

Dave Yost • Auditor of State



**CITY OF GAHANNA  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

City of Gahanna  
Franklin County  
200 South Hamilton Road  
Gahanna, Ohio 43230

To the Members of City Council and the Mayor:

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 City of Gahanna, Franklin County, Ohio (the City), as of and for the year ended December 31, 2011, 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Tax Increment Financing Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506  
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 21, 2012

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The management's discussion and analysis of the City of Gahanna's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- The total net assets of the City decreased \$3,255,421 or 1.92% from 2010. Net assets of governmental activities decreased \$1,881,989 or 1.90% from 2010 and net assets of business-type activities decreased \$1,373,432 or 1.96% from 2010.
- General revenues accounted for \$21,255,916 or 79.04% of total governmental activities revenue. Program specific revenues accounted for \$5,637,093 or 20.96% of total governmental activities revenue.
- The City had \$28,754,998 in expenses related to governmental activities; \$5,637,093 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$23,117,905 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$21,255,916.
- The general fund had revenues and other financing sources of \$22,891,322 in 2011. This represents a decrease of \$3,054,722 or 11.77% from 2010. The expenditures and other financing uses of the general fund, which totaled \$21,270,837 in 2011, decreased \$3,340,219 or 13.57% from 2010. The net increase in fund balance for the general fund was \$1,620,485 or 8.15%.
- The tax increment equivalent fund had \$1,760,620 in revenues and other financing sources and \$3,237,847 in expenditures and other financing uses. The net decrease in fund balance for the tax increment equivalent fund was \$1,477,227 or 35.34%.
- The capital improvement fund had other financing sources of \$5,912,796 in 2011. The expenditures of the capital improvement fund totaled \$6,666,783 in 2011. The net decrease in fund balance for the capital improvement fund was \$753,987 or 23.90%.
- Net assets for the business-type activities, which are made up of the water, sewer and storm water enterprise funds, decreased in 2011 by \$1,373,432. Charges for services revenue did not remain at a level sufficient to cover expenses resulting in a decrease to net assets of the Water fund and Sewer fund. Net assets decreased by \$21,944 in the Water fund and \$1,560,374 in the Sewer fund. Net assets increased \$204,217 in the Storm Water fund.

**Using this Annual Financial Report**

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

The statement of net assets and statement of activities provide information about the activities of the City as a whole presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**Reporting the City as a Whole**

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The statement of net assets and statement of activities can be found on pages 18-20 of this report.

**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

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

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



**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, tax increment equivalent fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-26 of this report.

***Proprietary Funds***

The City maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water management functions. The City's major enterprise funds are the water, sewer and storm water funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has only one internal service fund which accounts for a self-insurance program for workers' compensation. The basic proprietary fund financial statements can be found on pages 27-30 of this report.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 31 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 32-75 of this report.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

**Government-Wide Financial Analysis**

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2011 and December 31, 2010. The net assets at December 31, 2010 have been restated as described in Note 3.B.

**Net Assets**

	Governmental Activities 2011	Restated Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	2011 Total	Restated 2010 Total
<b>Assets</b>						
Current and other assets	\$ 40,738,463	\$ 42,098,046	\$ 23,423,438	\$ 22,710,426	\$ 64,161,901	\$ 64,808,472
Capital assets, net	89,522,697	85,716,877	52,542,004	52,856,159	142,064,701	138,573,036
<b>Total assets</b>	<b>130,261,160</b>	<b>127,814,923</b>	<b>75,965,442</b>	<b>75,566,585</b>	<b>206,226,602</b>	<b>203,381,508</b>
<b>Liabilities</b>						
Current and other liabilities	4,497,887	4,749,059	4,772,039	2,878,787	9,269,926	7,627,846
Long-term liabilities	28,316,982	23,737,584	2,642,432	2,763,395	30,959,414	26,500,979
<b>Total liabilities</b>	<b>32,814,869</b>	<b>28,486,643</b>	<b>7,414,471</b>	<b>5,642,182</b>	<b>40,229,340</b>	<b>34,128,825</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	68,285,441	64,354,828	49,960,158	50,158,280	118,245,599	114,513,108
Restricted	11,213,227	13,723,679	-	-	11,213,227	13,723,679
Unrestricted	17,947,623	21,249,773	18,590,813	19,766,123	36,538,436	41,015,896
<b>Total net assets</b>	<b>\$ 97,446,291</b>	<b>\$ 99,328,280</b>	<b>\$ 68,550,971</b>	<b>\$ 69,924,403</b>	<b>\$ 165,997,262</b>	<b>\$ 169,252,683</b>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$165,997,262. At year-end, net assets were \$97,446,291 and \$68,550,971 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 68.89% of total assets. Capital assets include land, right of ways, easements, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$68,285,441 and \$49,960,158 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$11,213,227 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$17,947,623 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The table below shows the changes in net assets for 2011 and 2010. Net assets at December 31, 2010 have been restated as described in Note 3.B.

	Change in Net Assets					
	Governmental Activities 2011	Restated Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	2011 Total	Restated 2010 Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,709,501	\$ 4,515,039	\$ 11,826,959	\$ 11,961,132	\$ 14,536,460	\$ 16,476,171
Operating grants and contributions	1,748,552	2,267,903	-	-	1,748,552	2,267,903
Capital grants and contributions	1,179,040	1,183,273	-	45,000	1,179,040	1,228,273
<b>Total program revenues</b>	<u>5,637,093</u>	<u>7,966,215</u>	<u>11,826,959</u>	<u>12,006,132</u>	<u>17,464,052</u>	<u>19,972,347</u>
General revenues:						
Income taxes	14,415,698	12,902,689	-	-	14,415,698	12,902,689
Property taxes	2,053,053	2,136,740	-	-	2,053,053	2,136,740
Revenue in lieu of taxes	1,002,203	2,661,218	-	-	1,002,203	2,661,218
Other local taxes	421,791	868,501	-	-	421,791	868,501
Unrestricted grants and entitlements	1,991,744	2,413,448	-	-	1,991,744	2,413,448
Investment earnings	653,169	736,662	28	63	653,197	736,725
Increase (decrease) in fair value of investments	178,767	(27,004)	-	-	178,767	(27,004)
Gain on sale of capital assets	-	43,977	-	-	-	43,977
Miscellaneous	539,491	434,711	158,553	172,321	698,044	607,032
<b>Total general revenues</b>	<u>21,255,916</u>	<u>22,170,942</u>	<u>158,581</u>	<u>172,384</u>	<u>21,414,497</u>	<u>22,343,326</u>
<b>Total revenues</b>	<u>26,893,009</u>	<u>30,137,157</u>	<u>11,985,540</u>	<u>12,178,516</u>	<u>38,878,549</u>	<u>42,315,673</u>
Expenses:						
General government	4,591,521	4,591,344	-	-	4,591,521	4,591,344
Security of persons and property	8,553,504	8,686,610	-	-	8,553,504	8,686,610
Public health and welfare	215,060	195,382	-	-	215,060	195,382
Transportation	5,610,420	3,571,469	-	-	5,610,420	3,571,469
Community environment	5,790,535	4,376,125	-	-	5,790,535	4,376,125
Leisure time activity	2,643,767	3,285,193	-	-	2,643,767	3,285,193
Utility services	474,867	2,253,385	-	-	474,867	2,253,385
Interest and fiscal charges	875,324	900,076	-	-	875,324	900,076
Water	-	-	5,900,545	6,385,501	5,900,545	6,385,501
Sewer	-	-	6,673,734	7,642,442	6,673,734	7,642,442
Storm water	-	-	804,693	811,894	804,693	811,894
<b>Total expenses</b>	<u>28,754,998</u>	<u>27,859,584</u>	<u>13,378,972</u>	<u>14,839,837</u>	<u>42,133,970</u>	<u>42,699,421</u>
Transfers	(20,000)	-	20,000	-	-	-
<b>Change in net assets</b>	(1,881,989)	2,277,573	(1,373,432)	(2,661,321)	(3,255,421)	(383,748)
Net assets at beginning of year (restated)	<u>99,328,280</u>	<u>97,050,707</u>	<u>69,924,403</u>	<u>72,585,724</u>	<u>169,252,683</u>	<u>169,636,431</u>
<b>Net assets at end of year</b>	<u>\$ 97,446,291</u>	<u>\$ 99,328,280</u>	<u>\$ 68,550,971</u>	<u>\$ 69,924,403</u>	<u>\$ 165,997,262</u>	<u>\$ 169,252,683</u>

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

**Governmental Activities**

Governmental activities net assets decreased \$1,881,989 in 2011. The City experienced a \$1,513,009 increase in income tax revenue from the prior year. The increase in income tax revenue is the result of an overall increase in the income tax base of the City as well as the increased economic condition of the State of Ohio and experienced nationwide. The decrease in governmental activities can mainly be attributed to costs incurred in association with a State Infrastructure Bank (SIB) loan.

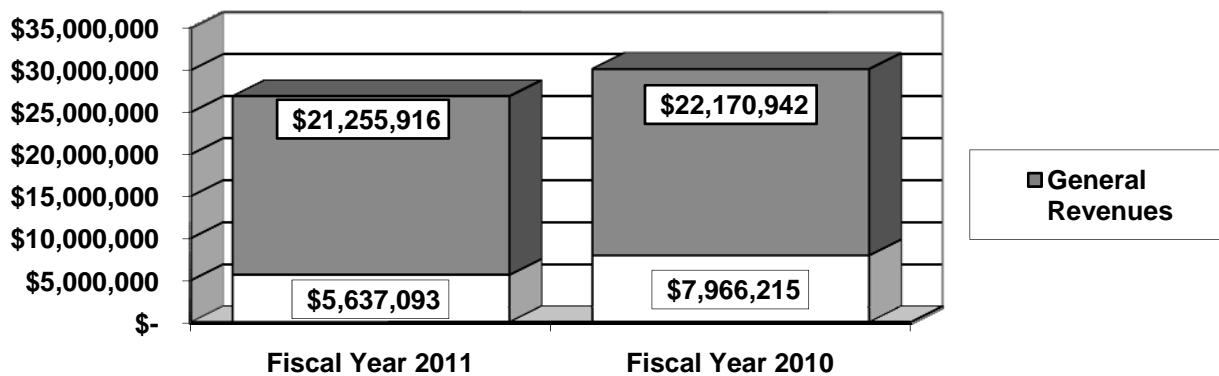
Security of persons and property, which primarily supports the operations of the police department, accounted for \$8,553,504 of the total expenses of the City. These expenses were partially funded by \$154,552 in direct charges to users of the services and \$6,102 in operating grants and contributions. General government expenses totaled \$4,591,521. General government expenses were partially funded by \$1,062,848 in direct charges to users of the services, \$23,992 in operating grants and contributions.

Transportation, which primarily includes street improvement programs, accounted for \$5,610,420 of the total expenses of the City. These expenses were partially funded by \$46,786 in direct charges to users of the services, \$1,696,052 in operating grants and contributions and \$1,179,040 in capital grants and contributions. Community environment, which primarily supports economic development programs, accounted for \$5,790,535 of the total expenses of the City. These expenses were partially funded by \$304,844 in direct charges to users of the services, and \$896 in operating grants and contributions.

The state and federal government contributed to the City a total of \$1,748,552 in operating grants and contributions and a total of \$1,179,040 in capital grants and contributions were received from outside sources. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,696,052 subsidized transportation programs.

General revenues totaled \$21,255,916, and amounted to 79.04% of total governmental revenues. These revenues primarily consist of tax revenue (including income, property, revenue in lieu of, and other local taxes) of \$17,892,745. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds from the State of Ohio, making up \$1,991,744. The graph below compares the City's general revenues (which includes property taxes, income taxes and unrestricted grants and entitlements) and program revenues for fiscal year 2011 and 2010.

