

**CITY OF GAHANNA  
FRANKLIN COUNTY, OHIO**

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

For The Year Ended  
December 31, 2008

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

**CITY OF GAHANNA  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**TABLE OF CONTENTS**

Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	2 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	16
Statement of Activities .....	17 - 18
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	19 - 20
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22 - 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	25
Statement of Revenues, Expenditures and Changes In Fund Balance Budget and Actual (Non-GAAP) Budgetary Basis Street Maintenance and Repair Fund.....	26
Tax Increment Equivalent Fund .....	27
Statement of Fund Net Assets - Proprietary Funds.....	28
Statement of Revenues, Expenses and Changes In Fund Net Assets - Proprietary Funds .....	29
Statement of Cash Flows - Proprietary Funds .....	30
Statement of Fiduciary Net Assets and Liabilities - Fiduciary Fund .....	31
Notes to the Basic Financial Statements .....	32 - 70
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	71 - 72
Schedule of Findings and Responses.....	73
Status of Prior Audit Findings .....	74



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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Gahanna's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gahanna's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, as of December 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund, and major special revenue funds: street maintenance and repair and tax increment equivalent for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2009, on our consideration of the City of Gahanna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 15 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
June 25, 2009

## CITY OF GAHANNA, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 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, 2008. 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 2008 are as follows:

- The total net assets of the City increased \$2,405,003 or 1.44% from 2007. Net assets of governmental activities decreased \$663,060 or 0.68% from 2007 and net assets of business-type activities increased \$3,068,063 or 4.43% over 2007.
- General revenues accounted for \$22,286,954 or 75.55% of total governmental activities revenue. Program specific revenues accounted for \$7,212,820 or 24.45% of total governmental activities revenue.
- The City had \$30,115,834 in expenses related to governmental activities; \$7,212,820 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$22,903,014 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$22,286,954.
- The general fund had revenues and other financing sources of \$25,471,185 in 2008. This represents a decrease of \$10,851,660 or 29.88% from 2007. During 2007 the City issued general obligation bonds in the amount of \$6,663,665. The expenditures and other financing uses of the general fund, which totaled \$32,747,128 in 2008, increased \$1,903,854 or 6.17% from 2007. The net decrease in fund balance for the general fund was \$7,275,943 or 22.97%.
- The street maintenance and repair fund had revenues and other financing sources of \$1,850,057 in 2008. The expenditures and other financing uses of the street maintenance and repair fund totaled \$3,072,522 in 2008. The net decrease in fund balance for the street maintenance and repair fund was \$1,222,465.
- The tax increment equivalent fund had revenues of \$1,203,861 in 2008. The expenditures of the tax increment equivalent fund totaled \$908,612 in 2008. The net increase in fund balance for the tax increment equivalent fund was \$295,249.
- The bond retirement fund had revenues and other financing sources of \$2,236,132 in 2008. The expenditures of the bond retirement fund totaled \$2,172,970 in 2008. The net increase in fund balance for the bond retirement fund was \$63,162.
- The capital improvement fund had other financing sources of \$464,554 in 2008. The expenditures of the capital improvement fund totaled \$519,178 in 2008. The net decrease in fund balance for the capital improvement fund was \$54,624.
- Net assets for the business-type activities, which are made up of the Water, Sewer and Storm Water enterprise funds, increased in 2008 by \$3,068,063. This increase in net assets was due primarily to charges for services revenue being greater than expenses.
- In the general fund, actual revenues were \$193,015 lower than the final budget revenues and actual expenditures were \$4,576,539 less than the final budget expenditures. These variances are the result of the City's conservative budgeting. Budgeted expenditures increased \$5,567,197 from the original budget to the final budget, primarily due to an increase in budgeted capital outlay expenditures.

## CITY OF GAHANNA, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 UNAUDITED

#### **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. 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 2008?" 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 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.

#### **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, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008 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, street maintenance and repair fund, tax increment equivalent fund, bond retirement 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.

