community in order to adjust for budgetary issues and changes in City code where necessary. The City has adjusted rates based on the increases made by the City of Columbus.

Table 2 shows changes in net assets for the year ended December 31, 2004 and 2005.

Table 2  
Changes In Net Assets

	Governmental Activities		Business-Type Activities		Total	
	Restated				Restated	
	2004	2005	2004	2005	2004	2005
<b>Revenues</b>						
Program Revenues:						
Charges For Services	\$2,310,101	\$2,256,946	\$8,938,266	\$10,164,991	\$11,248,367	\$12,421,937
Operating Grants And Contributions	2,508,685	2,074,238	0	0	2,508,685	2,074,238
Capital Grants And Contributions	377,000	4,001,600	0	0	377,000	4,001,600
Total Program Revenues	<u>\$5,195,786</u>	<u>\$8,332,784</u>	<u>\$8,938,266</u>	<u>\$10,164,991</u>	<u>\$14,134,052</u>	<u>\$18,497,775</u>

(Continued)

Table 2  
Changes In Net Assets  
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	Restated 2004	2005	2004	2005	Restated 2004	2005
<b>Revenues</b>						
General Revenues:						
Property Taxes	\$1,764,559	\$1,760,944	\$0	\$0	\$1,764,559	\$1,760,944
Municipal Income Taxes	12,740,112	13,581,726	0	0	12,740,112	13,581,726
Other Local Taxes	657,454	729,072	0	0	657,454	729,072
Grants And Entitlements						
Not Restricted To						
Specific Programs	2,118,633	2,889,627	0	0	2,118,633	2,889,627
Unrestricted Investment						
Earnings	761,173	1,309,754	0	0	761,173	1,309,754
Gain On Sale Of Capital						
Assets	12,044	0	0	0	12,044	0
Other	50,849	264,547	22,573	43,392	73,422	307,939
Total General Revenues	<u>18,104,824</u>	<u>20,535,670</u>	<u>22,573</u>	<u>43,392</u>	<u>18,127,397</u>	<u>20,579,062</u>
Total Revenues	<u>23,300,610</u>	<u>28,868,454</u>	<u>8,960,839</u>	<u>10,208,383</u>	<u>32,261,449</u>	<u>39,076,837</u>
<b>Program Expenses</b>						
Security Of Persons						
And Property	6,791,784	7,402,253	0	0	6,791,784	7,402,253
Public Health	154,337	157,642	0	0	154,337	157,642
Leisure Time Activities	1,826,911	2,692,861	0	0	1,826,911	2,692,861
Community Development	3,335,156	3,349,270	0	0	3,335,156	3,349,270
Basic Utility Services	836,037	224,602	0	0	836,037	224,602
General Government	4,023,825	1,576,135	0	0	4,023,825	1,576,135
Transportation	4,517,481	5,033,462	0	0	4,517,481	5,033,462
Interest And						
Fiscal Charges	158,877	297,839	0	0	158,877	297,839
Water	0	0	3,698,541	4,139,317	3,698,541	4,139,317
Sewer	0	0	4,603,883	4,362,765	4,603,883	4,362,765
Storm Water	0	0	0	493,710	0	493,710
Total Expenses	<u>21,644,408</u>	<u>20,734,064</u>	<u>8,302,424</u>	<u>8,995,792</u>	<u>29,946,832</u>	<u>29,729,856</u>
Increase In Net Assets						
Before Transfers	1,656,202	8,134,390	658,415	1,212,591	2,314,617	9,346,981
Transfers	10,000	(10,706,328)	(10,000)	10,706,328	0	0
Increase (Decrease)						
In Net Assets	1,666,202	(2,571,938)	648,415	11,918,919	2,314,617	9,346,981
Net Assets Beginning						
Of Year	86,345,788	88,011,990	55,046,214	55,694,629	141,392,002	143,706,619
Net Assets End Of Year	<u>\$88,011,990</u>	<u>\$85,440,052</u>	<u>\$55,694,629</u>	<u>\$67,613,548</u>	<u>\$143,706,619</u>	<u>\$153,053,600</u>

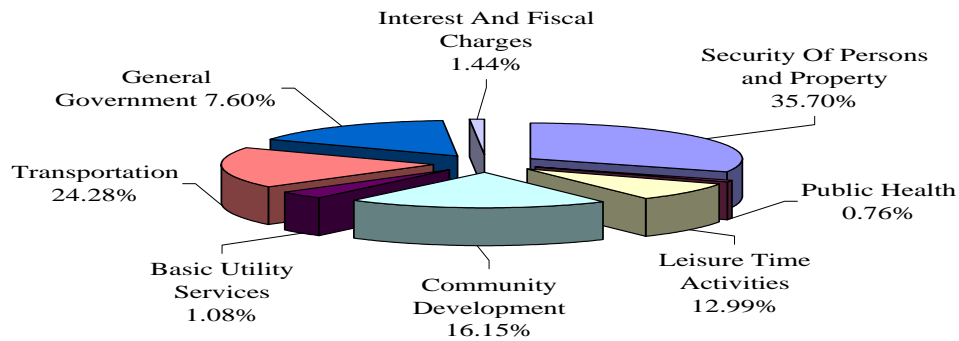
### ***Governmental Activities***

The 1.5 percent income tax is the largest source of revenue for the City of Gahanna. Employee withholding from all businesses contributes 65.55 percent of the revenue received in 2005 with business earnings contributing 10.59 percent and individuals contributing 23.86 percent. The City provides 83 1/3 percent tax credit for taxes paid to another municipality and an exemption for residents under the age of 18.

Since 1992, income tax revenue has increased annually an average of 9.92 percent. During 2005, Gahanna lost one of its largest employers. However, other companies expanded and new businesses were added to the economic base.

Administration and Council has a quality of life commitment to the citizens and businesses located in Gahanna. With this in mind, Council committed, through appropriations in 2005, \$58,018,327 from governmental and business sources including federal and state grants for capital assets, equipment, and related repairs. These assets included street reconstruction, street resurfacing, sidewalk replacements, safety and street maintenance equipment and vehicles, as well as park and recreation equipment.

Governmental program expenses for 2005 were as follows:



Citizen safety and well-being is emphasized in our family-oriented community, as indicated above.

When looking at the sources of income to support Governmental Activities, it should be noted that charges for services are only 7.82 percent of revenue. Program revenues provided by sources other than City residents in the form of operating and capital grants and contributions comprise another 21.05 percent. The remaining revenues are primarily generated locally through property and income taxes. City Council relies on these taxes to furnish the quality of life to businesses and citizens to which they and previous Councils have always been committed. Program specific revenues increased \$3,136,998, primarily due to an increase in capital grants and contributions relating to the Hamilton Road project.

### ***Business-Type Activities***

The City's Business-Type Activities include water, sewer and storm water services.

Water treatment and facility repair services are contracted with the City of Columbus through a master meter contract and are paid for through user fees billed by the City of Gahanna to Gahanna residents and businesses. The City of Gahanna has its own user fee that is incorporated in the billing. This revenue is used to pay for the necessary level of staffing required to complement the contracted services, debt service on water system improvements and to fund system improvements and depreciation. The City of Gahanna also collects a tap fee each time a new tap to the system is made, which funds a portion of system repair and replacement. Gahanna owns the infrastructure necessary to furnish services to their citizens and is responsible for major reconstruction and extension of new service within the community.

Sewer treatment is contracted with the City of Columbus and is paid for through user fees billed by the City of Gahanna to Gahanna residents and businesses. The City of Gahanna has its own user fee that is incorporated in the billing. This revenue is used to pay for the necessary level of staffing required to complement the contracted services, debt service on sanitary sewer system improvements, and to fund system improvements and depreciation. The City of Gahanna also collects a tap fee each time a new tap to the system is made which funds a portion of system repair and replacement. Gahanna owns and maintains the infrastructure necessary to furnish services to their citizens and is responsible for major reconstruction and extension of new service within the community.

A storm water utility charge was put into place January 1, 2005, the purpose of which was to create a funding source to help alleviate some of the flooding problems endured by the residents and businesses. Charges are assessed by the City to Gahanna residents and businesses. The revenue is used to pay for the necessary sediment control plans, construction, maintenance, rehabilitation and inspection of existing and new storm water facilities.

Net assets of Business-Type Activities increased \$11,918,919, primarily due to capital contributions.

## **THE CITY'S FUNDS**

Information about the City's major Governmental Funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All Governmental Funds had total revenues of \$28,650,529 and expenditures of \$29,069,523. The General Fund balance increased \$10,163,440 primarily due to the proceeds from the issuance of bonds.

The Miscellaneous Lease Receipts Fund's balance increased \$109,287, due to rent received related to capital leases receivable.

The Bond Retirement Fund's balance at December 31, 2005, was \$1,254,205.

The Water Fund's net assets decreased \$363,548, due to the increased cost of purchased services and material and supplies.

The Sewer Fund's net assets increased \$1,422,208, due to current year revenues exceeding current year expenses.

The Storm Water Fund's net assets increased \$10,860,259, primarily due to capital contributions of \$10,211,367 into this new fund.

## ***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements, and encumbrances. The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews detailed budget worksheets of each function within the General Fund and then adopts the budget on a fund basis. During 2005, the City amended its General Fund budget as needed. The net effect of the revisions was an increase in the appropriations of \$25,080,930. The majority of the increase was related to the completion of the bid process for all projects related to the Creekside Project. The majority of the bids were not complete when the original budget amounts were approved.