**Governmental Activities – General and Program Revenues**



**CITY OF GAHANNA  
FRANKLIN COUNTY**

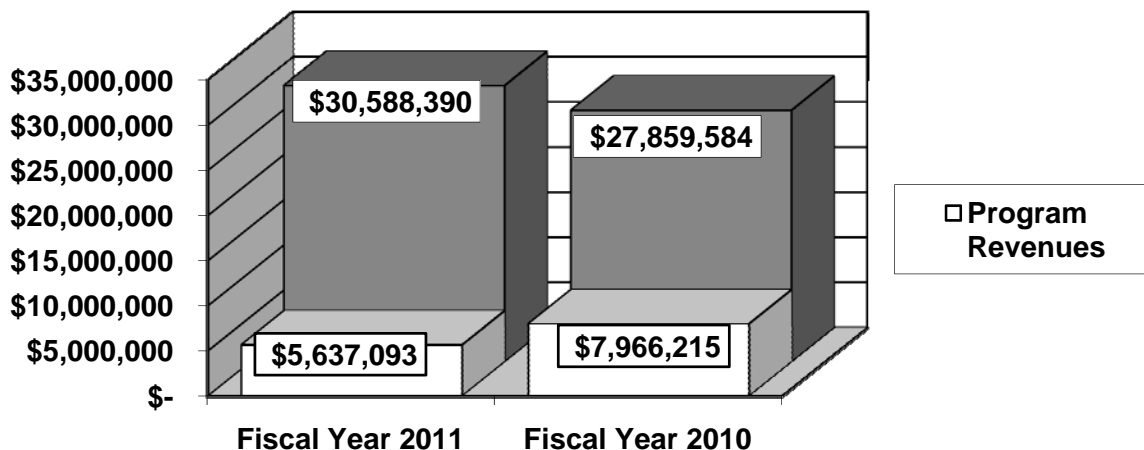
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

	<b>Governmental Activities</b>			
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program Expenses:				
General government	\$ 4,591,521	\$ 3,504,681	\$ 4,591,344	\$ 3,802,813
Security of persons and property	8,553,504	8,392,850	8,686,610	8,417,353
Public health and welfare	215,060	215,060	195,382	195,382
Transportation	5,610,420	2,688,542	3,571,469	303,600
Community environment	5,790,535	5,484,795	4,376,125	3,955,326
Leisure time activity	2,643,767	1,641,218	3,285,193	2,026,146
Utility services	474,867	315,435	2,253,385	292,673
Interest and fiscal charges	875,324	875,324	900,076	900,076
<b>Total</b>	<b><u>\$ 28,754,998</u></b>	<b><u>\$ 23,117,905</u></b>	<b><u>\$ 27,859,584</u></b>	<b><u>\$ 19,893,369</u></b>

The dependence upon general revenues for governmental activities is apparent, with 80.40% of expenses supported through taxes and other general revenues.

**Governmental Activities – Program Revenues vs. Total Expenses**

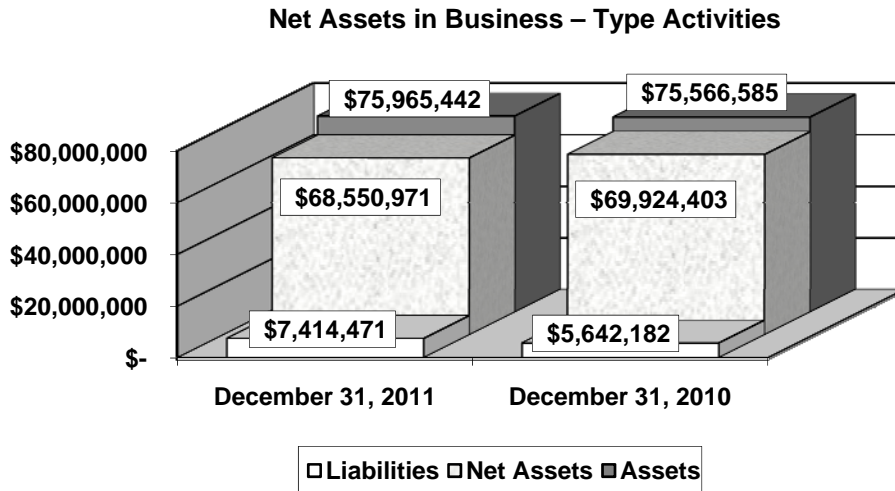


**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

**Business-type Activities**

Business-type activities include the water, sewer and storm water enterprise funds. These programs had program revenues of \$11,826,959, general revenues of \$158,581 and expenses of \$13,378,972 for 2011. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$31,693,458 which is \$466,208 less than last year's restated total of \$32,159,666. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and nonmajor governmental funds. The fund balances at December 31, 2010 have been restated as described in Note 3.B.

	Fund Balances 12/31/11	Restated Fund Balances 12/31/10	Increase (Decrease)
Major funds:			
General	\$ 21,512,554	\$ 19,892,069	\$ 1,620,485
Tax increment equivalent	2,703,345	4,180,572	(1,477,227)
Capital improvements	2,400,629	3,154,616	(753,987)
Other nonmajor governmental funds	5,076,930	4,932,409	144,521
<b>Total</b>	<b>\$ 31,693,458</b>	<b>\$ 32,159,666</b>	<b>\$ (466,208)</b>

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

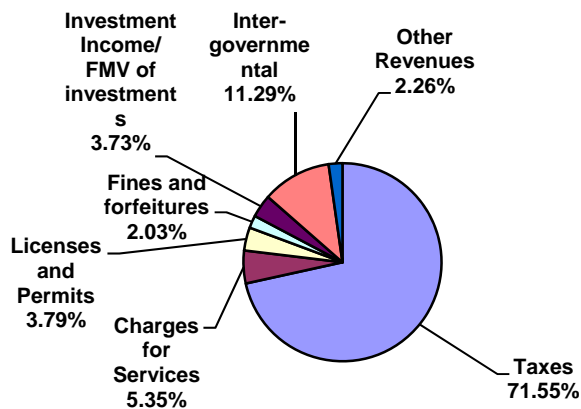
**General Fund**

The City's general fund balance increased \$1,620,485. The table that follows assists in illustrating the revenues of the general fund.

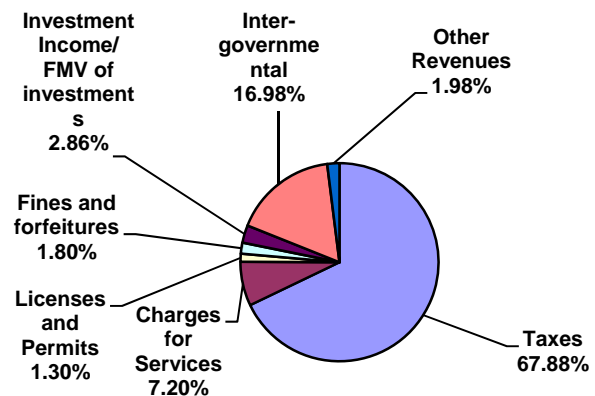
	2011 Amount	Restated 2010 Amount	Percentage Change
<b>Revenues</b>			
Taxes	\$ 16,362,107	\$ 16,354,913	0.04 %
Charges for services	1,223,967	1,735,490	(29.47) %
Licenses, permits and fees	867,537	313,701	176.55 %
Fines and forfeitures	464,152	433,818	6.99 %
Intergovernmental	2,581,859	4,091,337	(36.89) %
Investment income	674,841	715,372	(5.67) %
Increase (decrease) in fair value of investments	178,767	(27,004)	762.00 %
Other	515,790	477,616	7.99 %
<b>Total</b>	<b>\$ 22,869,020</b>	<b>\$ 24,095,243</b>	<b>(5.09) %</b>

Tax revenue represents 71.55% of all general fund revenue. The decrease in investment income is due to lower interest rates on the City's investment portfolio. The fair value of investments increased substantially in 2011 resulting from fluctuations in value of the investment securities. The City intends to hold investments to maturity. Intergovernmental revenues decreased 36.89% due to the City receiving less state and federal grant funding in 2011 versus 2010. In 2010, the City's general fund received a large grant from Clean Ohio which was not received in 2011. Other revenue, including rental income and contributions and donations, increased as the City experienced more of these revenue sources in 2011 versus 2010.

**Revenues – Fiscal Year 2011**



**Revenues – Fiscal Year 2010 (restated)**



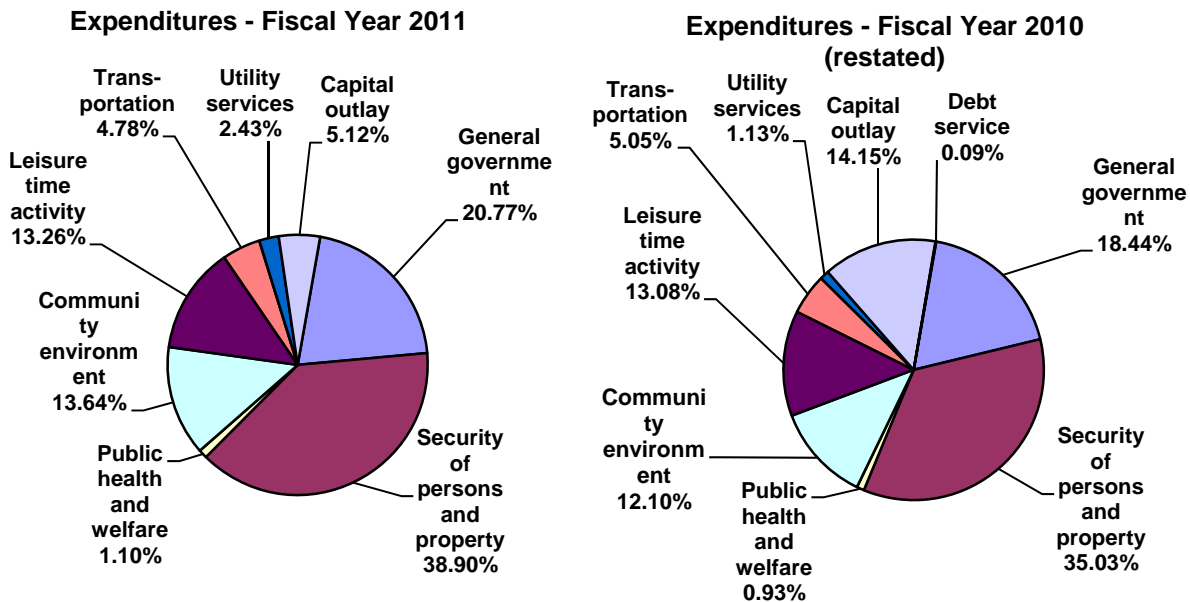
**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

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

<u>Expenditures</u>	2011 Amount	Restated 2010 Amount	Percentage Change
General government	\$ 4,066,412	\$ 3,892,153	4.48 %
Security of persons and property	7,618,308	7,393,910	3.03 %
Public health and welfare	215,060	195,382	10.07 %
Transportation	935,505	1,066,801	(12.31) %
Community environment	2,670,552	2,553,705	4.58 %
Leisure time activity	2,596,505	2,761,503	(5.97) %
Utility services	474,867	238,684	98.95 %
Capital outlay	1,002,470	2,987,082	(66.44) %
Debt service	-	18,667	(100.00) %
<b>Total</b>	<b>\$ 19,579,679</b>	<b>\$ 21,107,887</b>	<b>(7.24) %</b>

Utility services increased due to increasing utility costs. Capital outlay also decreased as the City completed a significant amount of construction projects that had been outstanding as of the prior fiscal year. Debt service payments decreased due to the City making the last payment on a lease obligation. The increase or decrease in all other expenditures was primarily due to normal and customary wage and benefit increases as well as ordinary maintenance and repairs.



**Tax Increment Equivalent Fund**

The tax increment equivalent fund had \$1,760,620 in revenues and other financing sources and \$3,237,847 in expenditures and other financing uses. The net decrease in fund balance for the tax increment equivalent fund was \$1,477,227 or 35.34%. The decrease in fund balance can primarily be attributed to transfers out in the amount of \$924,045 for debt service and capital improvement purposes.



**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

***Capital Improvement Fund***

The capital improvement fund had other financing sources of \$5,912,796 in 2011. Other financing sources increased significantly due to the issuance of a State Infrastructure Bank (SIB) Loan for the Tech Center Drive project. The expenditures of the capital improvement fund totaled \$6,666,783 in 2011. Expenditures in this fund increased due to expenditures related to the Tech Center Drive project. The net decrease in fund balance for the capital improvement fund was \$753,987 or 23.90%.

***Budgeting Highlights – General Fund***

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

In the general fund, actual revenues and other financing sources were \$791,767 higher than the final budget revenues and actual expenditures and other financing uses were \$5,188,132 less than the final budget expenditures and other financing uses. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$1,885,858 from the original budget to the final budget, primarily due to an increase in income tax revenue. Budgeted expenditures increased \$2,723,341 from the original budget to the final budget, primarily due to an increase in budgeted capital outlay expenditures and transfers out.