#### ***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.

#### ***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.

#### ***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.

**CITY OF GAHANNA, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2008 and 2007:

	<b>Net Assets</b>					
	<u>Governmental</u>		<u>Business-type</u>		<u>2008</u>	<u>2007</u>
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>Total</u>	<u>Total</u>
<u>Assets</u>						
Current and other assets	\$ 48,537,160	\$ 56,858,831	\$ 26,467,368	\$ 22,893,244	\$ 75,004,528	\$ 79,752,075
Capital assets	<u>78,751,018</u>	<u>72,060,342</u>	<u>51,624,518</u>	<u>51,508,547</u>	<u>130,375,536</u>	<u>123,568,889</u>
Total assets	<u>127,288,178</u>	<u>128,919,173</u>	<u>78,091,886</u>	<u>74,401,791</u>	<u>205,380,064</u>	<u>203,320,964</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	24,179,032	25,246,096	2,994,657	3,297,970	27,173,689	28,544,066
Other liabilities	<u>5,910,237</u>	<u>5,811,108</u>	<u>2,714,684</u>	<u>1,789,339</u>	<u>8,624,921</u>	<u>7,600,447</u>
Total liabilities	<u>30,089,269</u>	<u>31,057,204</u>	<u>5,709,341</u>	<u>5,087,309</u>	<u>35,798,610</u>	<u>36,144,513</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	60,042,672	57,581,230	49,865,655	49,756,999	109,908,327	107,338,229
Restricted	11,935,778	10,330,264	-	-	11,935,778	10,330,264
Unrestricted	<u>25,220,459</u>	<u>29,950,475</u>	<u>22,516,890</u>	<u>19,557,483</u>	<u>47,737,349</u>	<u>49,507,958</u>
Total net assets	<u>\$ 97,198,909</u>	<u>\$ 97,861,969</u>	<u>\$ 72,382,545</u>	<u>\$ 69,314,482</u>	<u>\$ 169,581,454</u>	<u>\$ 167,176,451</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$169,581,454. At year-end, net assets were \$97,198,909 and \$72,382,545 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 63.48% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$60,042,672 and \$49,865,655 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, 2008, 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, \$11,935,778 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 \$25,220,459 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF GAHANNA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

The table below shows the changes in net assets for fiscal years 2008 and 2007. The increase in the fair market value of investments for 2007 has been reported separate from investment income to conform to 2008 presentation.