Original General Fund budgeted revenues were \$20,933,202. The final budgeted amount was \$26,377,728. This increase of \$5,444,526 was due primarily to income tax revenue collections, intergovernmental revenues, charges for services, license and permit fees and interest exceeding original estimates. Income tax revenue was originally estimated conservatively due to the expected loss of one of the City's largest employers. Intergovernmental revenues increased due to additional grant funding related to the Hamilton Road project.

The City's ending unobligated fund balance was \$1,772,225 above the final budgeted amount.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### ***Capital Assets***

At the end of 2005, the City had \$56,161,970 invested in capital assets (net of accumulated depreciation) for Governmental Activities, a decrease of \$1,991,038, or more than 3 percent from prior year. The decrease in capital assets is primarily due to the transfer of capital assets to the Storm Water Enterprise Fund. Disposal of capital assets included various pieces of machinery and equipment and vehicles.

The City also had \$51,563,233 invested in capital assets (net of accumulated depreciation) for Business-Type Activities, an increase of \$9,673,296, or more than 23 percent from the prior year. The increase in capital assets is the result of the transfer of capital assets to the Storm Water Fund.

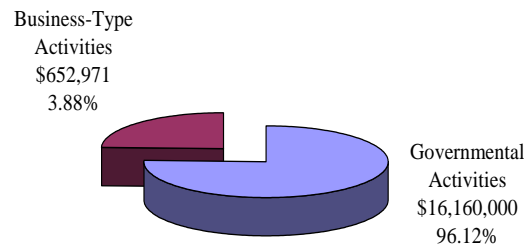
See Note 9 of the Basic Financial Statements for more detailed information.

## Debt

At December 31, 2005, the City of Gahanna had \$16,812,971 in debt outstanding.

Table 3  
Outstanding Debt at Year-end

	Governmental Activities		Business-Type Activities	
	2004	2005	2004	2005
General Obligation Bonds:				
1994 Star Bank Series	\$1,890,000	\$1,460,000	\$745,000	\$570,000
2005 Creekside Phase II And Morrison Road	0	13,700,000	0	0
1996 OPWC Loan	0	0	92,490	82,971
Various Purpose Note	0	1,000,000	0	0
Total	<u>\$1,890,000</u>	<u>\$16,160,000</u>	<u>\$837,490</u>	<u>\$652,971</u>



All general obligation bond issues will be paid through the Bond Retirement Fund with General Fund revenues. The Water Fund's general obligation bonds are paid from operating revenues of the Water Fund. The OPWC loan will be paid from Sewer Fund operating revenues.

The City's overall 10.5 percent legal debt margin was \$84,828,205 as of December 31, 2005. The more restrictive unvoted legal debt margin within 5.5 percent was \$37,812,014 as of the same date. See Notes 14 and 15 of the notes to the basic financial statements for more detailed information.

### CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide the citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jerry Isler, Director of Finance, City of Gahanna, 200 South Hamilton Road, Gahanna, Ohio 43230.



*City of Gahanna, Ohio*  
Statement Of Net Assets  
December 31, 2005

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets:</u></b>			
Equity In Pooled Cash And Cash Equivalents	\$41,282,419	\$15,835,407	\$57,117,826
Cash And Cash Equivalents With Fiscal Agents	395,654	0	395,654
Accrued Interest Receivable	170,318	0	170,318
Accounts Receivable	417,854	2,586,783	3,004,637
Municipal Income Tax Receivable	3,556,759	0	3,556,759
Due From Other Governments	2,487,077	0	2,487,077
Prepaid Items	87,811	10,522	98,333
Materials And Supplies Inventory	192,788	30,964	223,752
Property And Other Local Taxes Receivable	2,244,685	0	2,244,685
Special Assessments Receivable	0	1,647	1,647
Cash And Cash Equivalents With Escrow Agents	120,239	0	120,239
Internal Balances	(1,298)	1,298	0
Capital Leases Receivable	677,914	0	677,914
Deferred Charges	119,641	0	119,641
Land And Construction In Progress	26,995,770	1,250,428	28,246,198
Depreciable Capital Assets, Net	29,166,200	50,312,805	79,479,005
<i>Total Assets</i>	<u>107,913,831</u>	<u>70,029,854</u>	<u>177,943,685</u>
<b><u>Liabilities:</u></b>			
Accounts Payable	459,699	70,200	529,899
Contracts Payable	89,345	5,116	94,461
Retainage Payable	245,292	22,667	267,959
Due To Other Governments	577,955	1,632,532	2,210,487
Deferred Revenue	2,717,132	0	2,717,132
Accrued Interest Payable	89,271	2,733	92,004
Notes Payable	1,000,000	0	1,000,000
Compensatory Time Payable	107,888	8,423	116,311
Long-Term Liabilities:			
Due Within One Year	1,358,643	211,520	1,570,163
Due In More Than One Year	15,828,554	463,115	16,291,669
<i>Total Liabilities</i>	<u>22,473,779</u>	<u>2,416,306</u>	<u>24,890,085</u>
<b><u>Net Assets:</u></b>			
Invested In Capital Assets, Net Of Related Debt Restricted For:	52,475,808	50,910,262	103,386,070
Capital Projects	1,217,296	0	1,217,296
Debt Service	1,080,172	0	1,080,172
Community Development	906,639	0	906,639
Security of Persons and Property	1,295,207	0	1,295,207
Transportation	3,975,032	0	3,975,032
Leisure Time Activities	34,690	0	34,690
Other Purposes	609,032	0	609,032
Unrestricted	23,846,176	16,703,286	40,549,462
<i>Total Net Assets</i>	<u>\$85,440,052</u>	<u>\$67,613,548</u>	<u>\$153,053,600</u>

See Accompanying Notes To The Basic Financial Statements

*City of Gahanna, Ohio*  
Statement Of Activities  
For the Year Ended December 31, 2005

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges For Services</b>	<b>Operating Grants And Contributions</b>	<b>Capital Grants And Contributions</b>
<b><u>Governmental Activities:</u></b>				
Security Of Persons And Property	\$7,402,253	\$327,096	\$43,857	\$0
Public Health	157,642	0	0	0
Leisure Time Activities	2,692,861	627,440	167,504	0
Community Development	3,349,270	366,909	0	482,543
Basic Utility Services	224,602	303,670	0	0
General Government	1,576,135	599,581	0	0
Transportation	5,033,462	32,250	1,862,877	3,519,057
Interest And Fiscal Charges	297,839	0	0	0
<i>Total Governmental Activities</i>	<u>20,734,064</u>	<u>2,256,946</u>	<u>2,074,238</u>	<u>4,001,600</u>
<b><u>Business-Type Activities:</u></b>				
Water	4,139,317	3,727,475	0	0
Sewer	4,362,765	5,786,973	0	0
Storm Water	493,710	650,543	0	0
<i>Total Business-Type Activities</i>	<u>8,995,792</u>	<u>10,164,991</u>	<u>0</u>	<u>0</u>
<i>Total Activities</i>	<u>\$29,729,856</u>	<u>\$12,421,937</u>	<u>\$2,074,238</u>	<u>\$4,001,600</u>

**General Revenues:**

Property Taxes Levied For:  
 General Purposes  
 Debt Service  
 Police  
 Municipal Income Taxes Levied For General Purposes  
 Other Local Taxes  
 Grants And Entitlements Not Restricted To Specific Programs  
 Unrestricted Investment Earnings  
 Other

**Transfers**

*Total General Revenues And Transfers*

Change In Net Assets

*Net Assets Beginning of Year - Restated (See Note 3)*

*Net Assets End Of Year*

See Accompanying Notes To The Basic Financial Statements

<b>Net (Expense) Revenue And Changes In Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$7,031,300)	\$0	(\$7,031,300)
(157,642)	0	(157,642)
(1,897,917)	0	(1,897,917)
(2,499,818)	0	(2,499,818)
79,068	0	79,068
(976,554)	0	(976,554)
380,722	0	380,722
(297,839)	0	(297,839)
<u>(12,401,280)</u>	<u>0</u>	<u>(12,401,280)</u>
0	(411,842)	(411,842)
0	1,424,208	1,424,208
0	156,833	156,833
<u>0</u>	<u>1,169,199</u>	<u>1,169,199</u>
<u>(12,401,280)</u>	<u>1,169,199</u>	<u>(11,232,081)</u>
1,327,081	0	1,327,081
220,603	0	220,603
213,260	0	213,260
13,581,726	0	13,581,726
729,072	0	729,072
2,889,627	0	2,889,627
1,309,754	0	1,309,754
264,547	43,392	307,939
<u>(10,706,328)</u>	<u>10,706,328</u>	<u>0</u>
<u>9,829,342</u>	<u>10,749,720</u>	<u>20,579,062</u>
(2,571,938)	11,918,919	9,346,981
<u>88,011,990</u>	<u>55,694,629</u>	<u>143,706,619</u>
<u>\$85,440,052</u>	<u>\$67,613,548</u>	<u>\$153,053,600</u>