***Proprietary Funds***

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the City had \$142,064,701 (net of accumulated depreciation) invested in land, right of ways, easements, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress (CIP). Of this total, \$89,522,697 was reported in governmental activities and \$52,542,004 was reported in business-type activities.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

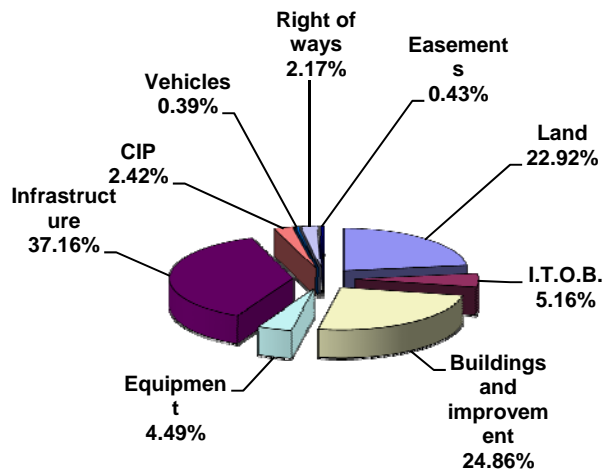
The following table shows fiscal 2011 balances compared to 2010:

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

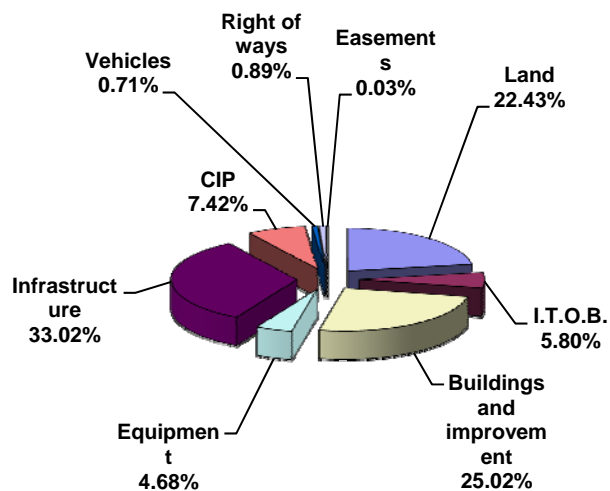
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 20,514,768	\$ 19,225,271	\$ 299,981	\$ 299,981	\$ 20,814,749	\$ 19,525,252
Right of ways	1,939,543	760,503	22,886	22,886	1,962,429	783,389
Easements	384,155	23,364	9,350	9,350	393,505	32,714
Buildings	22,254,111	21,444,912	639,730	546,994	22,893,841	21,991,906
I.O.T.B.	4,618,298	4,968,779	560,337	592,507	5,178,635	5,561,286
Machinery and equipment	4,017,985	4,015,793	1,538,190	1,637,334	5,556,175	5,653,127
Vehicles	353,486	612,166	269,163	354,422	622,649	966,588
Storm sewer lines	-	-	9,375,225	9,581,076	9,375,225	9,581,076
Water lines	-	-	23,480,680	23,215,424	23,480,680	23,215,424
Sewer lines	-	-	15,495,313	15,127,256	15,495,313	15,127,256
Infrastructure	33,269,992	28,304,178	-	-	33,269,992	28,304,178
Construction in progress	2,170,359	6,361,911	851,149	1,468,929	3,021,508	7,830,840
<b>Totals</b>	<b>\$ 89,522,697</b>	<b>\$ 85,716,877</b>	<b>\$ 52,542,004</b>	<b>\$ 52,856,159</b>	<b>\$ 142,064,701</b>	<b>\$ 138,573,036</b>

The following graphs show the breakdown of governmental capital assets by category for 2011 and 2010.

**Capital Assets - Governmental Activities 2011**



**Capital Assets - Governmental Activities 2010**

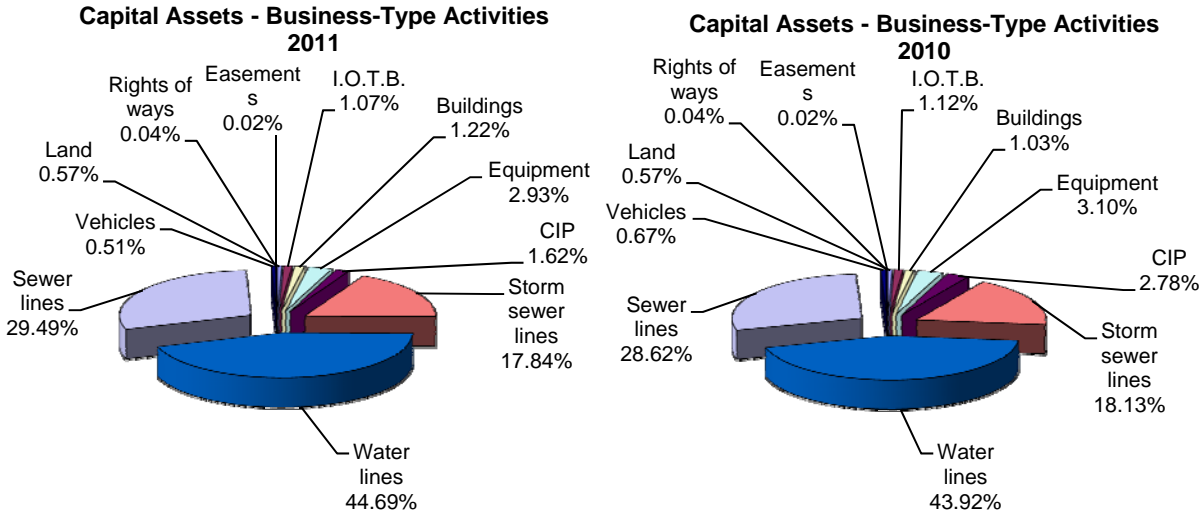


The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, street lighting and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 37.16% of the City's total governmental capital assets.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

The following graphs show the breakdown of business-type capital assets by category for 2011 and 2010.



The City's largest business-type capital asset category is infrastructure that primarily includes water, sewer and storm sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 92.02% of the City's total business-type capital assets.

See Note 9 for detail on the City's capital assets.

**Debt Administration**

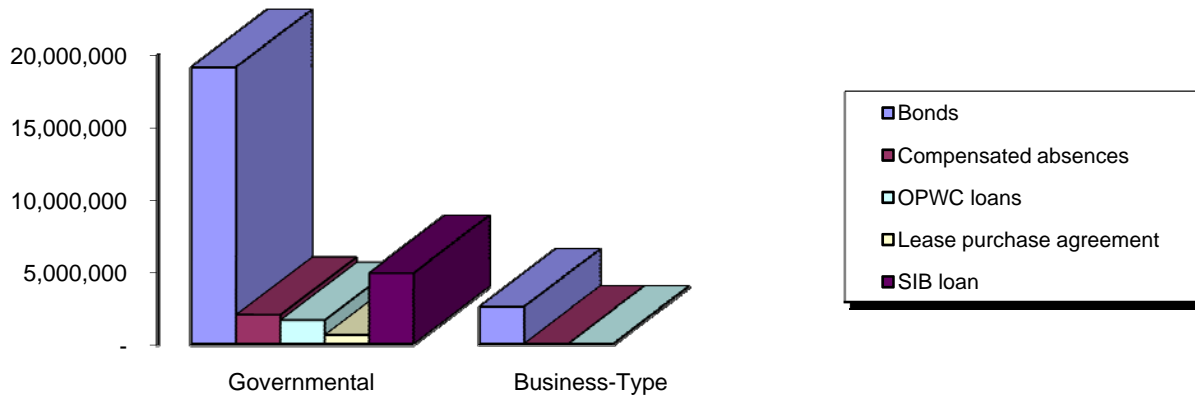
The City had the following long-term obligations outstanding at December 31, 2011 and 2010:

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Compensated absences	\$ 2,010,773	\$ 2,199,516
General obligation bonds	19,127,815	19,879,610
OPWC loans	1,647,610	1,658,458
Lease purchase agreement	625,714	-
SIB loan	<u>4,905,070</u>	<u>-</u>
Total long-term obligations	<u>\$ 28,316,982</u>	<u>\$ 23,737,584</u>
	Business-type Activities	
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 2,579,981	\$ 2,690,425
OPWC loans	24,277	35,798
Compensated absences	<u>38,174</u>	<u>37,172</u>
Total long-term obligations	<u>\$ 2,642,432</u>	<u>\$ 2,763,395</u>

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

A comparison of the long-term obligations by category is depicted in the chart below.



See Note 14 for detail on the City's long-term obligations.

**Economic Conditions and Outlook**

Like most municipal entities, the City of Gahanna's financial condition was impacted by the national economic downturn of the last few years. Rising general fund revenues in 2011, however, signaled the beginning of economic recovery in Gahanna. Inclusive of all sources, cash collections in the general fund exceeded the City's expectations by nearly 12% for the year, and revenues are expected to continue to grow in 2012 and beyond.

The City's primary source of revenue, the Income Tax, was a primary driver of the 2011 increase, with evidence of an increasing tax base over historical levels. Gahanna collects income taxes in three categories: business withholdings, individual/resident returns, and net profit returns. The bulk of these collections, 64%, are from business withholdings. This underscores the City's dependence on the financial success of local businesses. In both the withholding and individual/resident returns categories the tax base is continuing to grow in 2012, which supports the trend of growing income tax revenues in the foreseeable future.

While income tax collections were higher than previous year, reductions in some of the City's other primary revenue sources, the local government fund, and investment earnings, were influenced by State-level policy changes and continuing challenges in the national economy.

Local government fund collections in 2011 were lower than prior year collections. While growth in general tax revenues at the State level has led to stronger than expected collections for the State, policy changes to the local government funding formula have decreased the City's allocation. The City experienced a 25% reduction in its allocation beginning in the second half of 2011 and will face a 50% reduction beginning the second half of 2012. This reduction is having a significant impact on this source of revenue for the City and could ultimately, when fully implemented, result in an annual \$650,000 reduction in general fund revenue.

Furthermore, the City's investment earnings, which were once a significant source of revenue for the City, have dropped to nearly half of historical levels. With no expectation of interest rates increasing substantially in the near future, this will continue to remain and issue for the City.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

While revenues have been in flux due to the economic downturn, the City has maintained a very healthy fund balance in excess of its mandatory emergency reserve. Gahanna has a mandatory emergency reserve of 25% of planned General Fund revenue. Despite the economic conditions, the City has never had to tap into these funds. This percentage is recommended by the Governmental Finance Officers Association (GFOA) as well as bond rating agencies. The minimum amount required to be in reserve amounted to \$5,587,993 at December 31, 2011. The unassigned fund balance of the general fund at December 31, 2011 amounted to \$16,251,643 which exceeds the reserve requirement by a healthy margin. The Administration and Council are working together to effectively manage the City's resources and plan strategically for the future. As the City enters 2012 and beyond, maintaining a conservative fiscal approach will continue to be crucial for Gahanna in order for the City to provide excellent services to businesses and residents within available resources.