	<b>Change in Net Assets</b>					
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>	Business-type Activities <u>2008</u>	Business-type Activities <u>2007</u>	2008 Total	2007 Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,236,557	\$ 4,073,440	\$ 13,994,081	\$ 13,086,873	\$ 18,230,638	\$ 17,160,313
Operating grants and contributions	1,830,914	1,857,991	-	-	1,830,914	1,857,991
Capital grants and contributions	1,145,349	3,808,995	-	-	1,145,349	3,808,995
Total program revenues	<u>7,212,820</u>	<u>9,740,426</u>	<u>13,994,081</u>	<u>13,086,873</u>	<u>21,206,901</u>	<u>22,827,299</u>
General revenues:						
Property taxes	2,113,565	2,028,963	-	-	2,113,565	2,028,963
Income taxes	13,434,476	15,124,934	-	-	13,434,476	15,124,934
Other local taxes	902,649	892,450	-	-	902,649	892,450
Revenue in lieu of taxes	1,420,967	1,052,840	-	-	1,420,967	1,052,840
Unrestricted grants and entitlements	2,287,655	2,078,691	-	-	2,287,655	2,078,691
Investment earnings	2,308,530	2,996,924	40,404	49,601	2,348,934	3,046,525
Increase (decrease) in fair market value of investments	(492,910)	249,771	-	-	(492,910)	249,771
Gain on sale of capital assets	11,055	-	-	-	11,055	-
Miscellaneous	300,967	738,301	213,108	91,436	514,075	829,737
Total general revenues	<u>22,286,954</u>	<u>25,162,874</u>	<u>253,512</u>	<u>141,037</u>	<u>22,540,466</u>	<u>25,303,911</u>
Total revenues	<u>29,499,774</u>	<u>34,903,300</u>	<u>14,247,593</u>	<u>13,227,910</u>	<u>43,747,367</u>	<u>48,131,210</u>
Expenses:						
General government	4,417,484	3,654,789	-	-	4,417,484	3,654,789
Security of persons and property	8,882,162	8,519,978	-	-	8,882,162	8,519,978
Public health and welfare	181,060	174,923	-	-	181,060	174,923
Transportation	5,402,208	4,880,366	-	-	5,402,208	4,880,366
Community environment	5,574,128	5,597,590	-	-	5,574,128	5,597,590
Leisure time activity	3,004,206	2,564,826	-	-	3,004,206	2,564,826
Utility services	1,691,119	1,468,793	-	-	1,691,119	1,468,793
Interest and fiscal charges	963,467	778,936	-	-	963,467	778,936
Water	-	-	4,293,663	4,186,573	4,293,663	4,186,573
Sewer	-	-	5,329,467	5,523,203	5,329,467	5,523,203
Storm water	-	-	1,603,400	1,294,822	1,603,400	1,294,822
Total expenses	<u>30,115,834</u>	<u>27,640,201</u>	<u>11,226,530</u>	<u>11,004,598</u>	<u>41,342,364</u>	<u>38,644,799</u>
Transfers	(47,000)	(50,000)	47,000	50,000	-	-
Increase in net assets	(663,060)	7,213,099	3,068,063	2,273,312	2,405,003	9,486,411
Net assets at beginning of year	97,861,969	90,648,870	69,314,482	67,041,170	167,176,451	157,690,040
Net assets at end of year	<u>\$ 97,198,909</u>	<u>\$ 97,861,969</u>	<u>\$ 72,382,545</u>	<u>\$ 69,314,482</u>	<u>\$ 169,581,454</u>	<u>\$ 167,176,451</u>

**CITY OF GAHANNA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

**Governmental Activities**

Governmental activities net assets decreased \$663,060 in 2008. This decrease is a result of increased expenses and decreasing revenues. Income tax revenue decreased approximately \$1.7 million due to the nation economic downturn which has also affected the City of Gahanna.

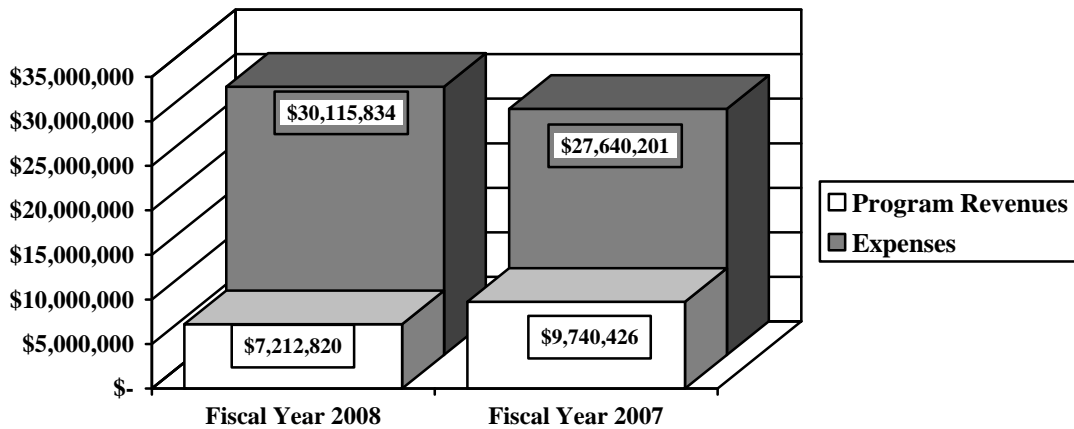
Security of persons and property, which primarily supports the operations of the police department, accounted for \$8,882,162 of the total expenses of the City. These expenses were partially funded by \$151,581 in direct charges to users of the services, \$83,782 in operating grants and contributions and \$115,000 in capital grants and contributions. General government expenses totaled \$4,417,484. General government expenses were partially funded by \$649,653 in direct charges to users of the services and \$25,223 in operating grants and contributions..