City of Gahanna, Ohio  
Balance Sheet  
Governmental Funds  
December 31, 2005

	General	Miscellaneous Lease Receipts	Bond Retirement	Nonmajor Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity In Pooled Cash And Cash Equivalents	\$28,234,138	\$837,864	\$2,286,232	\$9,924,185	\$41,282,419
Cash And Cash Equivalents With Fiscal Agents	0	0	0	395,654	395,654
Receivables:					
Property And Other Local Taxes	1,719,440	0	258,175	267,070	2,244,685
Municipal Income Tax	3,556,759	0	0	0	3,556,759
Accounts	417,854	0	0	0	417,854
Accrued Interest	170,318	0	0	0	170,318
Restricted Assets:					
Cash And Cash Equivalents With Escrow Agents	120,239	0	0	0	120,239
Due From Other Governments	1,675,755	0	14,096	797,226	2,487,077
Materials And Supplies Inventory	192,788	0	0	0	192,788
Prepaid Items	87,811	0	0	0	87,811
Capital Leases Receivable	0	677,914	0	0	677,914
<b>Total Assets</b>	<b>\$36,175,102</b>	<b>\$1,515,778</b>	<b>\$2,558,503</b>	<b>\$11,384,135</b>	<b>\$51,633,518</b>
<b><u>Liabilities And Fund Balances</u></b>					
<b><u>Liabilities:</u></b>					
Accounts Payable	\$363,948	\$0	\$0	\$95,751	\$459,699
Contracts Payable	89,345	0	0	0	89,345
Retainage Payable	245,292	0	0	0	245,292
Interfund Payable	1,298	0	0	0	1,298
Due To Other Governments	357,954	0	0	220,001	577,955
Deferred Revenue	5,418,309	677,914	271,695	917,504	7,285,422
Accrued Interest Payable	0	0	32,603	0	32,603
Notes Payable	0	0	1,000,000	0	1,000,000
<b>Total Liabilities</b>	<b>6,476,146</b>	<b>677,914</b>	<b>1,304,298</b>	<b>1,233,256</b>	<b>9,691,614</b>
<b><u>Fund Balances:</u></b>					
Reserved For Encumbrances	15,295,687	0	1,212,452	3,127,884	19,636,023
Unreserved:					
Designated:					
Designated For Sick/Vacation Leave	1,672,346	0	0	0	1,672,346
Undesignated, Reported In:					
General Fund	12,730,923	0	0	0	12,730,923
Special Revenue Funds	0	837,864	0	3,261,198	4,099,062
Debt Service Funds	0	0	41,753	190,022	231,775
Capital Projects Funds	0	0	0	3,571,775	3,571,775
<b>Total Fund Balances</b>	<b>29,698,956</b>	<b>837,864</b>	<b>1,254,205</b>	<b>10,150,879</b>	<b>41,941,904</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$36,175,102</b>	<b>\$1,515,778</b>	<b>\$2,558,503</b>	<b>\$11,384,135</b>	<b>\$51,633,518</b>

See Accompanying Notes to the Basic Financial Statements

*City of Gahanna, Ohio*  
 Reconciliation Of Total Governmental Fund Balances To  
 Net Assets Of Governmental Activities  
 December 31, 2005

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**Total Governmental Fund Balances** \$41,941,904

*Amounts reported for governmental activities in the Statement Of Net Assets are different because:*

Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	14,131,919	
Construction In Progress	12,863,851	
Other Capital Assets	76,258,407	
Accumulated Depreciation	<u>(47,092,207)</u>	
		56,161,970

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	97,095	
Other Local Taxes	26,366	
Municipal Income Taxes	2,475,891	
Accounts Receivable	10,820	
Accrued Interest	118,391	
Intergovernmental	<u>1,839,727</u>	
		4,568,290

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 119,641

Some liabilities, including bonds payable, leases payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

Accrued Interest	(56,668)	
Premiums On Refunding Bonds	(332,646)	
General Obligation Bonds	(15,160,000)	
Capital Leases Payable	(27,582)	
Compensated Absences	(1,666,969)	
Compensatory Time Payable	<u>(107,888)</u>	
		<u>(17,351,753)</u>

**Net Assets Of Governmental Activities** \$85,440,052

See Accompanying Notes To The Basic Financial Statements

**City of Gahanna, Ohio**  
Statement Of Revenues, Expenditures And Changes In Fund Balances  
Governmental Funds  
For The Year Ended December 31, 2005

	<b>General</b>	<b>Miscellaneous Lease Receipts</b>	<b>Bond Retirement</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b><u>Revenues:</u></b>					
Property Taxes	\$1,333,496	\$0	\$214,276	\$221,664	\$1,769,436
Municipal Income Taxes	13,634,576	0	0	0	13,634,576
Other Local Taxes	679,838	0	0	36,948	716,786
Intergovernmental	6,281,013	0	27,384	2,310,567	8,618,964
Charges For Services	875,044	0	0	0	875,044
Licenses And Permits	408,848	0	0	111,839	520,687
Fines And Forfeitures	428,879	0	0	321,571	750,450
Interest	1,491,345	0	0	27,778	1,519,123
Decrease In Fair Value Of Investments	(237,684)	0	0	0	(237,684)
Rent	16,525	109,287	0	0	125,812
Contributions And Donations	79,568	0	0	10,873	90,441
Miscellaneous	237,960	0	3,500	25,434	266,894
<b>Total Revenues</b>	<b>25,229,408</b>	<b>109,287</b>	<b>245,160</b>	<b>3,066,674</b>	<b>28,650,529</b>
<b><u>Expenditures:</u></b>					
Current Operations And Maintenance:					
Security Of Persons And Property	6,025,828	0	0	854,712	6,880,540
Public Health	157,642	0	0	0	157,642
Leisure Time Activities	1,775,519	0	0	79,967	1,855,486
Community Development	2,286,768	0	0	632,787	2,919,555
Basic Utility Services	42,053	0	0	167,631	209,684
General Government	935,749	0	0	2,938	938,687
Transportation	1,424,084	0	0	876,732	2,300,816
Capital Outlay	11,721,486	0	0	1,239,022	12,960,508
Debt Service:					
Principal Retirement	28,571	0	430,000	0	458,571
Interest And Fiscal Charges	7,394	0	257,510	3,089	267,993
Issuance Costs	97,697	0	0	22,344	120,041
<b>Total Expenditures</b>	<b>24,502,791</b>	<b>0</b>	<b>687,510</b>	<b>3,879,222</b>	<b>29,069,523</b>
Excess Of Revenues Over (Under) Expenditures	726,617	109,287	(442,350)	(812,548)	(418,994)
<b><u>Other Financing Sources (Uses):</u></b>					
General Obligation Bonds Issued	11,150,000	0	0	2,550,000	13,700,000
Inception Of Capital Lease	24,706	0	0	0	24,706
Premium On Debt Issued	0	0	333,759	0	333,759
Transfers In	4,000	0	289,700	1,373,351	1,667,051
Transfers Out	(1,741,883)	0	0	(413,227)	(2,155,110)
<b>Total Other Financing Sources (Uses)</b>	<b>9,436,823</b>	<b>0</b>	<b>623,459</b>	<b>3,510,124</b>	<b>13,570,406</b>
Net Change In Fund Balances	10,163,440	109,287	181,109	2,697,576	13,151,412
Fund Balances At Beginning Of Year - Restated (See Note 3)	19,535,516	728,577	1,073,096	7,453,303	28,790,492
<b>Fund Balances At End Of Year</b>	<b>\$29,698,956</b>	<b>\$837,864</b>	<b>\$1,254,205</b>	<b>\$10,150,879</b>	<b>\$41,941,904</b>

See Accompanying Notes To The Basic Financial Statements

*City of Gahanna, Ohio*  
Reconciliation Of The Statement Of Revenues, Expenditures And Changes  
In Fund Balances Of Governmental Funds To The Statement Of Activities  
For the Year Ended December 31, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$13,151,412
<i>Amounts reported for governmental activities in the Statement Of Activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement Of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital Asset Additions	919,557
Construction In Progress Additions	10,541,143
Depreciation	<u>(3,020,039)</u>
Excess Of Capital Outlay Over Depreciation Expense	8,440,661
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement Of Activities, a gain or loss is reported for each sale:	
Loss On Disposal Of Capital Assets	(220,332)
Capital assets transferred to business-type activities are reported as transfers on the Statement Of Activities.	
	(10,211,367)
Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement Of Net Assets. In the current year, these amounts consist of:	
General Obligation Bond Principal Payments	430,000
Capital Lease Principal Payments	<u>28,571</u>
	458,571
Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts this year:	
Property Taxes	(8,492)
Other Local Taxes	12,286
Municipal Income Taxes	(52,850)
Accounts Receivable	(17,394)
Interest	28,315
Intergovernmental	<u>256,060</u>
	217,925
Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement Of Net Assets, the lease obligation is reported as a liability.	
	(24,706)
The issuance of long-term debt provides current financial resources to governmental funds, but in the Statement Of Net Assets, the debt is reported as a liability.	
Premium On General Obligation Bonds	(333,759)
General Obligation Bonds Payable	(13,700,000)
Current Year Bond Issuance Costs	<u>120,041</u>
	(13,913,718)
Interest on long-term debt in the Statement Of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement Of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement Of Activities is the result of the following:	
Increase In Accrued Interest	(30,559)
Amortization Of Premium On General Obligation Bonds	1,113
Amortization Of Bond Issuance Costs (Deferred Charges)	<u>(400)</u>
	(29,846)
Some items reported as expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:	
Increase In Compensated Absences	(429,726)
Increase In Compensatory Time Payable	<u>(10,812)</u>
	(440,538)
<b>Change In Net Assets Of Governmental Activities</b>	<u><b>(\$2,571,938)</b></u>