**Contacting the City's Financial Management**

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

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**CITY OF GAHANNA  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 30,196,665	\$ 20,433,243	\$ 50,629,908
Cash with fiscal agents. . . . .	289,775	-	289,775
Receivables:			
Income taxes. . . . .	2,714,838	-	2,714,838
Property taxes . . . . .	2,043,470	-	2,043,470
Other local taxes . . . . .	173,038	-	173,038
Revenue in lieu of taxes . . . . .	1,106,217	-	1,106,217
Accounts. . . . .	682,078	2,915,006	3,597,084
Accrued interest . . . . .	126,871	-	126,871
Capital leases . . . . .	55,487	-	55,487
Due from other governments. . . . .	2,893,829	-	2,893,829
Prepayments . . . . .	53,148	3,416	56,564
Materials and supplies inventory. . . . .	243,833	44,692	288,525
Deferred bond issue costs . . . . .	163,883	22,412	186,295
Internal balance . . . . .	(4,669)	4,669	-
Capital assets:			
Non-depreciable capital assets . . . . .	25,008,825	1,183,366	26,192,191
Depreciable capital assets, net. . . . .	64,513,872	51,358,638	115,872,510
Total capital assets, net . . . . .	<u>89,522,697</u>	<u>52,542,004</u>	<u>142,064,701</u>
<b>Total assets . . . . .</b>	<u>130,261,160</u>	<u>75,965,442</u>	<u>206,226,602</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	220,533	54,472	275,005
Contracts payable. . . . .	142,951	124,601	267,552
Accrued wages and benefits . . . . .	276,453	21,466	297,919
Due to other governments . . . . .	554,061	4,541,512	5,095,573
Compensatory time payable . . . . .	141,282	20,062	161,344
Accrued interest payable . . . . .	72,064	9,926	81,990
Unearned revenue . . . . .	3,090,543	-	3,090,543
Long-term liabilities:			
Due within one year . . . . .	1,678,297	163,001	1,841,298
Due in more than one year. . . . .	26,638,685	2,479,431	29,118,116
<b>Total liabilities . . . . .</b>	<u>32,814,869</u>	<u>7,414,471</u>	<u>40,229,340</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	68,285,441	49,960,158	118,245,599
Restricted for:			
Debt service . . . . .	1,143,617	-	1,143,617
Capital projects . . . . .	3,395,382	-	3,395,382
General government . . . . .	1,247,356	-	1,247,356
Security of persons and property . . . . .	1,094,874	-	1,094,874
Community environment . . . . .	2,712,985	-	2,712,985
Transportation . . . . .	1,619,013	-	1,619,013
Unrestricted . . . . .	<u>17,947,623</u>	<u>18,590,813</u>	<u>36,538,436</u>
<b>Total net assets . . . . .</b>	<u>\$ 97,446,291</u>	<u>\$ 68,550,971</u>	<u>\$ 165,997,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA  
FRANKLIN COUNTY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for	Operating Grants	Capital Grants	Governmental	Business-type	Total
		Services and Sales	and Contributions	and Contributions	Activities	Activities	
<b>Governmental activities:</b>							
General government. . . . .	\$ 4,591,521	\$ 1,062,848	\$ 23,992	\$ -	\$ (3,504,681)	\$ -	\$ (3,504,681)
Security of persons and property . . . . .	8,553,504	154,552	6,102	-	(8,392,850)	-	(8,392,850)
Public health and welfare . . . . .	215,060	-	-	-	(215,060)	-	(215,060)
Transportation. . . . .	5,610,420	46,786	1,696,052	1,179,040	(2,688,542)	-	(2,688,542)
Community environment . . . . .	5,790,535	304,844	896	-	(5,484,795)	-	(5,484,795)
Leisure time activity. . . . .	2,643,767	981,039	21,510	-	(1,641,218)	-	(1,641,218)
Utility services . . . . .	474,867	159,432	-	-	(315,435)	-	(315,435)
Interest and fiscal charges. . . . .	875,324	-	-	-	(875,324)	-	(875,324)
Total governmental activities . . . . .	<u>28,754,998</u>	<u>2,709,501</u>	<u>1,748,552</u>	<u>1,179,040</u>	<u>(23,117,905)</u>	<u>-</u>	<u>(23,117,905)</u>
<b>Business-type activities:</b>							
Water . . . . .	5,900,545	5,788,248	-	-	-	(112,297)	(112,297)
Sewer . . . . .	6,673,734	5,057,911	-	-	-	(1,615,823)	(1,615,823)
Storm water . . . . .	804,693	980,800	-	-	-	176,107	176,107
Total business-type activities . . . . .	<u>13,378,972</u>	<u>11,826,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,552,013)</u>	<u>(1,552,013)</u>
Total primary government . . . . .	<u>\$ 42,133,970</u>	<u>\$ 14,536,460</u>	<u>\$ 1,748,552</u>	<u>\$ 1,179,040</u>	<u>(23,117,905)</u>	<u>(1,552,013)</u>	<u>(24,669,918)</u>
<b>General revenues:</b>							
Income taxes levied for:							
General purposes. . . . .					14,415,698	-	14,415,698
Property taxes levied for:							
General purposes . . . . .					1,532,042	-	1,532,042
Debt service. . . . .					260,652	-	260,652
Police . . . . .					260,359	-	260,359
Revenue in lieu of taxes. . . . .					1,002,203	-	1,002,203
Other local taxes. . . . .					421,791	-	421,791
Grants and entitlements not restricted to specific programs . . . . .					1,991,744	-	1,991,744
Investment earnings . . . . .					653,169	28	653,197
Increase in fair market value of investments.					178,767	-	178,767
Miscellaneous. . . . .					539,491	158,553	698,044
Total general revenues. . . . .					<u>21,255,916</u>	<u>158,581</u>	<u>21,414,497</u>
Transfers . . . . .					(20,000)	20,000	-
Total general revenues and transfers . . . . .					<u>21,235,916</u>	<u>178,581</u>	<u>21,414,497</u>
Change in net assets . . . . .					(1,881,989)	(1,373,432)	(3,255,421)
<b>Net assets at beginning of year (restated) . . . . .</b>					<u>99,328,280</u>	<u>69,924,403</u>	<u>169,252,683</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 97,446,291</u>	<u>\$ 68,550,971</u>	<u>\$ 165,997,262</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF GAHANNA  
FRANKLIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>General</u>	<u>Tax Increment Equivalent</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 19,992,224	\$ 2,950,200	\$ 2,402,170	\$ 4,738,796	\$ 30,083,390
Cash with fiscal agents. . . . .	-	-	-	289,775	289,775
Receivables:					
Income taxes. . . . .	2,714,838	-	-	-	2,714,838
Property taxes . . . . .	1,540,747	-	-	502,723	2,043,470
Other local taxes . . . . .	173,038	-	-	-	173,038
Revenue in lieu of taxes . . . . .	-	1,106,217	-	-	1,106,217
Accounts. . . . .	680,013	-	-	2,065	682,078
Accrued interest . . . . .	126,871	-	-	-	126,871
Capital leases . . . . .	-	-	-	55,487	55,487
Due from other governments . . . . .	1,170,359	9,640	994,753	719,077	2,893,829
Prepayments . . . . .	50,813	-	-	2,335	53,148
Materials and supplies inventory. . . . .	243,833	-	-	-	243,833
Total assets . . . . .	<u>\$ 26,692,736</u>	<u>\$ 4,066,057</u>	<u>\$ 3,396,923</u>	<u>\$ 6,310,258</u>	<u>\$ 40,465,974</u>
<b>Liabilities:</b>					
Accounts payable. . . . .	\$ 218,449	\$ -	\$ -	\$ 2,084	\$ 220,533
Contracts payable. . . . .	128,550	-	1,541	12,860	142,951
Accrued wages and benefits payable . . . . .	249,594	-	-	26,859	276,453
Due to other governments . . . . .	219,500	246,855	-	29,365	495,720
Deferred revenue . . . . .	2,909,773	9,640	994,753	632,150	4,546,316
Unearned revenue . . . . .	1,454,316	1,106,217	-	530,010	3,090,543
Total liabilities . . . . .	<u>5,180,182</u>	<u>1,362,712</u>	<u>996,294</u>	<u>1,233,328</u>	<u>8,772,516</u>
<b>Fund balances:</b>					
Nonspendable . . . . .	324,995	-	-	2,335	327,330
Restricted. . . . .	-	2,703,345	2,400,629	4,618,434	9,722,408
Committed . . . . .	1,274,618	-	-	455,915	1,730,533
Assigned . . . . .	3,661,298	-	-	246	3,661,544
Unassigned . . . . .	16,251,643	-	-	-	16,251,643
Total fund balances. . . . .	<u>21,512,554</u>	<u>2,703,345</u>	<u>2,400,629</u>	<u>5,076,930</u>	<u>31,693,458</u>
Total liabilities and fund balances . . . . .	<u>\$ 26,692,736</u>	<u>\$ 4,066,057</u>	<u>\$ 3,396,923</u>	<u>\$ 6,310,258</u>	<u>\$ 40,465,974</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011**

**Total governmental fund balances** \$ 31,693,458

*Amounts reported for governmental activities on 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. 89,522,697

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

Income taxes receivable	\$ 1,742,854	
Property taxes receivable	114,631	
Other local taxes receivable	64,590	
Accounts receivable	172,497	
Accrued interest receivable	85,724	
Due from other governments	2,366,020	
Total		4,546,316

An internal service fund is used by management to charge the  
costs of workers compensation to individual funds. The assets  
and liabilities of the internal service fund are included in  
governmental activities on the statement of net assets. The net  
assets of the internal service fund including internal balance  
of (\$4,669) are: 50,265

On the statement of net assets, interest is accrued on outstanding bonds,  
whereas in governmental funds, interest is accrued when due. The  
amount of accrued interest payable at year-end was: (72,064)

Deferred bond issuance costs are not recognized in the  
governmental funds. 163,883

Unamortized premiums on bond issuances are not recognized  
in the governmental funds. (419,294)

Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported  
in the funds.

Compensated absences	(2,010,773)	
Compensatory time payable	(141,282)	
General obligation bonds	(18,708,521)	
Lease purchase agreement	(625,714)	
SIB loan	(4,905,070)	
OPWC loans	(1,647,610)	
Total		(28,038,970)

**Net assets of governmental activities** \$ 97,446,291

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA  
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Tax Increment Equivalent	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Income taxes . . . . .	\$ 14,405,894	\$ -	\$ -	\$ -	\$ 14,405,894
Property taxes . . . . .	1,534,422	-	-	521,843	2,056,265
Other local taxes . . . . .	421,791	-	-	-	421,791
Revenue in lieu of taxes . . . . .	-	1,002,203	-	-	1,002,203
Charges for services. . . . .	1,223,967	-	-	740	1,224,707
Licenses, permits and fee . . . . .	867,537	-	-	29,000	896,537
Fines and forfeitures . . . . .	464,152	-	-	70,233	534,385
Intergovernmental. . . . .	2,581,859	28,417	-	1,855,403	4,465,679
Investment income. . . . .	674,841	-	-	-	674,841
Rental income . . . . .	39,312	-	-	39,051	78,363
Contributions and donations. . . . .	26,510	-	-	-	26,510
Increase in fair value of investments . . . . .	178,767	-	-	-	178,767
Other . . . . .	449,968	-	-	-	449,968
<b>Total revenues . . . . .</b>	<b>22,869,020</b>	<b>1,030,620</b>	<b>-</b>	<b>2,516,270</b>	<b>26,415,910</b>
<b>Expenditures:</b>					
Current:					
General government . . . . .	4,066,412	-	-	19,578	4,085,990
Security of persons and property . . . . .	7,618,308	22,234	-	939,502	8,580,044
Public health and welfare. . . . .	215,060	-	-	-	215,060
Transportation . . . . .	935,505	-	4,905,070	1,068,195	6,908,770
Community environment . . . . .	2,670,552	1,457,282	-	-	4,127,834
Leisure time activity . . . . .	2,596,505	-	-	-	2,596,505
Utility services . . . . .	474,867	-	-	-	474,867
Capital outlay . . . . .	1,002,470	730,000	1,761,713	307,673	3,801,856
Debt service:					
Principal retirement. . . . .	-	104,286	-	875,214	979,500
Interest and fiscal charges . . . . .	-	-	-	892,242	892,242
<b>Total expenditures . . . . .</b>	<b>19,579,679</b>	<b>2,313,802</b>	<b>6,666,783</b>	<b>4,102,404</b>	<b>32,662,668</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	3,289,341	(1,283,182)	(6,666,783)	(1,586,134)	(6,246,758)
<b>Other financing sources (uses):</b>					
Sale of capital assets. . . . .	22,302	-	-	6,497	28,799
Transfers in . . . . .	-	-	871,045	2,205,091	3,076,136
Transfers (out). . . . .	(1,691,158)	(924,045)	-	(480,933)	(3,096,136)
Issuance of OPWC loans . . . . .	-	-	136,681	-	136,681
Issuance of SIB loans . . . . .	-	-	4,905,070	-	4,905,070
Lease purchase transaction . . . . .	-	730,000	-	-	730,000
<b>Total other financing sources (uses) . . . . .</b>	<b>(1,668,856)</b>	<b>(194,045)</b>	<b>5,912,796</b>	<b>1,730,655</b>	<b>5,780,550</b>
Net change in fund balances . . . . .	1,620,485	(1,477,227)	(753,987)	144,521	(466,208)
<b>Fund balances at beginning of year (restated)</b>	<b>19,892,069</b>	<b>4,180,572</b>	<b>3,154,616</b>	<b>4,932,409</b>	<b>32,159,666</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 21,512,554</b>	<b>\$ 2,703,345</b>	<b>\$ 2,400,629</b>	<b>\$ 5,076,930</b>	<b>\$ 31,693,458</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA  
FRANKLIN COUNTY