Transportation, which primarily includes street improvement programs, accounted for \$5,402,208 of the total expenses of the City. These expenses were partially funded by \$433,508 in direct charges to users of the services and \$1,721,909 in operating grants and contributions. Community environment, which primarily supports economic development programs, accounted for \$5,574,128 of the total expenses of the City. These expenses were partially funded by \$407,771 in direct charges to users of the services and \$890,349 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,830,914 in operating grants and contributions and \$1,145,349 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$890,349 subsidized community environment programs. Of the total operating grants and contributions, \$1,721,909 subsidized transportation programs, \$83,782 subsidized security of persons and property programs and \$25,223 subsidized general government programs.

General revenues totaled \$22,286,954, and amounted to 75.55% of total governmental revenues. These revenues primarily consist of tax revenue of \$17,871,657. 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 \$2,287,655.

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



**CITY OF GAHANNA, OHIO**

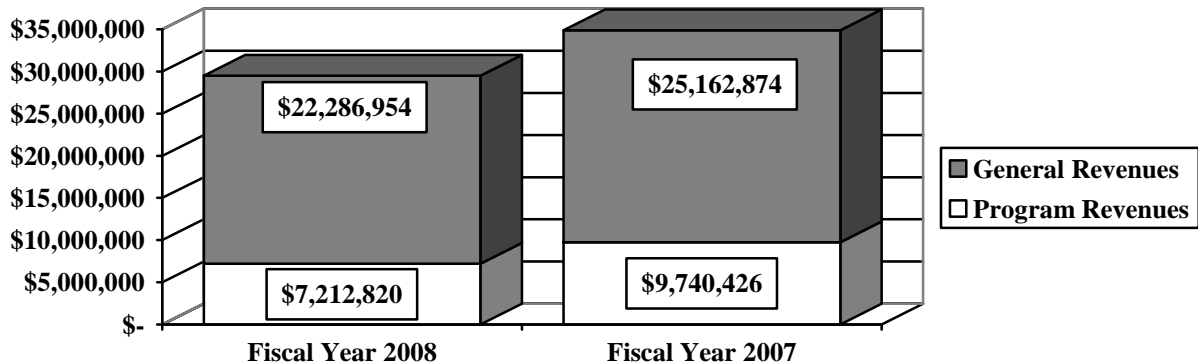
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

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 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses:				
General government	\$ 4,417,484	\$ 3,742,608	\$ 3,654,789	\$ 2,933,960
Security of persons and property	8,882,162	8,531,799	8,519,978	8,250,082
Public health and welfare	181,060	181,060	174,923	174,923
Transportation	5,402,208	3,246,791	4,880,366	2,485,594
Community environment	5,574,128	4,276,008	5,597,590	1,889,249
Leisure time activity	3,004,206	2,133,325	2,564,826	1,584,936
Utility services	1,691,119	(172,044)	1,468,793	(197,905)
Interest and fiscal charges	963,467	963,467	778,936	778,936
<b>Total</b>	<b>\$ 30,115,834</b>	<b>\$ 22,903,014</b>	<b>\$ 27,640,201</b>	<b>\$17,899,775</b>

The dependence upon general revenues for governmental activities is apparent, with 76.05% of expenses supported through taxes and other general revenues.