See Accompanying Notes To The Basic Financial Statements

**City of Gahanna, Ohio**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual  
(Non-GAAP Budgetary Basis)  
General Fund  
For The Year Ended December 31, 2005

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Budgetary Actual</b>	<b>Variance Positive (Negative)</b>
<b><u>Revenues:</u></b>				
Property Taxes	\$1,320,012	\$1,320,012	\$1,333,496	\$13,484
Municipal Income Taxes	12,775,000	15,621,878	13,721,393	(1,900,485)
Other Local Taxes	635,500	791,922	697,569	(94,353)
Intergovernmental	2,573,850	3,982,288	5,929,887	1,947,599
Charges For Services	2,157,077	2,331,562	879,120	(1,452,442)
Licenses And Permits	429,763	521,372	408,533	(112,839)
Fines And Forfeitures	365,000	461,285	429,383	(31,902)
Interest	638,000	967,232	1,468,216	500,984
Rent	15,000	18,706	16,525	(2,181)
Contributions And Donations	0	45,503	79,568	34,065
Miscellaneous	24,000	315,968	237,910	(78,058)
<b>Total Revenues</b>	<b>20,933,202</b>	<b>26,377,728</b>	<b>25,201,600</b>	<b>(1,176,128)</b>
<b><u>Expenditures:</u></b>				
Current Operations And Maintenance:				
Security Of Persons And Property	6,806,170	6,475,947	6,212,236	263,711
Public Health	158,000	158,000	157,642	358
Leisure Time Activities	1,892,507	2,117,974	1,850,689	267,285
Community Development	3,036,546	4,773,586	4,594,891	178,695
Basic Utility Services	1,473,962	1,658,295	250,514	1,407,781
General Government	3,258,582	4,090,631	3,669,229	421,402
Transportation	1,377,939	1,702,459	1,610,688	91,771
Capital Outlay	2,551,140	24,558,097	24,296,652	261,445
Debt Service:				
Interest And Fiscal Charges	0	3,090	3,090	0
Issuance Costs	0	97,697	97,697	0
<b>Total Expenditures</b>	<b>20,554,846</b>	<b>45,635,776</b>	<b>42,743,328</b>	<b>2,892,448</b>
Excess Of Revenues Over (Under) Expenditures	378,356	(19,258,048)	(17,541,728)	1,716,320
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds Of Bonds	0	11,150,000	11,150,000	0
Transfers In	982,700	537,195	593,100	55,905
Transfers Out	0	(1,741,883)	(1,741,883)	0
<b>Total Other Financing Sources (Uses)</b>	<b>982,700</b>	<b>9,945,312</b>	<b>10,001,217</b>	<b>55,905</b>
Net Change In Fund Balance	1,361,056	(9,312,736)	(7,540,511)	1,772,225
Fund Balance At Beginning Of Year	10,620,169	10,620,169	10,620,169	0
Prior Year Encumbrances	9,522,497	9,522,497	9,522,497	0
<b>Fund Balance At End Of Year</b>	<b>\$21,503,722</b>	<b>\$10,829,930</b>	<b>\$12,602,155</b>	<b>\$1,772,225</b>

See Accompanying Notes To The Basic Financial Statements



**City of Gahanna, Ohio**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual  
(Non-GAAP Budgetary Basis)  
Miscellaneous Lease Receipts Special Revenue Fund  
For The Year Ended December 31, 2005

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Budgetary Actual</b>	<b>Variance Positive (Negative)</b>
<b><u>Revenues:</u></b>				
Rent	\$105,500	\$109,900	\$109,287	(\$613)
<b><u>Expenditures:</u></b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	105,500	109,900	109,287	(613)
Fund Balance At Beginning Of Year	<u>728,577</u>	<u>728,577</u>	<u>728,577</u>	<u>0</u>
<i>Fund Balance At End Of Year</i>	<u><u>\$834,077</u></u>	<u><u>\$838,477</u></u>	<u><u>\$837,864</u></u>	<u><u>(\$613)</u></u>

See Accompanying Notes To The Basic Financial Statements

**City of Gahanna, Ohio**  
Statement Of Fund Net Assets  
Enterprise Funds  
December 31, 2005

	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b><u>Assets:</u></b>				
<b><u>Current Assets:</u></b>				
Equity In Pooled Cash And				
Cash Equivalents	\$6,303,958	\$8,880,923	\$650,526	\$15,835,407
Accounts Receivable	878,470	1,531,958	176,355	2,586,783
Interfund Receivable	1,298	0	0	1,298
Prepaid Items	5,261	5,261	0	10,522
Materials And Supplies Inventory	15,482	15,482	0	30,964
Special Assessments Receivable	1,647	0	0	1,647
<i>Total Current Assets</i>	<u>7,206,116</u>	<u>10,433,624</u>	<u>826,881</u>	<u>18,466,621</u>
<b><u>Non-current Assets:</u></b>				
Land And Construction In Progress	444,119	806,309	0	1,250,428
Depreciable Capital Assets, Net	<u>25,347,597</u>	<u>14,923,141</u>	<u>10,042,067</u>	<u>50,312,805</u>
<i>Total Non-current Assets</i>	<u>25,791,716</u>	<u>15,729,450</u>	<u>10,042,067</u>	<u>51,563,233</u>
<i>Total Assets</i>	<u>32,997,832</u>	<u>26,163,074</u>	<u>10,868,948</u>	<u>70,029,854</u>
<b><u>Liabilities:</u></b>				
<b><u>Current Liabilities:</u></b>				
Accounts Payable	37,411	32,445	344	70,200
Contracts Payable	1,177	3,939	0	5,116
Retainage Payable	20,789	1,878	0	22,667
Due To Other Governments	675,669	955,295	1,568	1,632,532
Accrued Interest Payable	2,733	0	0	2,733
Compensated Absences Payable	8,483	8,483	4,698	21,664
Compensatory Time Payable	3,172	3,172	2,079	8,423
General Obligation Bonds Payable	180,000	0	0	180,000
OPWC Loan Payable	<u>0</u>	<u>9,856</u>	<u>0</u>	<u>9,856</u>
<i>Total Current Liabilities</i>	<u>929,434</u>	<u>1,015,068</u>	<u>8,689</u>	<u>1,953,191</u>
<b><u>Long-Term Liabilities (Net Of Current Portion):</u></b>				
General Obligation Bonds Payable	390,000	0	0	390,000
OPWC Loan Payable	<u>0</u>	<u>73,115</u>	<u>0</u>	<u>73,115</u>
<i>Total Long-Term Liabilities</i>	<u>390,000</u>	<u>73,115</u>	<u>0</u>	<u>463,115</u>
<i>Total Liabilities</i>	<u>1,319,434</u>	<u>1,088,183</u>	<u>8,689</u>	<u>2,416,306</u>
<b><u>Net Assets:</u></b>				
Invested In Capital Assets, Net Of Related Debt	25,221,716	15,646,479	10,042,067	50,910,262
Unrestricted	<u>6,456,682</u>	<u>9,428,412</u>	<u>818,192</u>	<u>16,703,286</u>
<i>Total Net Assets</i>	<u>\$31,678,398</u>	<u>\$25,074,891</u>	<u>\$10,860,259</u>	<u>\$67,613,548</u>

See Accompanying Notes To The Basic Financial Statements

**City of Gahanna, Ohio**  
Statement Of Revenues, Expenses And Changes In Fund Net Assets  
Enterprise Funds  
For The Year Ended December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b><u>Operating Revenues:</u></b>				
Charges For Services	\$3,727,475	\$5,786,973	\$650,543	\$10,164,991
Miscellaneous	43,392	0	0	43,392
<i>Total Operating Revenues</i>	<u>3,770,867</u>	<u>5,786,973</u>	<u>650,543</u>	<u>10,208,383</u>
<b><u>Operating Expenses:</u></b>				
Salaries	244,533	237,593	141,253	623,379
Fringe Benefits	91,417	91,729	28,176	211,322
Purchased Services	2,659,754	3,308,007	7,939	5,975,700
Materials And Supplies	331,920	36,811	26,829	395,560
Depreciation	637,231	368,193	204,744	1,210,168
Other Operating Expenses	136,326	316,081	84,769	537,176
<i>Total Operating Expenses</i>	<u>4,101,181</u>	<u>4,358,414</u>	<u>493,710</u>	<u>8,953,305</u>
Operating Income (Loss)	<u>(330,314)</u>	<u>1,428,559</u>	<u>156,833</u>	<u>1,255,078</u>
<b><u>Non-Operating Expenses:</u></b>				
Interest And Fiscal Charges	(36,940)	(3,155)	0	(40,095)
Loss On Disposal Of Capital Assets	(1,196)	(1,196)	0	(2,392)
<i>Total Non-Operating Expenses</i>	<u>(38,136)</u>	<u>(4,351)</u>	<u>0</u>	<u>(42,487)</u>
Income (Loss) Before Transfers And Capital Contributions	(368,450)	1,424,208	156,833	1,212,591
Capital Contributions	6,902	0	10,211,367	10,218,269
Transfers In	0	0	492,059	492,059
Transfers Out	(2,000)	(2,000)	0	(4,000)
Change In Net Assets	(363,548)	1,422,208	10,860,259	11,918,919
Net Assets At Beginning Of Year	<u>32,041,946</u>	<u>23,652,683</u>	<u>0</u>	<u>55,694,629</u>
<i>Net Assets At End Of Year</i>	<u>\$31,678,398</u>	<u>\$25,074,891</u>	<u>\$10,860,259</u>	<u>\$67,613,548</u>