**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, 2011**

<b>Net change in fund balances - total governmental funds</b>		\$ (466,208)
<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. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 6,199,146	
Current year depreciation	<u>(3,572,366)</u>	
Total		2,626,780
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net assets. The City received \$1,179,040 in capital contributions.		
		1,179,040
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	9,804	
Property taxes	(3,212)	
Other local taxes	(24,489)	
Intergovernmental	(751,893)	
Investment income	(21,672)	
Other	<u>89,521</u>	
Total		(701,941)
Proceeds of OPWC loans, lease purchase agreements and SIB loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(5,771,751)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. The following principal payments were made during the year:		
Bonds	727,685	
Lease purchase agreement	104,286	
OPWC loans	<u>147,529</u>	
Total		979,500
In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in decreased interest being reported on the statement of activities:		
Decrease in accrued interest payable	2,322	
Amortization of bond issuance costs	(9,514)	
Amortization of bond premiums	<u>24,110</u>	
Total		16,918
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consisted of:		
Decrease in compensated absences payable	188,743	
Decrease in compensatory time payable	<u>16,665</u>	
Total		205,408
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>50,265</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ (1,881,989)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
Income taxes . . . . .	\$ 13,637,096	\$ 14,784,224	\$ 15,265,839	\$ 481,615
Property taxes . . . . .	1,370,711	1,486,013	1,534,422	48,409
Other local taxes . . . . .	374,150	405,622	418,836	13,214
Charges for services. . . . .	1,088,817	1,180,407	1,218,860	38,453
Licenses, permits and fees. . . . .	743,318	805,845	832,096	26,251
Fines and forfeitures . . . . .	413,924	448,743	463,361	14,618
Intergovernmental. . . . .	2,222,632	2,409,596	2,488,092	78,496
Investment income. . . . .	597,897	648,191	669,307	21,116
Rental income . . . . .	35,118	38,072	39,312	1,240
Contributions and donations. . . . .	23,682	25,674	26,510	836
Other . . . . .	395,253	428,501	442,460	13,959
Total revenues . . . . .	<u>20,902,598</u>	<u>22,660,888</u>	<u>23,399,095</u>	<u>738,207</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	5,393,419	5,744,533	4,801,978	942,555
Security of persons and property . . . . .	8,205,902	8,295,598	7,885,386	410,212
Public health and welfare. . . . .	226,954	226,954	215,060	11,894
Transportation . . . . .	1,393,624	1,392,835	1,068,597	324,238
Community environment . . . . .	4,695,571	4,935,615	3,136,248	1,799,367
Leisure time activity . . . . .	2,949,411	3,081,561	2,770,219	311,342
Utility services . . . . .	870,281	848,825	704,734	144,091
Capital outlay . . . . .	3,256,371	4,147,205	3,017,513	1,129,692
Total expenditures . . . . .	<u>26,991,533</u>	<u>28,673,126</u>	<u>23,599,735</u>	<u>5,073,391</u>
Excess of expenditures over revenues . . . . .	<u>(6,088,935)</u>	<u>(6,012,238)</u>	<u>(200,640)</u>	<u>5,811,598</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	19,923	21,598	22,302	704
Transfers in . . . . .	1,496,621	1,622,514	1,675,370	52,856
Transfers (out). . . . .	<u>(1,635,196)</u>	<u>(2,676,944)</u>	<u>(2,562,203)</u>	<u>114,741</u>
Total other financing sources (uses) . . . . .	<u>(118,652)</u>	<u>(1,032,832)</u>	<u>(864,531)</u>	<u>168,301</u>
Net change in fund balances . . . . .	(6,207,587)	(7,045,070)	(1,065,171)	5,979,899
<b>Fund balances at beginning of year (restated)</b>	10,711,971	10,711,971	10,711,971	-
<b>Prior year encumbrances appropriated . . . .</b>	5,621,740	5,621,740	5,621,740	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 10,126,124</u>	<u>\$ 9,288,641</u>	<u>\$ 15,268,540</u>	<u>\$ 5,979,899</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TAX INCREMENT EQUIVALENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Revenue in lieu of taxes . . . . .	\$ 524,138	\$ 1,002,203	\$ 1,002,203	\$ -
Intergovernmental. . . . .	14,862	28,417	28,417	-
Total revenues . . . . .	<u>539,000</u>	<u>1,030,620</u>	<u>1,030,620</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	-	30,285	28,593	1,692
Community environment . . . . .	1,021,461	1,849,048	1,689,339	159,709
Total expenditures . . . . .	<u>1,021,461</u>	<u>1,879,333</u>	<u>1,717,932</u>	<u>161,401</u>
Excess of expenditures over revenues . . . . .	<u>(482,461)</u>	<u>(848,713)</u>	<u>(687,312)</u>	<u>161,401</u>
<b>Other financing uses:</b>				
Transfers (out). . . . .	<u>(155,000)</u>	<u>(1,230,045)</u>	<u>(924,045)</u>	<u>306,000</u>
Total other financing uses . . . . .	<u>(155,000)</u>	<u>(1,230,045)</u>	<u>(924,045)</u>	<u>306,000</u>
Net change in fund balances . . . . .	(637,461)	(2,078,758)	(1,611,357)	467,401
Fund balances at beginning of year . . . . .	4,034,507	4,034,507	4,034,507	-
Prior year encumbrances appropriated . . . . .	167,068	167,068	167,068	-
Fund balance at end of year . . . . .	<u>\$ 3,564,114</u>	<u>\$ 2,122,817</u>	<u>\$ 2,590,218</u>	<u>\$ 467,401</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA  
FRANKLIN COUNTY

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Storm Water	Total	
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and investments . . . . .	\$ 5,478,890	\$ 12,995,721	\$ 1,958,632	\$ 20,433,243	\$ 113,275
Receivables:					
Accounts . . . . .	1,379,517	1,299,671	235,818	2,915,006	-
Prepayments . . . . .	1,341	1,087	988	3,416	-
Materials and supplies inventory . . . . .	22,346	22,346	-	44,692	-
<b>Total current assets . . . . .</b>	<b>6,882,094</b>	<b>14,318,825</b>	<b>2,195,438</b>	<b>23,396,357</b>	<b>113,275</b>
Noncurrent assets:					
Deferred bond issue costs . . . . .	2,905	2,905	16,602	22,412	-
Capital assets:					
Non-depreciable capital assets . . . . .	71,313	473,618	638,435	1,183,366	-
Depreciable capital assets, net . . . . .	25,128,436	16,145,495	10,084,707	51,358,638	-
<b>Total capital assets, net . . . . .</b>	<b>25,199,749</b>	<b>16,619,113</b>	<b>10,723,142</b>	<b>52,542,004</b>	<b>-</b>
<b>Total noncurrent assets . . . . .</b>	<b>25,202,654</b>	<b>16,622,018</b>	<b>10,739,744</b>	<b>52,564,416</b>	<b>-</b>
<b>Total assets . . . . .</b>	<b>32,084,748</b>	<b>30,940,843</b>	<b>12,935,182</b>	<b>75,960,773</b>	<b>113,275</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable . . . . .	26,225	25,411	2,836	54,472	-
Contracts payable . . . . .	10,772	39,500	74,329	124,601	-
Accrued wages and benefits . . . . .	8,238	8,248	4,980	21,466	-
Due to other governments . . . . .	2,001,153	2,539,662	697	4,541,512	58,341
Compensatory time payable . . . . .	8,225	8,404	3,433	20,062	-
Accrued interest payable . . . . .	1,165	1,165	7,596	9,926	-
Current portion of compensated absences . . . . .	14,632	14,712	8,830	38,174	-
Current portion of general obligation bonds payable . . . . .	12,802	12,802	87,295	112,899	-
Current portion of OPWC loans payable . . . . .	-	11,928	-	11,928	-
<b>Total current liabilities . . . . .</b>	<b>2,083,212</b>	<b>2,661,832</b>	<b>189,996</b>	<b>4,935,040</b>	<b>58,341</b>
Long-term liabilities:					
General obligation bonds payable . . . . .	290,479	290,479	1,886,124	2,467,082	-
OPWC loans payable . . . . .	-	12,349	-	12,349	-
<b>Total long-term liabilities . . . . .</b>	<b>290,479</b>	<b>302,828</b>	<b>1,886,124</b>	<b>2,479,431</b>	<b>-</b>
<b>Total liabilities . . . . .</b>	<b>2,373,691</b>	<b>2,964,660</b>	<b>2,076,120</b>	<b>7,414,471</b>	<b>58,341</b>
<b>Net assets:</b>					
Invested in capital assets, net of related debt . . . . .	24,899,373	16,294,460	8,766,325	49,960,158	-
Unrestricted . . . . .	4,811,684	11,681,723	2,092,737	18,586,144	54,934
<b>Total net assets . . . . .</b>	<b>\$ 29,711,057</b>	<b>\$ 27,976,183</b>	<b>\$ 10,859,062</b>	<b>68,546,302</b>	<b>\$ 54,934</b>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				4,669	
<b>Net assets of business-type activities</b>				<b>\$ 68,550,971</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA  
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>	
<b>Operating revenues:</b>					
Charges for services . . . . .	\$ 5,788,248	\$ 5,057,911	\$ 980,800	\$ 11,826,959	\$ 141,318
Other . . . . .	92,204	57,272	9,077	158,553	-
Total operating revenues. . . . .	<u>5,880,452</u>	<u>5,115,183</u>	<u>989,877</u>	<u>11,985,512</u>	<u>141,318</u>
<b>Operating expenses:</b>					
Personal services . . . . .	480,183	480,727	263,169	1,224,079	-
Contract services. . . . .	4,250,153	5,551,625	87,558	9,889,336	82,155
Materials and supplies. . . . .	253,723	5,865	1,892	261,480	-
Claims expense . . . . .	-	-	-	-	4,229
Depreciation. . . . .	754,660	493,790	254,087	1,502,537	-
Other . . . . .	149,219	128,544	105,951	383,714	-
Total operating expenses. . . . .	<u>5,887,938</u>	<u>6,660,551</u>	<u>712,657</u>	<u>13,261,146</u>	<u>86,384</u>
Operating income (loss) . . . . .	<u>(7,486)</u>	<u>(1,545,368)</u>	<u>277,220</u>	<u>(1,275,634)</u>	<u>54,934</u>
<b>Nonoperating revenues (expenses):</b>					
Interest and fiscal charges . . . . .	(14,458)	(15,034)	(93,003)	(122,495)	-
Investment earnings . . . . .	-	28	-	28	-
Total nonoperating revenues (expenses) . . . . .	<u>(14,458)</u>	<u>(15,006)</u>	<u>(93,003)</u>	<u>(122,467)</u>	<u>-</u>
Income (loss) before transfers . . . . .	(21,944)	(1,560,374)	184,217	(1,398,101)	54,934
Transfer in . . . . .	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Change in net assets . . . . .	(21,944)	(1,560,374)	204,217	(1,378,101)	54,934
<b>Net assets at beginning of year. . . . .</b>	<u>29,733,001</u>	<u>29,536,557</u>	<u>10,654,845</u>		<u>-</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 29,711,057</u>	<u>\$ 27,976,183</u>	<u>\$ 10,859,062</u>		<u>\$ 54,934</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				<u>4,669</u>	
Change in net assets of business-type activities.				<u>\$ (1,373,432)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



CITY OF GAHANNA  
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Storm Water	Total	Activities - Internal Service Fund
<b>Cash flows from operating activities:</b>					
Cash received from charges for services . . . . .	\$ 5,747,682	\$ 5,111,782	\$ 972,154	\$ 11,831,618	\$ 141,318
Cash received from other operations . . . . .	92,204	57,272	9,077	158,553	-
Cash payments for personal services . . . . .	(486,336)	(486,670)	(264,675)	(1,237,681)	-
Cash payments for contractual services . . . . .	(3,200,937)	(4,224,224)	(88,273)	(7,513,434)	(23,814)
Cash payments for materials and supplies . . . . .	(271,332)	(20,231)	(1,865)	(293,428)	-
Cash payments for claims . . . . .	-	-	-	-	(4,229)
Cash payments for other expenses . . . . .	(145,893)	(125,432)	(102,169)	(373,494)	-
Net cash provided by operating activities . . . . .	<u>1,735,388</u>	<u>312,497</u>	<u>524,249</u>	<u>2,572,134</u>	<u>113,275</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash received from transfers in . . . . .	-	-	20,000	20,000	-
Net cash provided by noncapital financing activities . . . . .	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>					
Cash payments for the acquisition of capital assets . . . . .	(415,819)	(852,139)	(395,969)	(1,663,927)	-
Principal payments on OPWC loan . . . . .	-	(11,521)	-	(11,521)	-
Interest payments on OPWC loan . . . . .	-	(1,153)	-	(1,153)	-
Principal payments on bonds . . . . .	(12,802)	(12,802)	(81,711)	(107,315)	-
Interest payments on bonds . . . . .	(14,718)	(14,718)	(94,535)	(123,971)	-
Net cash used in capital and related financing activities . . . . .	<u>(443,339)</u>	<u>(892,333)</u>	<u>(572,215)</u>	<u>(1,907,887)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Interest received . . . . .	-	28	-	28	-
Net cash provided by investing activities . . . . .	<u>-</u>	<u>28</u>	<u>-</u>	<u>28</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	1,292,049	(579,808)	(27,966)	684,275	113,275
Cash and cash equivalents at beginning of year . . . . .	4,186,841	13,575,529	1,986,598	19,748,968	-
Cash and cash equivalents at end of year . . . . .	<u>\$ 5,478,890</u>	<u>\$ 12,995,721</u>	<u>\$ 1,958,632</u>	<u>\$ 20,433,243</u>	<u>\$ 113,275</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss) . . . . .	\$ (7,486)	\$ (1,545,368)	\$ 277,220	\$ (1,275,634)	\$ 54,934
Adjustments:					
Depreciation . . . . .	754,660	493,790	254,087	1,502,537	-
Changes in assets and liabilities:					
(Increase) in materials and supplies inventory . . . . .	(14,973)	(14,973)	-	(29,946)	-
Decrease (increase) in accounts receivable . . . . .	(40,566)	53,871	(8,646)	4,659	-
Decrease (increase) in prepayments . . . . .	285	192	(707)	(230)	-
Increase (decrease) in accounts payable . . . . .	(894,373)	(1,159,097)	1,600	(2,051,870)	-
(Decrease) in contracts payable . . . . .	110,090	(45,454)	3,445	68,081	-
Increase in accrued wages and benefits . . . . .	2,914	2,921	2,234	8,069	-
Increase (decrease) in due to other governments . . . . .	1,823,614	2,525,133	(6,545)	4,342,202	58,341
Increase in compensated absences payable . . . . .	68	148	786	1,002	-
Increase in compensatory time payable . . . . .	1,155	1,334	775	3,264	-
Net cash provided by operating activities . . . . .	<u>\$ 1,735,388</u>	<u>\$ 312,497</u>	<u>\$ 524,249</u>	<u>\$ 2,572,134</u>	<u>\$ 113,275</u>

**Non-cash transactions:**

At December 31, 2011 and 2010, the Water fund purchased \$15,958 and \$167,294, respectively, in capital assets on account.  
At December 31, 2011 and 2010, the Sewer fund purchased \$48,451 and \$442,270, respectively, in capital assets on account.  
At December 31, 2011, the Storm Water fund purchased \$69,610 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011**

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 944,383
Cash in segregated accounts. . . . .	20,968
	965,351
Total assets . . . . .	\$ 965,351
<b>Liabilities:</b>	
Contracts payable . . . . .	\$ 159,991
Due to other governments . . . . .	63,842
Undistributed assets . . . . .	20,968
Deposits held and due to others . . . . .	720,550
	965,351
Total liabilities. . . . .	\$ 965,351

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

**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 form of government, was adopted by the electorate June 27, 1961, and was completely renumbered by the Clerk of Council in January, 1992. The City Charter was most recently amended as part of the charter review process during 2011.

**Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. 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 from the City of Columbus. 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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the City and the organization is such that exclusion by the City would render the City’s financial statements incomplete or misleading. Based upon these criteria, the City has no component units.

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

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, January 1, 2007 and again on January 1, 2010. 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, treasurer 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 18.

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

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The financial statements of the City 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) guidance 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 guidance 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.

*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. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds utilized by the City: governmental, proprietary and fiduciary.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**B. Fund Accounting** *(continued)*

*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 – The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Tax increment equivalent fund – This fund accounts for annual service payments in lieu of taxes distributed to the City by the County Treasurer that are restricted for infrastructure in the City.

Capital improvement fund – This fund accounts for resources and expenditures that are restricted for acquiring, purchasing, improving and/or constructing permanent improvements within the City. These projects are financed from local sources.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets; (b) specific revenue sources that are restricted or committed to an expenditure for specific purposes other than debt service or capital projects; and (c) financial resources that are assigned to expenditures for principal and interest.

*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 and an internal service fund.

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.

Internal Service Fund – The internal service fund is used to account for the financing of goods or services provided by one department or agency or other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The only internal service fund of the City accounts for a self-insurance program for workers' compensation.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**B. Fund Accounting** *(continued)*

*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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has six agency funds which are used to account for money held for other governments, compliance with building codes, the distribution of mayor's court fines, a senior escrow account, veteran's memorial and a refuse escrow account.

**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.

*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.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**D. Basis of Accounting** *(continued)*

*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.

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: weed assessments, court fines, income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

*Unearned and Deferred Revenues*

Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes and revenue in lieu of taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue in the governmental funds. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue in the governmental funds as well as receivables that will not be collected within the available period.

*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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**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 appropriation 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 appropriation 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, function and object level for all funds.

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 appropriation 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 appropriation 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. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and investments" 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 with fiscal agent". 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 assets and liabilities – agency funds as "cash in segregated accounts".

During the year, investments were limited to government and government sponsored entity bonds such as Federal Farm Credit Bank (FFCB) bonds, Federal Home Loan Bank (FHLB) bonds and Federal Home Loan Mortgage Credit (FHLMC) bonds. The City also invested in mortgage and asset backed securities such as Federal National Mortgage Association (FNMA) bonds, Federal Home Loan Mortgage Credit (FHLMC) bonds and Government National Mortgage Association (GNMA) bonds as well as U.S. government money market mutual funds, negotiable certificates of deposit, and STAR Ohio. All investments are reported at fair value which is based on quoted market prices. Mutual funds are reported at fair value which is determined by the mutual fund's current shares price.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2011.



**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**F. Cash And Cash Equivalents** *(continued)*

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2011 amounted to \$674,841, which includes \$444,031 assigned from other funds.

For purposes of the statement of cash flows, investments with an original maturity of three months or less are considered to be cash equivalents. In addition, all cash and investments of the cash management pool are considered to be cash equivalents because they are sufficiently liquid to permit withdrawal by the proprietary funds on demand. Investments with maturities greater than three months that are not part of the cash management pool are not considered to be cash equivalents.

**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. On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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 is reported in the year in which services are consumed. At year end, because payments are not available to finance future governmental fund expenditures, a nonspendable fund balance is recorded by an amount equal to the carrying value of the asset on the fund financial statements.

**I. 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.

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 reported capital assets, except for land, right of ways, easements 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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**I. Capital Assets** *(continued)*

Descriptions	Estimated Life
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment:	
Machinery and equipment	3-30 years
Furniture and fixtures	20 years
Computers	5 years
Vehicles	3-8 years
Infrastructure:	
Bridges and culverts	50 years
Sidewalks	20 years
Streets and curbs	20-30 years
Street lighting	15 years
Traffic control lighting	10 years
Alleys, fiber optics, etc.	20-65 years
Storm sewer lines	65 years
Sewer and water lines	65 years
Miscellaneous water and sewer infrastructure	25-65 years

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

**J. Compensated Absences**

Vacation benefits and compensatory time 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 time and compensatory time when earned for all employees after one year of service.

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 accumulated by employees at the applicable overtime rate for each hour of overtime worked. The City will record the liability "compensatory time payable" for the balance carried over at year end. Current policy allows accumulation of compensatory time to levels in the negotiated agreements.

**K. 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.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**K. Accrued Liabilities And Long-Term Obligations** *(continued)*

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, loans and capital leases are recognized as liabilities on the governmental fund financial statements when due.

**L. Unamortized Bond Premiums And Bond Issuance Costs**

Premiums and issuance costs for government-wide statements and enterprise fund statements 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. Bond premiums are presented as an increase to the face amount of the bonds payable whereas deferred bond issuance costs are recorded as an asset.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**M. Fund Balance** *(continued)*

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. Budget Stabilization/General Fund Balance Reserve**

The general fund is required to maintain a fund balance reserve of 25% of planned general fund revenues for the subsequent year as passed by motion resolution of City Council. Any additions to the reserve or conditions under which the reserve amount may be spent would require formal action from City Council. As of December 31, 2011, the amount of the reserve was \$5,587,993. This amount is included in the unassigned fund balance of the general fund.

**O. Internal Activity**

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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.

**P. Interfund Loans Receivables/Payables**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund loans receivable" and "interfund loans payable." 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." The City had no interfund balances at December 31, 2011.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for improving the living environment of the City and for monies accumulated in the County permissive tax fund.

The City applies restricted resources first 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 \$11,213,227 of restricted net assets, none of which is restricted by enabling legislation.

**R. 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.

**S. Contributions of Capital**

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The City's governmental activities received \$1,179,040 in capital contributions during the year.

**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 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE** *(continued)*

**A. Change in Accounting Principles** *(continued)*

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. The City has reclassified the senior escrow fund, the veteran’s memorial fund and refuse escrow fund from part of the general fund to agency funds to properly report the intended purposes of these funds. These fund reclassifications had the following effect on the City’s governmental fund balances as previously reported:

	<u>General</u>	<u>Tax Incremental Equivalent</u>	<u>Capital Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$20,255,174	\$ 4,180,572	\$ 3,154,616	\$ 4,937,142	\$ 32,527,504
Fund reclassifications:					
Law enforcement trust fund	4,733	-	-	(4,733)	-
Senior escrow fund	(5,907)	-	-	-	(5,907)
Veteran's memorial fund	(9,492)	-	-	-	(9,492)
Refuse escrow fund	(352,439)	-	-	-	(352,439)
Total fund reclassifications	<u>(363,105)</u>	<u>-</u>	<u>-</u>	<u>(4,733)</u>	<u>(367,838)</u>
Restated fund balance at January 1, 2011	<u>\$19,892,069</u>	<u>\$ 4,180,572</u>	<u>\$ 3,154,616</u>	<u>\$ 4,932,409</u>	<u>\$ 32,159,666</u>

The senior escrow fund, veteran’s memorial fund and refuse escrow fund reclassifications had the following effect on net assets at December 31, 2011:

	<u>Governmental Activities</u>
Net assets at December 31, 2010	\$ 99,696,118
Reclassification of senior escrow fund	(5,907)
Reclassification of veteran's memorial fund	(9,492)
Reclassification of refuse escrow fund	<u>(352,439)</u>
Restated net assets at January 1, 2011	<u>\$ 99,328,280</u>

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE** *(continued)*

**C. Budgetary Prior Period Adjustment** *(continued)*

The restatement of the general fund's budgetary-basis fund balance at December 31, 2011 is as follows:

<b>Budgetary Basis</b>	<u>General Fund</u>
Balance at December 31, 2010	\$ 13,076,599
Funds budgeted elsewhere	<u>(2,364,628)</u>
Restated balance at January 1, 2011	<u>\$ 10,711,971</u>

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and tax increment equivalent fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**Net Change in Fund Balance**

	General	Tax Incremental Equivalent	
Budget basis	\$(1,065,171)	\$ (1,611,357)	
Net adjustment for revenue accruals	(535,614)	-	
Net adjustment for expenditure accruals	955,877	(955,852)	
Net adjustment for other sources/uses	(804,325)	730,000	
Funds budgeted elsewhere	(336,343)	-	
Adjustment for encumbrances	3,406,061	359,982	
GAAP basis	\$ 1,620,485	\$ (1,477,227)	

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the law enforcement trust fund, the police duty weapon fund, the vending machine fund, reserve for sick/vacation fund and unclaimed monies fund.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits in 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 or 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;



**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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 items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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. In accordance with Ohio Revised Code, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. The City's investment policy limits security purchases to those that mature within five years of the settlement date. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Director of Finance or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash with Fiscal Agent:* At year end, the City had \$289,775 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2011. This amount is not included in the City's depository balance below.

*Cash in Segregated Accounts:* At year end, the City had \$20,968 deposited with a financial institution for monies related to the Mayor's Court agency fund. This amount is included in the City's depository balance below.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**Deposits with Financial Institutions**

At December 31, 2011, the carrying amount of all City deposits was \$(436,963). A liability was not recorded for the negative amount of deposits because there was no actual overdraft due to the “zero balance” nature of the City’s bank accounts. The bank balance of all City deposits was \$419,685. All of the bank balance was covered by the Federal Deposit Insurance Corporation.

**Investments**

As of December 31, 2011, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities			
		1 Year or Less	1 to 2 Years	2 to 3 Years	Greater Than 3 Years
<b>Government &amp; government sponsored entity bonds:</b>					
FFCB	\$ 751,162	\$ -	\$ 250,272	\$ -	\$ 500,890
FHLB	7,229,828	-	1,213,988	507,800	5,508,040
FHLMC	2,758,158	-	-	-	2,758,158
FNMA	16,033,374	-	506,500	2,061,193	13,465,681
<b>Mortgage and asset backed securities:</b>					
FNMA - GTD REMIC 1989-2027	7,618	-	-	-	7,618
FNMA - GTD REMIC 2003-28 CL-KW	143,452	-	-	-	143,452
FHLMC Series 2949	465,607	-	-	-	465,607
FHLMC Series 2590	126,740	-	-	-	126,740
FNMA	21,005	-	-	-	21,005
FHLMC Gold Series 2717	298,003	-	-	-	298,003
FNMA - GTD REMIC 2003-33	45,395	-	-	-	45,395
GNMA REMIC 2004-093 Class 93-PB	440,321	-	-	-	440,321
FHLMC Gold 2576	43,466	-	-	-	43,466
FNMA TR 2004-W10 CI A24	33,218	-	-	-	33,218
GNMA	390,656	-	-	-	390,656
FNMA	258,048	-	-	-	258,048
FNMA GNMA - Series 2008 Class AB	353,641	-	-	-	353,641
<b>Other investments:</b>					
Negotiable CD's	16,943,058	7,147,850	6,539,673	2,486,304	769,231
U.S. Government money market mutual fund	1,453,890	1,453,890	-	-	-
STAR Ohio	<u>4,235,582</u>	<u>4,235,582</u>	-	-	-
<b>Total</b>	<b>\$ <u>52,032,222</u></b>	<b>\$ <u>12,837,322</u></b>	<b>\$ <u>8,510,433</u></b>	<b>\$ <u>5,055,297</u></b>	<b>\$ <u>25,629,170</u></b>

The weighted average length to maturity of the investments is 3.53 years.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

*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 City's investments in government and government sponsored entity bonds carry a rating of Aaa by Moody's and AA+ by Standard and Poor's. The mortgage and asset backed securities carry a rating of AA+ by Standard and Poor's. STAROhio and the U.S. government money market mutual funds carry a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government and government sponsored entity bonds and mortgage and asset backed securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

*Concentration of Credit Risk:* The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The following table includes the percentage of each investment type held by the City at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
<b>Government &amp; government sponsored entity bonds:</b>		
FFCB	\$ 751,162	1.44
FHLB	7,229,828	13.89
FHLMC	2,758,158	5.30
FNMA	16,033,374	30.82
<b>Mortgage and asset backed securities:</b>		
FNMA - GTD REMIC 1989-2027	7,618	0.01
FNMA - GTD REMIC 2003-28 CL-KW	143,452	0.28
FHLMC Series 2949	465,607	0.89
FHLMC Series 2590	126,740	0.24
FNMA	21,005	0.04
FHLMC Gold Series 2717	298,003	0.57
FNMA - GTD REMIC 2003-33	45,395	0.09
GNMA REMIC 2004-093 Class 93-PB	440,321	0.85
FHLMC Gold 2576	43,466	0.08
FNMA TR 2004-W10 CI A24	33,218	0.06
GNMA	390,656	0.75
FNMA	258,048	0.50
FNMA GNMA - Series 2008 Class AB	353,641	0.68
<b>Other investments:</b>		
Negotiable CD's	16,943,058	32.58
U.S. Government money market mutual fund	1,453,890	2.79
STAR Ohio	4,235,582	8.14
Total	<u>\$ 52,032,222</u>	<u>100.00</u>

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (436,963)
Investments	52,032,222
Cash with fiscal agent	<u>289,775</u>
Total	<u>\$ 51,885,034</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 30,486,440
Business-type activities	20,433,243
Fiduciary funds	<u>965,351</u>
Total	<u>\$ 51,885,034</u>

**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 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 monthly. 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. The City has entered into an agreement with the Regional Income Tax Authority (“RITA”) to collect income taxes on behalf of the City (see Note 20).