**Governmental Activities – General and Program Revenues**



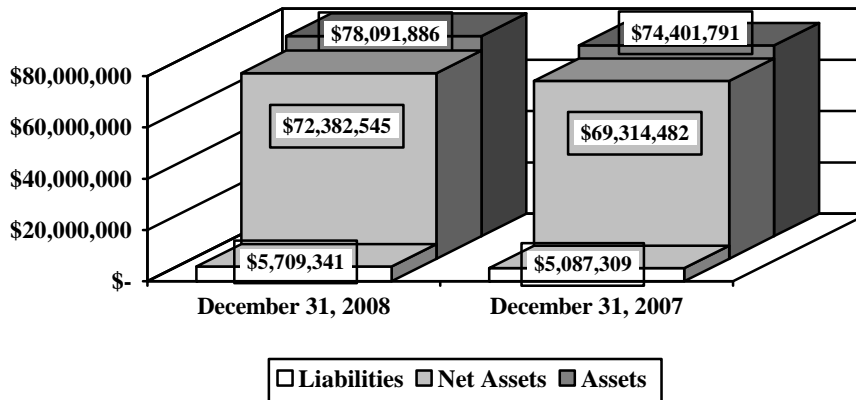
**CITY OF GAHANNA, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED

**Business-type Activities**

Business-type activities include the water, sewer and storm water enterprise funds. These programs had program revenues of \$13,994,081, general revenues of \$253,512, transfers in of \$47,000 and expenses of \$11,226,530 for 2008. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business – Type Activities**



**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, unreserved 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 20-21) reported a combined fund balance of \$35,249,608 which is \$8,592,725 below last year's total of \$43,842,333. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2008 for all major and nonmajor governmental funds.

	Fund Balances 12/31/08	Fund Balances 12/31/07	Increase (Decrease)
Major funds:			
General	\$ 24,394,984	\$ 31,670,927	\$ (7,275,943)
Street maintenance and repair	1,478,379	2,700,844	(1,222,465)
Tax increment equivalent	1,621,339	1,326,090	295,249
Bond retirement	1,153,617	1,090,455	63,162
Capital improvements	3,730,363	3,784,987	(54,624)
Other nonmajor governmental funds	2,870,926	3,269,030	(398,104)
<b>Total</b>	<b>\$ 35,249,608</b>	<b>\$ 43,842,333</b>	<b>\$ (8,592,725)</b>

**CITY OF GAHANNA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

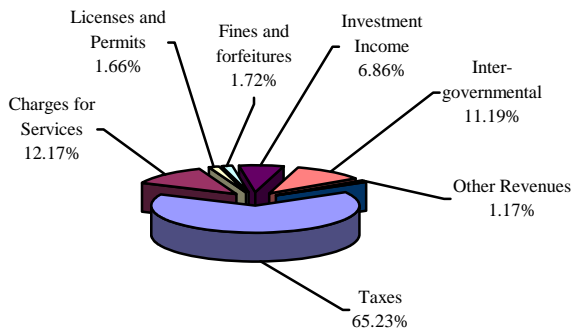
**General Fund**

The City's general fund balance decreased \$7,275,943, primarily due to a decrease in revenues and an increase in expenditures. The table that follows assists in illustrating the revenues of the general fund.

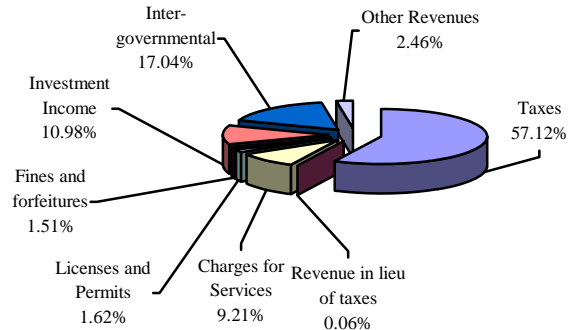
	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues</b>			
Taxes	\$ 16,597,988	\$ 16,828,798	(1.37) %
Revenue in lieu of taxes	-	18,272	(100.00) %
Charges for services	3,098,182	2,712,026	14.24 %
Licenses and permits	423,019	478,337	(11.56) %
Fines and forfeitures	437,566	445,538	(1.79) %
Intergovernmental	2,847,529	5,019,985	(43.28) %
Investment income	2,238,818	2,983,772	(24.97) %
Increase (decrease) in fair market value of investments	(492,910)	249,771	(297.34) %
Other	<u>296,938</u>	<u>724,953</u>	(59.04) %
<b>Total</b>	<b><u>\$ 25,447,130</u></b>	<b><u>\$ 29,461,452</u></b>	<b>(13.63) %</b>