See Accompanying Notes To The Basic Financial Statements

*City of Gahanna, Ohio*  
Statement Of Cash Flows  
Enterprise Funds  
For The Year Ended December 31, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b><u>Increases (Decreases) In Cash And Cash Equivalents:</u></b>				
<b><u>Cash Flows From Operating Activities:</u></b>				
Cash Received From Customers	\$3,741,234	\$5,762,026	\$474,188	\$9,977,448
Cash Payments For Personal Services	(328,478)	(324,838)	(161,084)	(814,400)
Cash Payments To Suppliers For Goods And Services	(2,916,338)	(3,470,907)	(34,424)	(6,421,669)
Cash Payments For Other Operating Expenses	(119,231)	(211,775)	(84,769)	(415,775)
Other Operating Revenues	43,392	0	0	43,392
<b>Net Cash Provided By Operating Activities</b>	<u>420,579</u>	<u>1,754,506</u>	<u>193,911</u>	<u>2,368,996</u>
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfers To Other Funds	(2,000)	(2,000)	0	(4,000)
Transfers From Other Funds	0	0	492,059	492,059
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>(2,000)</u>	<u>(2,000)</u>	<u>492,059</u>	<u>488,059</u>
<b><u>Cash Flows From Capital And Related Financing Activities:</u></b>				
Acquisition Of Capital Assets	(246,536)	(385,607)	(35,444)	(667,587)
Principal Paid On General Obligation Bonds	(175,000)	0	0	(175,000)
Principal Paid On OPWC Loan	0	(9,519)	0	(9,519)
Interest And Fiscal Charges Paid On General Obligation Bonds	(37,653)	0	0	(37,653)
Interest And Fiscal Charges Paid On OPWC Loan	0	(3,155)	0	(3,155)
<b>Net Cash Used For Capital And Related Financing Activities</b>	<u>(459,189)</u>	<u>(398,281)</u>	<u>(35,444)</u>	<u>(892,914)</u>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	(40,610)	1,354,225	650,526	1,964,141
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<u>6,344,568</u>	<u>7,526,698</u>	<u>0</u>	<u>13,871,266</u>
<b>Cash And Cash Equivalents At End Of Year</b>	<u>\$6,303,958</u>	<u>\$8,880,923</u>	<u>\$650,526</u>	<u>\$15,835,407</u>

(Continued)

*City of Gahanna, Ohio*  
Statement Of Cash Flows  
Enterprise Funds  
For The Year Ended December 31, 2005  
(Continued)

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
<b><u>Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities:</u></b>				
Operating Income (Loss)	(\$330,314)	\$1,428,559	\$156,833	\$1,255,078
<b><u>Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:</u></b>				
Depreciation	637,231	368,193	204,744	1,210,168
Changes In Assets And Liabilities:				
(Increase) Decrease In Accounts Receivable	14,560	(24,947)	(176,355)	(186,742)
Decrease In Prepaid Items	246	246	0	492
Increase In Materials And Supplies Inventory	(782)	(782)	0	(1,564)
(Increase) In Due From Other Funds	(1,298)	0	0	(1,298)
Decrease In Special Assessments Receivable	497	0	0	497
Increase In Accounts Payable	34,432	27,145	344	61,921
Increase (Decrease) In Contracts Payable	1,177	(122,879)	0	(121,702)
Increase In Due To Other Governments	40,252	81,593	1,568	123,413
Increase (Decrease) In Contracts Retainage Payable	20,789	(6,411)	0	14,378
Increase In Compensated Absences Payable	1,909	1,909	4,698	8,516
Increase In Compensatory Time Payable	1,880	1,880	2,079	5,839
<i>Net Cash Provided By Operating Activities</i>	<u>\$420,579</u>	<u>\$1,754,506</u>	<u>\$193,911</u>	<u>\$2,368,996</u>

**Noncash Capital Financing Activities:**

For the year ended December 31, 2005, the City's Water Enterprise Fund received water lines that were paid for from the General Fund. The water lines were recorded as capital assets and capital contributions in the Water Fund. The value of the water lines was \$6,902.

During 2005, the City transferred capital assets from the Storm Water Special Revenue Fund to the Storm Water Enterprise Fund. The assets were recorded as capital assets and capital contributions in the fund. The value of the capital assets was \$10,211,367.

See Accompanying Notes To The Basic Financial Statements

*City of Gahanna, Ohio*  
Statement Of Fiduciary  
Assets And Liabilities  
Agency Funds  
December 31, 2005

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**Assets:**

Equity In Pooled Cash And Cash Equivalents	\$338,133
Cash And Cash Equivalents In Segregated Accounts	<u>733,298</u>

<i>Total Assets</i>	<u><u>\$1,071,431</u></u>
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**Liabilities:**

Undistributed Assets	\$710,696
Deposits Held And Due To Others	<u>360,735</u>

<i>Total Liabilities</i>	<u><u>\$1,071,431</u></u>
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See Accompanying Notes To The Basic Financial Statements

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Gahanna (the “City”) is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a mayor-council-administrator form of government, was adopted by the electorate June 27, 1961, and was completely renumbered by the Clerk of Council in January, 1992.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments and activities which are not legally separate from the City. They comprise the City’s legal entity which provides various services including public safety, street maintenance, parks and recreation, senior services, and engineering. The City of Gahanna is also responsible for the construction, maintenance, and repairs associated with the water and sewer lines. The City purchases water and sewer treatment services. Council and the Mayor have direct responsibility for these activities.

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

The City is a member of the Central Ohio Health Care Consortium (the “Pool”), a risk sharing pool which provides health insurance. The Pool, which commenced business on January 1, 1992, has nine members consisting of various cities, villages and townships. The members originally entered into an irrevocable agreement to remain members of the Pool for a minimum of three years. This agreement was renewed for an additional three years on January 1, 2004. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City has no ongoing financial responsibility other than the three year minimum membership. See Note 12.

The City participates in a joint operation with the Gahanna Jefferson City School District. These organizations have agreed to construct and operate a maintenance facility and fueling station. See Note 19.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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



*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Fund Financial Statements*

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

**B. Fund Accounting**

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

*Governmental Funds*

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

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

Miscellaneous Lease Receipts Fund - This fund accounts for the collection of lease payments and for the cost of maintaining and operating property (including the payment of taxes).

Bond Retirement Fund – This fund accounts for the resources that are used for payment of principal and interest and fiscal charges on general obligation debt and notes.

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Proprietary Funds*

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are enterprise funds.

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

Water Fund – This fund is used to account for the provision of water service to the residents and businesses within the City.

Sewer Fund – This fund is used to account for the provision of sanitary sewer service to the residents and businesses within the City.

Storm Water Fund – This fund is used to account for charges assessed to residents and businesses of the City for the improvement of the storm water system.

*Fiduciary Funds*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has three agency funds which are used to account for money held for other governments, compliance with building codes, and the distribution of mayor's court fines.

**C. Measurement Focus**

*Government-wide Financial Statements*

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Fund Financial Statements*

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

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

**D. Basis of Accounting**

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

*Revenues – Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “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.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from 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 year-end: income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

*Deferred Revenues*

Deferred revenues arise 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, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

*Expenses/Expenditures*

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

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**E. Budgets And Budgetary Accounting**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level for all funds. The Director of Finance has been authorized to allocate appropriations to the function and object level within each fund.

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

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

**F. Cash And Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, except the Mayor's Court agency fund, are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity In Pooled Cash And Cash Equivalents" on the financial statements. The City has permissive motor vehicle license monies which are held by the Franklin County Engineer and are distributed to the City for approved projects. The balance in this account is presented as "Cash and Cash Equivalents With Fiscal Agents". The City also has an escrow account to hold retainage amounts owed to contractors. The balance in this account is presented as "Restricted Assets: Cash And Cash Equivalents With Escrow Agents". The Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the Statement Of Fiduciary Assets And Liabilities as "Cash And Cash Equivalents In Segregated Accounts".

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

During the year, investments were limited to Federal Home Loan Bank Consolidation Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, Federal Farm Credit Bank, U. S. Treasury Note, Eaton Vance Prime Mutual Fund, Nationwide Platinum Annuity and STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost. Mutual funds are reported at fair value which is determined by the mutual fund's current share price. The Nationwide Platinum Annuity is valued at cost, including accumulated interest to date.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2005. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the General Fund during 2005 amounted to \$1,491,345, which includes \$761,328 assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are reported as cash equivalents on the financial statements.

**G. Materials And Supplies Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**I. Interfund Transactions**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables”. Interfund balances are eliminated on the Government-wide Statement of Net Assets except for any net residual amounts due between governmental and Business-Type Activities, which are presented as “Internal Balances”.

**J. Capital Assets**

General capital assets are capital assets that are associated with governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the Business-Type Activities column of the government-wide Statement of Net Assets and in the respective funds.

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

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

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

<u>Descriptions</u>	<u>Estimated Life</u>
Buildings	50 years
Improvements Other Than Buildings	20 years
Machinery And Equipment:	
Machinery And Equipment	3-30 years
Furniture And Fixtures	20 years
Computers	3-10 years
Vehicles	3-10 years
Infrastructure:	
Bridges And Culverts	50 years
Sidewalks	20 years
Streets And Curbs	20-30 years
Street Lighting	15 years
Storm Water	65 years
Traffic Control Lighting	10 years
Sewer And Water Lines	65 years

For the capitalization of general infrastructure assets the City chose to include all such items regardless of their acquisition date.