**NOTE 7 – PROPERTY TAX**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Gahanna. The County Treasurer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2011 was \$2.40 per \$1,000 of assessed value. The assessed values of real and public utility upon which 2011 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 713,527,560
Commercial/industrial/mineral	181,335,640
<u>Public utility</u>	
Real	65,670
Personal	<u>9,701,520</u>
Total assessed value	<u>\$ 904,630,390</u>

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 8 – RECEIVABLES**

Receivables at December 31, 2011, consisted of property, other local, revenue in lieu of, and income taxes, accounts, interest on investments, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes and income taxes. Water, sewer, and storm water charges receivable which, if delinquent, may be certified and collected as a special assessment, are subject to foreclosure for nonpayment. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of amount due from other governments follows:

<u>Governmental activities:</u>	<u>Amount</u>
Local Government	\$ 707,938
Gas/Cents Per Gallon Tax	567,549
Homestead and Rollback	134,002
Motor Vehicle License Tax	120,926
Estate Tax	155,629
Mayor's Court	36,586
Department of Justice Bulletproof Vest Partnership Grant	7,455
Justice Assistance Grant	6,330
State of Ohio Funding Clean Ohio Trails Grant	157,609
DUI Task Force Grant	602
OPWC Clean Ohio Conservation Grant	4,450
EPA Revolving Loan Grant	994,753
	<hr/>
Total Due From Other Governments	\$ 2,893,829

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 19,225,271	\$ 1,289,497	\$ -	\$ 20,514,768
Right of ways	760,503	1,179,040	-	1,939,543
Easements	23,364	360,791	-	384,155
Construction in progress	6,361,911	1,624,898	(5,816,450)	2,170,359
Total capital assets, not being depreciated	26,371,049	4,454,226	(5,816,450)	25,008,825
Depreciable capital assets:				
Buildings	25,308,042	1,323,258	-	26,631,300
Improvements other than buildings	8,445,575	-	-	8,445,575
Machinery and equipment	8,702,411	475,722	-	9,178,133
Vehicles	3,206,450	-	-	3,206,450
Infrastructure	76,032,974	6,941,430	-	82,974,404
Total depreciable capital assets	121,695,452	8,740,410	-	130,435,862
Less: accumulated depreciation:				
Buildings	(3,863,130)	(514,059)	-	(4,377,189)
Improvements other than buildings	(3,476,796)	(350,481)	-	(3,827,277)
Machinery and equipment	(4,686,618)	(473,530)	-	(5,160,148)
Vehicles	(2,594,284)	(258,680)	-	(2,852,964)
Infrastructure:	(47,728,796)	(1,975,616)	-	(49,704,412)
Total accumulated depreciation	(62,349,624)	(3,572,366)	-	(65,921,990)
Depreciable capital assets, net	59,345,828	5,168,044	-	64,513,872
Governmental activities capital assets, net	\$ 85,716,877	\$ 9,622,270	\$ (5,816,450)	\$ 89,522,697

Depreciation expense was charged to governmental programs as follows:

General government	\$ 719,004
Security of persons and property	290,114
Community environment	1,576,432
Leisure time activities	396,314
Transportation	590,502
Total depreciation expense	<u>\$ 3,572,366</u>



**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 299,981	\$ -	\$ -	\$ 299,981
Right of ways	22,886	-	-	22,886
Easements	9,350	-	-	9,350
Construction in progress	1,468,929	627,731	(1,245,511)	851,149
Total capital assets, not being				
Depreciated	1,801,146	627,731	(1,245,511)	1,183,366
Depreciable capital assets:				
Buildings	991,000	122,757	-	1,113,757
Improvements other than buildings	643,370	-	-	643,370
Machinery and equipment	2,099,577	8,396	-	2,107,973
Vehicles	682,076	-	-	682,076
Infrastructure:				
Storm sewer lines	13,466,569	-	-	13,466,569
Water lines and miscellaneous infrastructure	40,709,132	917,406	-	41,626,538
Sewer lines and miscellaneous infrastructure	25,102,798	757,603	-	25,860,401
Total depreciable capital assets	83,694,522	1,806,162	-	85,500,684
Less: accumulated depreciation:				
Buildings	(444,006)	(30,021)	-	(474,027)
Improvements other than buildings	(50,863)	(32,170)	-	(83,033)
Machinery and equipment	(462,243)	(107,540)	-	(569,783)
Vehicles	(327,654)	(85,259)	-	(412,913)
Infrastructure:				
Storm sewer lines	(3,885,493)	(205,851)	-	(4,091,344)
Water lines and miscellaneous infrastructure	(17,493,708)	(652,150)	-	(18,145,858)
Sewer lines and miscellaneous infrastructure	(9,975,542)	(389,546)	-	(10,365,088)
Total accumulated depreciation	(32,639,509)	(1,502,537)	-	(34,142,046)
Depreciable capital assets, net	51,055,013	303,625	-	51,358,638
Business-type activities capital				
assets, net	\$ 52,856,159	\$ 931,356	\$ (1,245,511)	\$ 52,542,004

**CITY OF GAHANNA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

Depreciation expense was charged to the enterprise funds as follows:

Water	\$ 754,660
Sewer	493,790
Storm Water	254,087
Total depreciation expense	<u>\$ 1,502,537</u>

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The City's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$645,967, \$1,128,945, and \$607,489, respectively; 100% has been contributed for 2011, 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$48,765 made by the City and \$34,832 made by the plan members.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

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

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

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary, while the City is required to contribute 19.50% for police officers. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers. The City's required contributions for pension obligations to OP&F for police officers were \$574,639 for the year ended December 31, 2011, \$575,664 for the year ended December 31, 2010, and \$578,573 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 100% has been contributed for police for 2011.

**NOTE 11 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 11 - POSTRETIREMENT BENEFIT PLANS** *(continued)*

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

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$263,707, \$640,246, and \$433,055, respectively; 100% has been contributed for 2011, 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment 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.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one for health care benefits under an Internal Revenue Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

**CITY OF GAHANNA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 11 - POSTRETIREMENT BENEFIT PLANS** *(continued)*

**B. Ohio Police and Fire Pension Fund** *(continued)*

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers were \$304,221 for the year ended December 31, 2011, \$304,763 for the year ended December 31, 2010, and \$306,303 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 100% has been contributed for police for 2011.

**NOTE 12 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

Vacation leave is earned bi-weekly at a rate which varies depending upon length of service and standard work week. Current policy allows the unused balance to be accumulated at levels which depend upon negotiated agreements. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned bi-weekly 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. In lieu of payment, an employee may elect to transfer the full balance or a portion of earned unused sick leave 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 time limits established by the negotiated agreements. Current policy allows accumulation of compensatory time to levels in the negotiated agreements.

Compensated absences will be paid from the general, street maintenance and repair, storm water, water and sewer funds.

**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. Deferred pay and any income earned on it are 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**C. Health Care Benefits**

The City provides health care benefits through the Central Ohio Health Care Consortium (the "Pool"), a risk-sharing pool that provides basic hospital, surgical and prescription drug coverage. See Note 18 for further information. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. For those employees covered under the labor contract with United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International (USW), the City provides health care, dental, and vision insurance coverage through the Steelworker Health and Welfare Plan. Life insurance for employees covered under the labor contract with USW is provided by the Standard Insurance Company.

**NOTE 13 – LEASE RECEIVABLE**

City-owned land is leased to six companies: H. and G. Realty, Ball and Galloway, B. and J. Smith, Tagg-Marr-Rear, Contemporary Construction and Palinco, Inc.

The lease periods are twenty-eight to thirty-five years. At the conclusion of the lease periods, 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.

The following is a schedule of the future long-term lease receivable as of December 31, 2011.

<u>Year Ending December 31,</u>	<u>Amount</u>
2012	\$24,932
2013	17,418
2014	9,186
2015	3,951
Total Lease Receivable	<u>\$55,487</u>

**CITY OF GAHANNA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**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 fiscal year 2011 follows:

Types / Issues	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Due Within One Year
<u>Governmental activities:</u>					
<u>General obligation bonds</u>					
2005 - Creekside Phase II and Morrison Road					
Serial bonds 3.25% to 5.0%	\$ 8,355,847	\$ -	\$ (408,290)	\$ 7,947,557	\$ 422,705
Term bonds 4.25%	3,185,000	-	-	3,185,000	-
Premium on bonds issued	265,896	-	(13,352)	252,544	-
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	7,895,359	-	(319,395)	7,575,964	334,395
Premium on bonds issued	177,508	-	(10,758)	166,750	-
Total general obligations bonds	<u>19,879,610</u>	<u>-</u>	<u>(751,795)</u>	<u>19,127,815</u>	<u>757,100</u>
<u>Other long-term obligations</u>					
2006 - OPWC Loan 0% (CC13G)	622,138	-	(95,713)	526,425	95,714
2009 - OPWC Loan 0% (CC02L)	1,036,320	-	(51,816)	984,504	51,816
2011 - OPWC Loan 0% (CC16M)	-	136,681	-	136,681	-
Lease purchase agreement	-	730,000	(104,286)	625,714	104,286
SIB loan - 3%	-	4,905,070	-	4,905,070	-
Compensated absences payable	2,199,516	716,216	(904,959)	2,010,773	669,381
Total other long-term obligations	<u>3,857,974</u>	<u>6,487,967</u>	<u>(1,156,774)</u>	<u>9,189,167</u>	<u>921,197</u>
Total governmental activities	<u>\$ 23,737,584</u>	<u>\$ 6,487,967</u>	<u>\$ (1,908,569)</u>	<u>\$ 28,316,982</u>	<u>\$ 1,678,297</u>

**CITY OF GAHANNA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**A. Bonded Debt And Other Long-Term Obligations** *(continued)*

Types / Issues	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Due Within One Year
<u>Business-type activities:</u>					
<u>General obligation bonds</u>					
Water fund					
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	\$ 309,820	\$ -	\$ (12,802)	\$ 297,018	\$ 12,802
Premium on bonds issued	6,667	-	(404)	6,263	-
Sewer fund					
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	309,821	-	(12,802)	297,019	12,802
Premium on bonds issued	6,666	-	(404)	6,262	-
Storm water fund					
2005 - Creekside Phase II and Morrison Road					
Serial bonds 3.25% to 5.0%	244,153	-	(11,711)	232,442	12,295
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	1,775,000	-	(70,000)	1,705,000	75,000
Premium on bonds issued	38,298	-	(2,321)	35,977	-
Total general obligations bonds	<u>2,690,425</u>	<u>-</u>	<u>(110,444)</u>	<u>2,579,981</u>	<u>112,899</u>
<u>Other long-term obligations</u>					
1996 - OPWC Loan 3.5 %	35,798	-	(11,521)	24,277	11,928
Compensated absences payable	37,172	52,254	(51,252)	38,174	38,174
Total other long-term obligations	<u>72,970</u>	<u>52,254</u>	<u>(62,773)</u>	<u>62,451</u>	<u>50,102</u>
Total business-type activities	<u>\$ 2,763,395</u>	<u>\$ 52,254</u>	<u>\$ (173,217)</u>	<u>\$ 2,642,432</u>	<u>\$ 163,001</u>

The City's overall legal debt margin (the ability to issue additional amounts of general obligation debt) was \$77,464,426, with an unvoted debt margin of \$49,754,671 at December 31, 2011.