Tax revenue represents 65.23% of all general fund revenue. Tax revenue decreased slightly by 1.37% from the prior year. The decrease in taxes revenue is due to a decrease in the collections of income taxes. The decrease in investment income is due to lower interest rates on the City's investment portfolio. The fair market value of investments decreased substantially in 2008 resulting from fluctuations in value of the investment securities. The City intends to hold investments to maturity. Intergovernmental revenues decreased 43.28% due to the City receiving fewer state and federal grant funding in 2008 versus 2007. All other revenues remained comparable to 2007.

**Revenues – Fiscal Year 2008**



**Revenues – Fiscal Year 2007**



**CITY OF GAHANNA, OHIO**

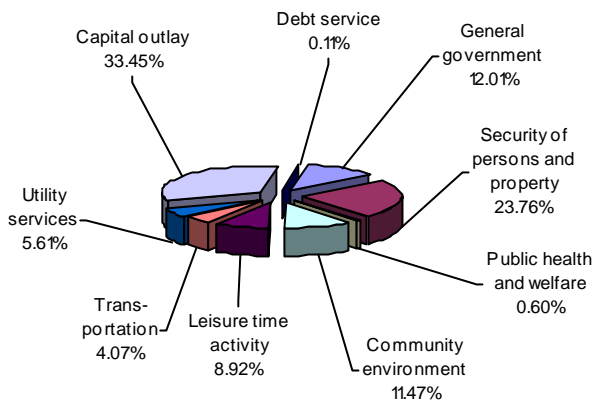
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

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

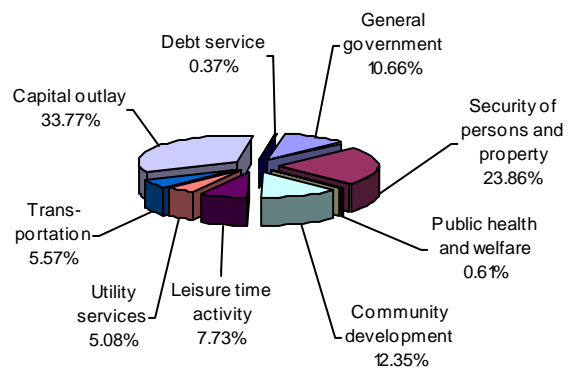
<u>Expenditures</u>	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General government	\$ 3,623,619	\$ 3,059,740	18.43 %
Security of persons and property	7,165,280	6,844,537	4.69 %
Public health and welfare	181,060	174,923	3.51 %
Transportation	1,226,611	1,598,302	(23.26) %
Community environment	3,458,223	3,543,930	(2.42) %
Leisure time activity	2,691,317	2,218,050	21.34 %
Utility services	1,691,119	1,457,644	16.02 %
Capital outlay	10,091,250	9,688,823	4.15 %
Debt service	<u>34,056</u>	<u>106,359</u>	(67.98) %
<b>Total</b>	<b><u>\$ 30,162,535</u></b>	<b><u>\$ 28,692,308</u></b>	<b>5.12 %</b>

One of the most significant increases was in the area of general government programs. These increases are primarily due to wage and benefit increases along with the increases in supplies and materials. Leisure time activity increased due to the purchase of land and overall improvements in the parks. Security of persons and property increased slightly primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services. All other expenditures remained comparable to 2007.

**Expenditures - Fiscal Year 2008**



**Expenditures - Fiscal Year 2007**



***Street Maintenance and Repair Fund***

The street maintenance and repair fund had revenues and other financing sources of \$1,850,057 in 2008. The expenditures and other financing uses of the street maintenance and repair fund totaled \$3,072,522 in 2008. The net decrease in fund balance for the street maintenance and repair fund was \$1,222,465.