**K. Compensated Absences**

Vacation and compensatory 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 all accumulated unused vacation and compensatory time when earned for all employees.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

Compensatory time is paid to employees at a rate of one and a half hours for each hour of overtime worked. The City will record the liability "Compensatory Time Payable" for the balance carried over at year-end. City employees must use their compensatory time balance that has been carried forward by the following year-end.



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**L. Accrued Liabilities And Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise funds' financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds and capital leases are recognized as liabilities on the governmental fund financial statements when due.

**M. Unamortized Bond Issuance Costs**

Issuance costs incurred with the issuance of the 2005 serial and term bonds are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Issuance costs are recorded as deferred charges in the account "Deferred Charges".

**N. Contributions Of Capital**

Contributions of capital arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, grants or outside contributions of resources restricted to capital acquisition and from the construction or transfers of capital assets between Governmental and Business-Type Activities.

**O. Reserves of Fund Balance**

Reserves of fund equity in governmental funds indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances. Unreserved fund balance indicates that portion of fund equity that is available for appropriations in future periods.

**P. Fund Designations**

Fund balance designations are established to indicate tentative planned expenditures of financial resources. A designation reflects the City's intentions and is subject to change. The designation is reported as part of unreserved fund balance. The designation represents monies set aside for future termination benefits.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Q. Interfund Transactions**

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

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

**R. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The unrelated portion of these liabilities is included in the calculation of unrestricted net assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for recreational activities, improving the living environment of the City, the operation of police programs, and the City's street repair/improvement programs.

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

The government-wide Statement of Net Assets reports \$9,118,068 of restricted net assets, of which \$1,822,701 is restricted by enabling legislation.

**S. Operating Revenues And Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer and storm water utility services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**T. 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.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

**A. Changes in Accounting Principles**

During 2005, the City has implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosures – an amendment of GASB Statement No.3*”, GASB Statement No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*” and GASB Statement No. 46 “*Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*”.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to risk, including credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the City’s financial statements for 2005.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the City’s financial statements for 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied when determining whether restricted net assets should be classified as restricted. The implementation of this statement had no effect on the City’s financial statements for 2005.

**B. Restatement of Prior Year Fund Equity**

It was necessary to restate prior year fund balances due to permissive tax money that is being held with the Franklin County Engineer not being included.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY** *(continued)*

	Governmental Activities
Net Assets, December 31, 2004	\$87,759,314
Restatement of Cash And Cash Equivalent With Fiscal Agents	252,676
Net Assets, December 31, 2004 as Restated	\$88,011,990
	Nonmajor
Fund Balance, December 31, 2004	\$7,200,627
Restatement Of Cash And Cash Equivalents With Fiscal Agents	252,676
Fund Balance, December 31, 2004 As Restated	\$7,453,303

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) is presented for the General Fund and the Miscellaneous Lease Receipts Special Revenue Fund 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:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.
- (e) Investments are reported at fair value (GAAP) rather than cost (budget).

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING** (continued)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the General Fund and the Miscellaneous Lease Receipts Special Revenue Fund are as follows:

Net Change in Fund Balance		
	General	Miscellaneous Lease Receipts
GAAP Basis	\$10,163,440	\$109,287
<u>Increases (Decreases) Due To:</u>		
Revenue Accruals	334,480	0
Expenditure Accruals	(2,182,412)	0
Encumbrances Outstanding At Year-end (Budget Basis)	(16,058,125)	0
Change In Fair Value Of Investments - 2004	221,400	0
Change In Fair Value Of Investments - 2005	(459,084)	0
Unrecorded Cash - 2004	28,577	0
Unrecorded Cash - 2005	(153,181)	0
Inception Of Capital Lease	(24,706)	0
Transfers	589,100	0
Budget Basis	(\$7,540,511)	\$109,287

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current 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 Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS** *(continued)*

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.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAROhio).

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 Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**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. Investments may only be made through specified dealers and institutions.

*Investments:* As of December 31, 2005, the City had the following investments. All investments are in an internal investment pool.

	Fair Value	Investment Maturities (in Years)			Call Date
		Less than 1	1 - 2	2- 5	
Federal Home Loan Bank Consolidation Bonds	\$5,669,728	\$2,194,912	\$2,601,065	\$873,751	1/18/2006 to 4/29/2006
Federal Home Loan Bank Bonds	4,714,981	283,299	1,543,168	2,888,514	7/28/2004 to 1/26/2009
Federal Home Loan Mortgage Corporation Bonds	3,849,438	796,814	885,062	2,167,562	11/17/2004 to 5/28/2006
Federal National Mortgage Association Bonds	8,090,291	1,240,856	1,545,227	5,304,208	1/7/2004 to 1/23/2006
Federal Farm Credit Bank	248,831	233,531	15,300	0	
U. S. Treasury Note	101,375	101,375	0	0	
Eaton Vance Prime Mutual Fund	1,944,478	1,944,478	0	0	
Nationwide Platinum Annuity	1,077,344	1,077,344	0	0	
Negotiable Certificates of Deposits	2,964,696	1,807,610	926,086	231,000	
STAROhio	28,152,747	28,152,747	0	0	
Totals	<u>\$56,813,909</u>	<u>\$37,832,966</u>	<u>\$7,515,908</u>	<u>\$11,465,035</u>	

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Director of Finance, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the City, the City will not directly invest in securities maturing more than five years from the date of investment.

*Credit Risk:* The Federal Home Loan Bank Consolidation Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, Federal Farm Credit Bank, U. S. Treasury Note, and Nationwide Platinum Annuity carry a rating of AAA by Moody's and Standard and Poor's. The Eaton Vance Prime Mutual Fund carries a rating of AA by Moody's and Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 5 - DEPOSITS AND INVESTMENTS** *(continued)*

*Concentration of Credit Risk:* The City places no limit on the amount it may invest in any one issuer. The City's investments in Federal Home Loan Bank Consolidation Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, Federal Farm Credit Bank, Nationwide Platinum Annuity, and Negotiable Certificates Of Deposit represents 9.98 percent, 8.30 percent, 6.78 percent, 14.24 percent, .44 percent, 1.90 percent and 5.22 percent, respectively, of the City's total investments. The remaining 53.14 percent is invested in a U.S. Treasury Note, Eaton Vance Prime Mutual Fund and STAROhio.

**NOTE 6 - MUNICIPAL INCOME TAX**

The City levies and collects an income tax of one and one-half percent 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 eighty-three and one-third percent of the tax paid to another municipality that has a tax rate of one and one-half percent or less, 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 proceeds go to the General Fund.

**NOTE 7 - PROPERTY TAX**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.



*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 7 - PROPERTY TAX** *(continued)*

The full tax rate for all City operations for the year ended December 31, 2005, was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Property	\$902,815,720
Public Utility Property	11,684,410
Tangible Personal	25,823,679
Total Property Taxes	<u>\$940,323,809</u>

Real property taxes are payable annually or 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; if 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 all taxing districts in the county, including the City of Gahanna. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, and for which there is an enforceable legal claim. In governmental funds, the entire receivable has been deferred since the current taxes were not levied to finance 2005 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2005, consisted of taxes, accounts, interest on investments, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible, including water, sewer and storm water charges receivable which, if delinquent, may be certified and collected as a special assessment, subject to foreclosure for nonpayment. All receivables will be received in one year with the exception of the US EPA Brownfield Grant. This grant is used for the restoration of a landfill that was purchased by the City. These grant monies will be collected over the life of the project.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 8 – RECEIVABLES** *(continued)*

A summary of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Local Government	\$819,642
Local Government Revenue Assistance	76,407
Liquor Permits	33,297
OPWC Grant	309,366
US EPA Brownfield Grant	8,238
Governor's Highway Safety Office Grant	6,118
OVI Task Force Grant	1,209
CDBG Grant	250,000
Estate Tax	83,485
Homestead And Rollback	110,746
Franklin County Auditor	4,769
Franklin County Clerk Of Courts	577
Franklin County Municipal Court	717
Gasoline Tax	508,390
Permissive Tax	145,999
Motor Vehicle License Tax	128,117
Total Intergovernmental Receivable	<u><u>\$2,487,077</u></u>

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2005, was as follows:

	Balance At 12/31/2004	Storm Water Transfers	Additions	Deletions	Balance At 12/31/2005
<b><u>Governmental Activities</u></b>					
Capital Assets, Not Being Depreciated:					
Land	\$14,131,919	\$0	\$0	\$0	\$14,131,919
Construction In Progress	2,847,105	0	10,541,143	(524,397)	12,863,851
Total Capital Assets Not Being Depreciated	16,979,024	0	10,541,143	(524,397)	26,995,770
Depreciable Capital Assets:					
Buildings	8,762,514	0	0	(242,270)	8,520,244
Improvements Other Than Buildings	4,961,354	(55,800)	92,735	0	4,998,289
Machinery And Equipment	4,312,200	(19,000)	688,907	(215,673)	4,766,434
Vehicles	2,481,460	0	341,345	0	2,822,805
Infrastructure:					
Bridges And Culverts	4,178,219	(3,813,621)	0	0	364,598
Sidewalks	2,914,769	0	23,000	0	2,937,769
Streets And Curbs	45,247,726	0	172,312	0	45,420,038
Street Lighting	1,727,058	0	0	0	1,727,058
Storm Water	9,003,229	(9,003,229)	0	0	0
Traffic Control Lighting	4,575,517	0	125,655	0	4,701,172
Total Depreciable Capital Assets	88,164,046	(12,891,650)	1,443,954	(457,943)	76,258,407
Total Capital Assets At Historical Cost	105,143,070	(12,891,650)	11,985,097	(982,340)	103,254,177
Less Accumulated Depreciation:					
Buildings	(2,085,873)	0	(163,999)	28,668	(2,221,204)
Improvements Other Than Buildings	(2,074,624)	1,485	(201,800)	0	(2,274,939)
Machinery And Equipment	(1,965,982)	290	(563,084)	208,943	(2,319,833)
Vehicles	(1,756,179)	0	(204,063)	0	(1,960,242)
Infrastructure:					
Bridges And Culverts	(463,485)	454,056	(8,617)	0	(18,046)
Sidewalks	(1,995,477)	0	(99,770)	0	(2,095,247)
Streets And Curbs	(30,515,086)	0	(1,250,131)	0	(31,765,217)
Street Lighting	(1,166,135)	0	(84,722)	0	(1,250,857)
Storm Water	(2,224,452)	2,224,452	0	0	0
Traffic Control Lighting	(2,742,769)	0	(443,853)	0	(3,186,622)
Total Accumulated Depreciation	(46,990,062)	2,680,283	(3,020,039)	237,611	(47,092,207)
Depreciable Capital Assets, Net	41,173,984	(10,211,367)	(1,576,085)	(220,332)	29,166,200
Governmental Activities Capital Assets, Net	\$58,153,008	(\$10,211,367)	\$8,965,058	(\$744,729)	\$56,161,970

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**NOTE 9 - CAPITAL ASSETS** (continued)

	Balance At 12/31/2004	Storm Water Transfers	Additions	Deletions	Balance At 12/31/2005
<b>Business-Type Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$39,210	\$0	\$0	\$0	\$39,210
Construction In Progress	629,236	0	581,982	0	1,211,218
Total Capital Assets, Not Being Depreciated	668,446	0	581,982	0	1,250,428
Depreciable Capital Assets:					
Buildings	991,000	0	0	0	991,000
Improvements Other Than Buildings	0	55,800	0	0	55,800
Machinery And Equipment	556,491	19,000	57,863	(3,000)	630,354
Vehicles	13,522	0	27,742	0	41,264
Infrastructure:					
Storm Water Lines	0	12,816,850	0	0	12,816,850
Water Lines	38,925,021	0	6,902	0	38,931,923
Sewer Lines	22,753,933	0	0	0	22,753,933
Total Depreciable Capital Assets	63,239,967	12,891,650	92,507	(3,000)	76,221,124
Total Capital Assets At Historical Cost	63,908,413	12,891,650	674,489	(3,000)	77,471,552
Less Accumulated Depreciation:					
Buildings	(273,481)	0	(28,320)	0	(301,801)
Improvements Other Than Buildings	0	(1,485)	(2,790)	0	(4,275)
Machinery And Equipment	(189,907)	(290)	(27,132)	608	(216,721)
Vehicles	(916)	0	(2,123)	0	(3,039)
Infrastructure:					
Storm Water Lines	0	(2,678,508)	(196,716)	0	(2,875,224)
Water Lines	(13,773,912)	0	(603,814)	0	(14,377,726)
Sewer Lines	(7,780,260)	0	(349,273)	0	(8,129,533)
Total Accumulated Depreciation	(22,018,476)	(2,680,283)	(1,210,168)	608	(25,908,319)
Depreciable Capital Assets, Net	41,221,491	10,211,367	(1,117,661)	(2,392)	50,312,805
Business-Type Activities Capital Assets, Net	\$41,889,937	\$10,211,367	(\$535,679)	(\$2,392)	\$51,563,233

For the year ended December 31, 2005, the City's Water Fund received capital assets that were paid for from the General Fund. The City also created a new Storm Water Enterprise Fund and transferred all related capital assets to this fund. The value of the water and storm water lines was \$6,902 and \$10,211,367, respectively.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 9 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental programs as follows:

Security Of Persons And Property	\$201,099
Leisure Time Activities	242,845
Community Development	229,101
General Government	236,016
Transportation	2,110,978
Total Depreciation Expense	<u><u>\$3,020,039</u></u>

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS** *(continued)*

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$525,182, \$470,034, and \$359,344 respectively; 77.67 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$10,201 made by the City and \$6,399 made by the plan members.

**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.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the City is required to contribute 11.75 percent for police officers. The City has no Firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police were \$463,228 for the year ended December 31, 2005, \$409,484 for the year ended December 31, 2004 and \$378,273 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 73.55 percent for police officers has been contributed for 2005.

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** *(continued)*

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual City contributions for 2005 which were used to fund postemployment benefits were \$219,971. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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

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

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** *(continued)*

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. Gahanna has no fire personnel; therefore, OP&F covers police personnel only.

The City's actual contributions for 2005 that were used to fund postemployment health care benefits were \$305,533 for police. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date and allows the unused balance to be accumulated at levels which depend upon years of service. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at variable rates based on years of service worked and can be accumulated without limit. Each employee with the City is paid, according to their contract, a portion of their earned unused sick leave upon termination from the City, or the full balance may be transferred to another governmental agency. In the event that an employee dies as the result of injuries sustained on the job, his or her estate will be paid the total allowable amount of all earned unused sick leave.

City employees working in excess of designated work hours are entitled to either overtime pay or compensatory time according to the Fair Labor Standards Act. Employees may elect to receive compensatory time in lieu of overtime pay. Compensatory time must be used within one year of accrual or it will be forfeited. Current policy allows accumulation of compensatory time to levels in the negotiated agreements.



**NOTE 12 - EMPLOYEE BENEFITS** *(continued)*

**B. Deferred Compensation Plan**

Employees of the City may elect to participate in the ING Life Insurance and Annuity Company Plan, or the Ohio Public Employees Deferred Compensation Program created in accordance with Internal Revenue Code Section 457. Under these programs, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and state income taxation until actually received by the employee. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

**C. Health Care Benefits**

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the "Pool"), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of nine political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. It is governed by a nine member Board of Directors (the "Board") consisting of a representative from each Pool participant. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board.

The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$175,000 per claim per year, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$10,501,216 to a maximum of \$1,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for any claims paid on its behalf or the member must pay the claims directly.

Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Sun Life of Canada Insurance Companies, respectively.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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

In prior years, the City has entered into capitalized leases for copier equipment. During 2005, the City entered into a lease for a mail machine. Each lease meets 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 combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The copier equipment and mail machine have been capitalized in the amount of \$106,248. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2005 totaled \$28,571 in the governmental funds.

The assets acquired through capital leases as of December 31, 2005, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Leased Equipment	\$106,248	\$81,372	\$24,876

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2005.

Year Ending December 31,	Payments
2006	\$10,648
2007	5,688
2008	5,688
2009	5,688
2010	4,266
Total	31,978
Less: Amount Representing Interest	(4,396)
Present Value of Minimum Lease Payment	\$27,582

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

**A. Bonded Debt And Other Long-Term Obligations**

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2005, was as follows:

<u>Types / Issues</u>	<u>Balance 12/31/2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/2005</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bonds</u>					
Water Fund					
1994 - Star Bank Series 4.90%	\$745,000	\$0	\$175,000	\$570,000	\$180,000
<u>Other Long-Term Obligations</u>					
1996 - OPWC Loan 3.5 %	92,490	0	9,519	82,971	9,856
Compensated Absences Payable	13,148	41,408	32,892	21,664	21,664
<b>Total Business-Type Activities</b>	<b><u>\$850,638</u></b>	<b><u>\$41,408</u></b>	<b><u>\$217,411</u></b>	<b><u>\$674,635</u></b>	<b><u>\$211,520</u></b>
<u>Types / Issues</u>	<u>Balance 12/31/2004</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/2005</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
<u>General Obligation Bonds</u>					
1994 - Star Bank Series 4.60%	\$1,890,000	\$0	\$430,000	\$1,460,000	\$460,000
2005 - Creekside Phase II And Morrison Road					
Serial Bonds 3.25% to 5.0%	0	10,515,000	0	10,515,000	355,000
Term Bonds 4.25%	0	3,185,000	0	3,185,000	0
Premium On Bonds Issued	0	333,759	1,113	332,646	0
<b>Total General Obligation Bonds</b>	<b><u>1,890,000</u></b>	<b><u>14,033,759</u></b>	<b><u>431,113</u></b>	<b><u>15,492,646</u></b>	<b><u>815,000</u></b>
<u>Other Long-Term Obligations</u>					
Compensated Absences	1,237,243	1,538,018	1,108,292	1,666,969	534,623
Capital Lease	31,447	24,706	28,571	27,582	9,020
<b>Total Other Long-Term Obligations</b>	<b><u>1,268,690</u></b>	<b><u>1,562,724</u></b>	<b><u>1,136,863</u></b>	<b><u>1,694,551</u></b>	<b><u>543,643</u></b>
<b>Total Governmental Activities</b>	<b><u>\$3,158,690</u></b>	<b><u>\$15,596,483</u></b>	<b><u>\$1,567,976</u></b>	<b><u>\$17,187,197</u></b>	<b><u>\$1,358,643</u></b>

The City's overall legal debt margin was \$84,828,205, with an unvoted debt margin of \$37,812,014 at December 31, 2005.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
*(continued)*

Annual debt service requirements to maturity for general obligation bonds and OPWC loans for business-type activities are:

<i>Year</i>	<i>Business-Type Activities</i>				
	<i>Water General</i>		<i>Sewer OPWC Loan</i>		
	<i>Obligation Bonds</i>	<i>Obligation Bonds</i>	<i>Principal</i>	<i>Interest</i>	
<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>		
2006	\$180,000	\$27,710	\$9,856	\$2,818	
2007	190,000	17,162	10,204	2,471	
2008	200,000	5,850	10,564	2,110	
2009	0	0	10,936	1,737	
2010	0	0	11,323	1,361	
2011-2013	0	0	30,088	1,597	
Totals	<u>\$570,000</u>	<u>\$50,722</u>	<u>\$82,971</u>	<u>\$12,094</u>	

Annual debt service requirements to maturity for governmental long-term obligations are:

<i>Year</i>	<i>Serial</i>	<i>Serial</i>	<i>Term</i>	<i>Term</i>
	<i>Bonds</i>	<i>Bonds</i>	<i>Bonds</i>	<i>Bonds</i>
<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	
2006	\$815,000	\$667,018	\$0	\$0
2007	860,000	628,398	0	0
2008	895,000	587,368	0	0
2009	400,000	559,938	0	0
2010	405,000	546,938	0	0
2011-2015	2,265,000	2,514,923	0	0
2016-2020	2,785,000	1,995,564	0	0
2021-2025	3,550,000	1,226,565	0	0
2026-2030	0	0	3,185,000	417,350
Totals	<u>\$11,975,000</u>	<u>\$8,726,712</u>	<u>\$3,185,000</u>	<u>\$417,350</u>

The term bonds, issued at \$3,185,000, maturing on December 1, 2026 to December 1, 2030 are subject to redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective amounts.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
*(continued)*

Year Ending December 31,	Amount
2026	\$585,000
2027	610,000
2028	635,000
2029	665,000
2030	690,000
Total	<u>\$3,185,000</u>

**B. General Obligation Bonds**

During 1994, the City issued \$4,105,000 in general obligation bonds to provide funds for the acquisition and construction of major capital facilities and refinancing of bond anticipation notes. General obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 15 year serial bonds with equal amounts of principal maturing each year and are paid with property taxes from the Debt Service Fund.

During 2005, the City issued \$13,700,000 in general obligation bonds to provide funds for the infrastructure improvements of Morrison Road and the construction and improvements of Creekside. General obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are 20 year serial bonds with varying amounts of principal maturing each year and a 25 year term bond. Bond payments are paid with property taxes from the Debt Service Fund as well as other non-income tax revenues.

**C. Enterprise Fund General Obligation Bonds**

During 1994, the City issued \$1,505,000 in general obligation bonds for the purpose of replacing and constructing water and sewer lines. Enterprise obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 15 year serial bonds with equal amounts of principal maturing each year and are paid from revenues from the operations of the water and sewer systems.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 14 - OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
*(continued)*

**D. Ohio Public Works Commission (OPWC) Loan**

The 1996 OPWC loan consists of \$181,202 borrowed from the Ohio Public Works Commission for various construction projects within the City. The 20 year loan is payable from gross revenues of the Sewer Enterprise Fund.

**E. Compensated Absences / Capital Leases**

Compensated absences will be paid from the General, Street Maintenance and Repair, State Highway, Water and Sewer Funds. Capital leases are paid from the General Fund.

**NOTE 15 – SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the year ended December 31, 2005 follows:

<i>Types / Issues</i>	<i>Balance 12/31/04</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance 12/31/05</i>
2005 - 4.00% Various Purpose Note	<u>\$0</u>	<u>\$1,000,000</u>	<u>\$0</u>	<u>\$1,000,000</u>

During 2005, the City issued a 4.00 percent Various Purpose Note, in the amount of \$1,000,000. The note will mature on October 22, 2006. This note was used for the infrastructure improvements of Morrison Road and the construction and improvements of Creekside.

**NOTE 16 - CONSTRUCTION COMMITMENTS**

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2005, the significant outstanding construction commitments were:

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**NOTE 16 - CONSTRUCTION COMMITMENTS** *(continued)*

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Completed</u>	<u>Balance At 12/31/2005</u>
Morse Road/State Route 62	\$351,037	\$340,941	\$10,096
Tech Center Drive	146,000	82,192	63,808
Morrison Road - Phase II	341,856	330,121	11,735
Taylor Road at Eastgate	122,823	103,952	18,871
Hamilton Road	7,825,910	5,360,434	2,465,476
Old McCutcheon Road	70,000	42,126	27,874
Morrison Road/Hamilton Road	59,000	46,217	12,783
Waterline Project	29,926	24,926	5,000
East Johnstown Road Widening	456,635	448,251	8,384
Ogden Alley Sanitary Sewer	227,180	165,647	61,533
Ogden Sanitary Lining	236,420	223,212	13,208
Ogden Alley Rebuild	250,000	204,922	45,078
Mill Street Utilities	8,900	7,304	1,596
2005 Crack Seal/Slurry Seal Program	171,000	165,817	5,183
2005 Street Repair Program	1,243,981	1,023,092	220,889
Mill Street/Walnut Street Signal	13,200	8,184	5,016
Facility Registration Installation	33,000	22,223	10,777
Barn Upgrades	79,656	62,511	17,145
2005 Playground Improvements	101,280	71,807	29,473
Gramercy Park Estates Sewer Rehab	173,563	164,279	9,284
Tank Removal At Science Boulevard	49,110	35,319	13,791
Gahanna Creekside LLC	14,400,000	5,031,210	9,368,790
Total	<u>\$26,390,477</u>	<u>\$13,964,687</u>	<u>\$12,425,790</u>

**NOTE 17 - RISK MANAGEMENT**

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability insurance and police professional liability insurance. The City also carries public officials liability insurance. 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.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

**NOTE 18 – INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS**

Interfund balances at December 31, 2005, consist of the following interfund receivables and payables:

		Receivable
		Water Fund
		\$1,298
Payable	General	\$1,298

This interfund balance is owed to the Water Fund for water usage by the City’s pool.

Transfers made during the year ended December 31, 2005, were as follows:

		Transfers To				
		General	Bond Retirement	Nonmajor Funds	Storm Water	Total
Transfers From	General	\$0	\$289,700	\$1,373,351	\$78,832	\$1,741,883
	Water	2,000	0	0	0	2,000
	Sewer	2,000	0	0	0	2,000
	Nonmajor Funds	0	0	0	413,227	413,227
	Total	\$4,000	\$289,700	\$1,373,351	\$492,059	\$2,159,110

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfers from the Water and Sewer Funds to the General Fund were made for future severance payments. The transfer from the nonmajor funds to the Storm Water Fund was to move the remaining unencumbered fund balance of the Storm Water Special Revenue Fund to the new Storm Water Enterprise Fund.



*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 19 – UNDIVIDED INTEREST**

On February 21, 1996, a contract was entered into between the Gahanna Jefferson City School District (the “District”) and the City of Gahanna to construct and operate a vehicle maintenance facility and fueling station. Based on the terms of the agreement, the entities equally bear the cost related to the construction and maintenance of the facility. In addition, the City received a credit of \$93,980 on the construction and maintenance of this facility, representing the fair value of the 4.699 acres of land that the City deeded to the District for this project. The City’s undivided interest in this facility is being shown as a capital asset in the government-wide financial statements.

**NOTE 20 – CAPITAL LEASE RECEIVABLE**

City-owned land is leased to twenty companies: Harold-Winfred Hill, Bailey Leather Company, C. and P. Company, B. G. and H. Investment Company, H. and G. Reality, Ball and Galloway, R. and M. Mstivi, Harry Bott, Sylvania L. and B. Company, S. and D. Mueller, B. and V. Decker, J. and D. Hbener, E. and P. Stinson and G. and D. Chadwick, A. S. and D. Mueller, B. and J. Smith, M. and S. Craft, Restaurant Food Supply, Eastgate Properties, Tagg-Marr-Rear, and Contemporary Construction.

The lease period is thirty years. At the conclusion of the lease period, the companies may purchase the leased properties for \$100. The City has classified these agreements as capital leases. The lease payments to the City are paid into the Miscellaneous Lease Receipts Special Revenue Fund. On a full accrual basis, the amount of the receivable that has been earned is recorded as revenue.

<u>Year Ending December 31,</u>	
2006	\$210,118
2007	134,120
2008	124,981
2009	89,406
2010	48,063
2011-2015	66,288
2016-2017	4,938
Total Lease Receivable	<u><u>\$677,914</u></u>

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Year Ended December 31, 2005

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**NOTE 21 - CONTINGENT LIABILITIES**

**A. Litigation**

The City is not currently party to any legal proceedings.

**B. Federal And State Grants**

For the period January 1, 2005, to December 31, 2005, 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 disallowance, if any, would be immaterial.



## Julian & Grube, Inc.

*Serving Ohio Local Governments*

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

Members of Council and Mayor  
City of Gahanna  
200 South Hamilton Road  
Gahanna, Ohio 43230

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, Ohio, (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2006. As disclosed in Note 3 to the basic financial statements, the City has restated net assets and nonmajor fund balance due to errors and omissions related to permissive tax money. 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 the Comptroller General of the United States' *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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

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

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

Julian & Grube, Inc.  
July 25, 2006





**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**CITY OF GAHANNA**

**FRANKLIN 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  
OCTOBER 17, 2006**