The 2011 OPWC Loan CC16M is currently "open", meaning that final disbursements have not been made from the OPWC; therefore, future debt service requirements have not been finalized and are not presented in the schedule of future debt service on the next page.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**A. Bonded 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:

Year Ending December 31,	<i>Business-Type Activities</i>							
	<i>Water General</i>		<i>Sewer General</i>		<i>Stormwater General</i>		<i>Sewer OPWC Loan</i>	
	<i>Obligation Bonds</i>		<i>Obligation Bonds</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>	<i>Principal</i>	<i>Interest</i>
2012	\$ 12,802	\$ 13,980	\$ 12,802	\$ 13,980	\$ 87,295	\$ 91,151	\$ 11,928	\$ 746
2013	13,656	13,436	13,656	13,436	92,881	87,532	12,349	325
2014	14,509	12,856	14,509	12,856	93,466	83,682	-	-
2015	14,509	12,239	14,509	12,239	99,052	79,776	-	-
2016	15,363	11,623	15,363	11,623	104,052	75,637	-	-
2017 - 2021	88,764	47,405	88,765	47,405	588,141	305,103	-	-
2022 - 2026	111,810	23,685	111,810	23,685	722,555	147,319	-	-
2027	25,605	1,280	25,605	1,280	150,000	7,500	-	-
Totals	<u>\$ 297,018</u>	<u>\$ 136,504</u>	<u>\$ 297,019</u>	<u>\$ 136,504</u>	<u>\$ 1,937,442</u>	<u>\$ 877,700</u>	<u>\$ 24,277</u>	<u>\$ 1,071</u>

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

Year Ending December 31,	<i>Serial</i>		<i>Term</i>		<i>OPWC</i>
	<i>Bonds</i>	<i>Bonds</i>	<i>Bonds</i>	<i>Bonds</i>	<i>Loan</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>
2012	\$ 757,100	\$ 864,762	\$ -	\$ -	\$ 147,530
2013	789,807	835,757	-	-	147,529
2014	822,515	805,506	-	-	147,530
2015	846,929	772,834	-	-	147,529
2016	880,222	739,195	-	-	147,530
2017 - 2021	5,099,331	3,031,099	-	-	306,937
2022 - 2026	5,668,827	1,508,258	585,000	135,362	259,080
2027 - 2030	658,790	32,940	2,600,000	281,988	207,264
Totals	<u>\$ 15,523,521</u>	<u>\$ 8,590,351</u>	<u>\$ 3,185,000</u>	<u>\$ 417,350</u>	<u>\$ 1,510,929</u>

Year Ending December 31,	<i>Lease Purchase</i>		<i>SIB Loan</i>	
	<i>Agreement</i>	<i>Agreement</i>	<i>Principal</i>	<i>Interest</i>
	<i>Principal</i>	<i>Principal</i>	<i>Principal</i>	<i>Interest</i>
2012	\$ 104,286	\$ -	\$ -	-
2013	104,286	617,225	-	38,014
2014	104,286	1,179,846	-	119,853
2015	104,286	1,215,507	-	84,181
2016	104,286	1,252,246	-	47,452
2017	104,284	640,246	-	9,604
Totals	<u>\$ 625,714</u>	<u>\$ 4,905,070</u>	<u>\$ 299,104</u>	<u>-</u>

**CITY OF GAHANNA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**A. Bonded Debt And Other Long-Term Obligations** *(continued)*

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 as follows:

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 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. \$13,401,397 was issued as governmental activities general obligation bonds and \$298,603 was issued as enterprise obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. The City obtained a financial guarantee insurance policy from Ambac Assurance Corporation (Ambac) to insure the payment of the principal and interest on the bonds when due. These bonds are 20 year serial bonds with varying amounts of principal maturing each year and a 25 year term bond. Bond payments relating to the governmental activities general obligation bonds are paid with property taxes from the debt service fund as well as other non-income tax revenues. Bond payments relating to the enterprise general obligation bonds are paid from revenues from the operations of the storm water system. As of December 31, 2011, all of the governmental activities and enterprise bond proceeds have been spent toward the project.

During 2007, the City issued \$11,350,000 in general obligation bonds for various purposes including park improvements, street improvements, broadband strategic plan development, infrastructure improvements, and storm water system improvements. \$8,683,665 was issued as governmental activities general obligation bonds and \$2,666,335 was issued as enterprise obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. The City obtained a financial guarantee insurance policy from MBIA Insurance Corporation (MBIA) to insure the payment of the principal and interest on the bonds when due. These bonds are 20 year serial bonds with varying amounts of principal maturing each year. Bond payments relating to the governmental activities general obligation bonds are paid with property taxes from the debt service fund as well as other non-income tax revenues. Bond payments relating to the enterprise general obligation bonds are paid from revenues from the operations of the water, sewer, and storm water systems. As of December 31, 2011, all of the governmental activities and enterprise bond proceeds have been spent toward the project.

**CITY OF GAHANNA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

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

**C. Ohio Public Works Commission (OPWC) Loans**

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.

The 2006 OPWC Loan consists of \$957,137 borrowed from the Ohio Public Works Commission for the widening of Hamilton Road. The 10 year loan is payable with property taxes from the debt service fund. As of year end, all loan proceeds had been spent.

The 2009 OPWC Loan consists of \$1,036,320 borrowed from the Ohio Public Works Commission for U.S. Route 62 roadway improvements. The 20 year loan will be paid with property taxes from the debt service fund.

The 2011 OPWC loan consists of \$136,681 borrowed from the Ohio Public Works Commission for U.S. 62 and Stygler Road improvements. As of December 31, 2011, this loan has not been finalized.

**D. Lease Purchase Agreement**

During 2011, the City entered into a lease purchase agreement with the Gahanna Community Improvement Corporation (the "CIC") to acquire land. The lease is interest free and the City agrees to make annual payments of \$104,286 for a period of seven years to the CIC beginning on March 27, 2011. The CIC shall sell and convey the land on or before the eighth year anniversary and shall deliver said deed to the City at the time of closing.

Capital assets consisting of land have been capitalized in the amount of \$738,500. Principal payments in 2011 totaled \$104,286 paid by the tax increment equivalent fund.

**E. State Infrastructure Bank (SIB) Loan**

During 2011, the City entered into a State Infrastructure Bank (SIB) Loan to assist in the construction of an overpass related to Tech Center Drive. The overpass is owned by the State of Ohio as it passes over Interstate 270. The proceeds of the loan totaled \$4,905,070 and carry an interest rate of 3.00%. The final maturity date on the loan is January 15, 2017. The City has received a pledge from the Mid Ohio Regional Planning Commission (MORPC) to pay back a significant portion of this loan. MORPC has agreed to pay \$4,903,070 of the principal and 80% of the interest payments to a total of \$239,292. The MORPC has yet to appropriate the resources for this pledge; therefore, no receivable has been recorded by the City at December 31, 2011.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 15 – CONSTRUCTION COMMITMENTS**

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2011, the significant outstanding construction commitments were:

Project	Contract Amount	Amount Completed	Balance 12/31/2011
2011 McKenna Creek Watershed	\$ 449,000	\$ 343,215	\$ 105,785
5061 Shagbark Road Improvement #740	107,225	87,048	20,177
Area Improvements	170,000	112,786	57,214
Big Walnut Trail - Section 7	1,081,557	545,575	535,982
BP07 Stormwater Detention Ponds	53,057	34,874	18,183
Buckles Court Improvements 976 SA977	467,800	55,703	412,097
BWT SEC 1 & 2	561,312	470,767	90,545
Capacity Management Operations	461,694	301,132	160,562
E-Mail Archieve & E-Discovery Solution	37,694	23,964	13,730
Fuel Station	16,185	8,200	7,985
Hamilton Road Central Local	792,732	123,753	668,979
IT Security - Log Aggregation & Alerting	26,654	15,112	11,542
Network Digital Video Recorder	83,000	57,534	25,466
NG911 Hardware	15,586	493	15,093
Phase I Fiber Extention	145,786	35,000	110,786
SCADA Upgrade	93,986	64,292	29,694
Server Replacements	50,890	5,100	45,790
Sreco Sewer Machine Extention	20,000	-	20,000
Sreco Sewer Machine Extention Trailer	5,000	-	5,000
Sungard	6,725	-	6,725
Techcenter/Science Connection	957,960	830,390	127,570
Truck Wash Facility	48,725	10,850	37,875
	<u>\$ 5,652,568</u>	<u>\$ 3,125,788</u>	<u>\$ 2,526,780</u>

**NOTE 16 – RISK MANAGEMENT**

**A. Property and Liability**

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 official's 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.

**B. Workers' Compensation**

During 2011, the City was approved for self-insured status by the Ohio Bureau of Workers' Compensation and administers its own worker's compensation program. The City has established an employee benefits self-insurance internal service fund to account for assets set aside for claim settlements and related liabilities associated with the program. Liabilities of the fund are reported when an employee injury has occurred, it is probably that a claim will be filed under the program and the amount of the claim can be reasonably estimated. The City utilizes the services of a third party administrator to review, process and pay employee claims.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 16 – RISK MANAGEMENT** *(continued)*

**B. Workers' Compensation** *(continued)*

Changes in the funds' claims liability in 2011 were as follows. 2011 was the first year the City was self-insured for workers' compensation, therefore, the prior year's reconciliation of the claims liability was unavailable. In the future, the City will disclose two years of information.

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2011	\$ -	\$ 4,229	\$ (4,229)	\$ -

**NOTE 17 – INTERFUND TRANSFERS**

Transfers made during the year ended December 31, 2011, were as follows:

		Transfers To			
		Capital Improvement	Nonmajor Governmental	Storm	Total
Transfers From	General	\$ -	\$ 1,671,158	\$ 20,000	\$ 1,691,158
	Tax Increment Equivalent	871,045	53,000	-	924,045
	Nonmajor Governmental	-	480,933	-	480,933
	Total	\$ 871,045	\$ 2,205,091	\$ 20,000	\$ 3,096,136

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfers from the general and nonmajor governmental funds to the bond retirement fund (a nonmajor governmental fund) were made to service annual debt payments.

**NOTE 18 – SHARED RISK POOL**

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. The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. 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 funds held by the Pool are maintained in a bank trust account established for the sole purpose and benefit of the Pool operations. Financial information for the Pool can be obtained from Doug Browell, President, COHCC, 4175 Alum Creek Drive, Obetz, Ohio 43207. The City's payments to the Pool for insurance coverage was \$1,783,068 during 2011.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 18 – SHARED RISK POOL** *(continued)*

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 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 \$12,978,197 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. No such loss has occurred in the past four years. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

**NOTE 19 – UNDIVIDED INTEREST**

On February 21, 1996, a contract was entered into between the Gahanna Jefferson Public 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 - JOINTLY GOVERNED ORGANIZATIONS**

**Regional Income Tax Agency (RITA)**

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) under the authority of Chapter 167 of the Ohio Revised Code to administer tax collection and enforcement concerns facing the cities and villages. The purpose of the RCOG is to foster cooperation between the municipalities through sharing facilities for their common benefit. This includes the establishment of a central collection facility for the purpose of administering the income tax laws of the various municipal corporations who are members of the RCOG and for the purpose of collecting income taxes on behalf of each member municipality, doing all things allowed by law to accomplish such purpose. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 185 municipalities throughout the State of Ohio. During 2011, the City paid \$390,983 in income tax collection fees to RITA.

**NOTE 21 – CONTINGENT LIABILITIES**

**A. Litigation**

The City of Gahanna is party to various legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 21 – CONTINGENT LIABILITIES** *(continued)*

**B. Federal And State Grants**

For the period January 1, 2011 to December 31, 2011, 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.

**NOTE 22 – OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 3,144,555
Capital improvement	668,798
Other governmental funds	<u>481,427</u>
Total	<u>\$ 4,294,780</u>

**NOTE 23 – FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**CITY OF GAHANNA  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**NOTE 23 – FUND BALANCE** *(continued)*

Fund balance	General	Tax Increment Equivalent	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 243,833	\$ -	\$ -	\$ -	\$ 243,833
Prepays	50,813	-	-	2,335	53,148
Unclaimed monies	30,349	-	-	-	30,349
Total nonspendable	<u>324,995</u>	<u>-</u>	<u>-</u>	<u>2,335</u>	<u>327,330</u>
Restricted:					
Debt service	-	-	-	1,186,778	1,186,778
Capital improvements	-	-	2,400,629	-	2,400,629
General government	-	-	-	1,263,074	1,263,074
Security of persons and property	-	-	-	1,049,257	1,049,257
Community environment	-	2,703,345	-	-	2,703,345
Transportation	-	-	-	1,119,325	1,119,325
Total restricted	<u>-</u>	<u>2,703,345</u>	<u>2,400,629</u>	<u>4,618,434</u>	<u>9,722,408</u>
Committed:					
Capital improvements	-	-	-	201,592	201,592
General government	4,792	-	-	220,000	224,792
Sick/vacation leave	1,269,826	-	-	-	1,269,826
Leisure time activities	-	-	-	10,796	10,796
Transportation	-	-	-	23,527	23,527
Total committed	<u>1,274,618</u>	<u>-</u>	<u>-</u>	<u>455,915</u>	<u>1,730,533</u>
Assigned:					
Capital improvements	-	-	-	246	246
Subsequent year appropriations	509,429	-	-	-	509,429
General government	1,884,873	-	-	-	1,884,873
Security of persons and property	135,335	-	-	-	135,335
Community environment	821,101	-	-	-	821,101
Leisure time activities	195,577	-	-	-	195,577
Transportation	114,983	-	-	-	114,983
Total assigned	<u>3,661,298</u>	<u>-</u>	<u>-</u>	<u>246</u>	<u>3,661,544</u>
Unassigned	<u>16,251,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,251,643</u>
Total fund balances	<u>\$ 21,512,554</u>	<u>\$ 2,703,345</u>	<u>\$ 2,400,629</u>	<u>\$ 5,076,930</u>	<u>\$ 31,693,458</u>





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Gahanna  
Franklin County  
200 South Hamilton Road  
Gahanna, Ohio 43230

To the Members of City Council and the Mayor:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Gahanna, Franklin County, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 21, 2012, wherein we noted the City adopted the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 21, 2012.

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 21, 2012

CITY OF GAHANNA  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Financial Reporting	Yes	Finding No Longer Valid

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# Dave Yost • Auditor of State

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 4, 2012