**CITY OF GAHANNA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

***Tax Increment Equivalent Fund***

The tax increment equivalent fund had revenues of \$1,203,861 in 2008. The expenditures of the tax increment equivalent fund totaled \$908,612 in 2008. The net increase in fund balance for the tax increment equivalent fund was \$295,249.

***Bond Retirement Fund***

The bond retirement fund had revenues and other financing sources of \$2,236,132 in 2008. The expenditures of the bond retirement fund totaled \$2,172,970 in 2008. The net increase in fund balance for the bond retirement fund was \$63,162.

***Capital Improvement Fund***

The capital improvement fund had other financing sources of \$464,554 in 2008. The expenditures of the capital improvement fund totaled \$519,178 in 2008. The net decrease in fund balance for the capital improvement fund was \$54,624.

***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 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, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$5,567,197 from \$39,471,920 to \$45,039,117. Actual revenues of \$26,035,765 were less than final budgeted revenues by \$193,015. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$4,576,539 lower than the final budgeted amounts. The only significant other financing use was transfers out which the actual came in \$21,001 lower than the final budget.

***Proprietary Funds***

The City's proprietary funds 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 activities for 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 2008, the City had \$130,375,536 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$78,751,018 was reported in governmental activities and \$51,624,518 was reported in business-type activities.

**CITY OF GAHANNA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

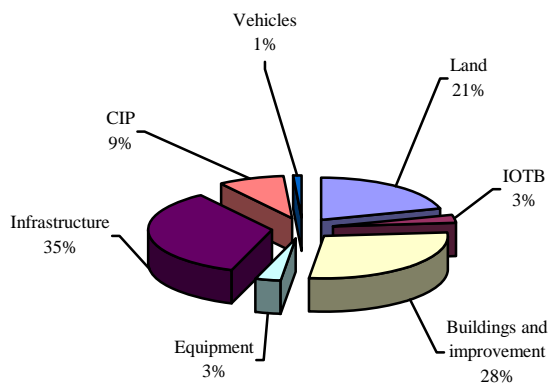
The following table shows fiscal 2008 balances compared to 2007:

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

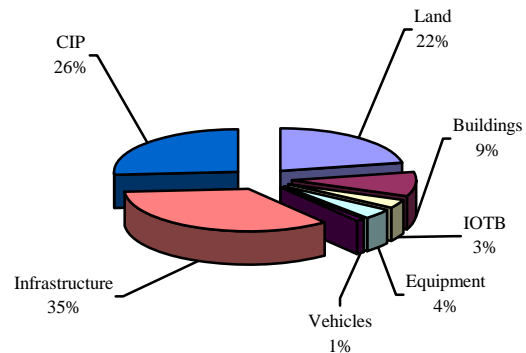
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 16,148,773	\$ 15,847,259	\$ 39,210	\$ 39,210	\$ 16,187,983	\$ 15,886,469
Buildings	22,338,245	6,549,385	603,913	632,371	22,942,158	7,181,756
I.O.T.B.	2,409,045	2,427,636	43,155	45,945	2,452,200	2,473,581
Machinery and equipment	2,641,020	2,736,629	486,946	538,005	3,127,966	3,274,634
Vehicles	789,683	911,701	497,132	423,944	1,286,815	1,335,645
Storm sewer lines	-	-	9,993,655	9,856,570	9,993,655	9,856,570
Water lines and miscellaneous infrastructure	-	-	23,944,139	23,740,865	23,944,139	23,740,865
Sewer lines and miscellaneous infrastructure	-	-	15,342,054	14,673,566	15,342,054	14,673,566
Infrastructure	27,546,473	24,696,220	-	-	27,546,473	24,696,220
Construction in progress	6,877,779	18,891,512	674,314	1,558,071	7,552,093	20,449,583
<b>Totals</b>	<b>\$ 78,751,018</b>	<b>\$ 72,060,342</b>	<b>\$ 51,624,518</b>	<b>\$ 51,508,547</b>	<b>\$ 130,375,536</b>	<b>\$ 123,568,889</b>

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities 2008**



**Capital Assets - Governmental Activities 2007**

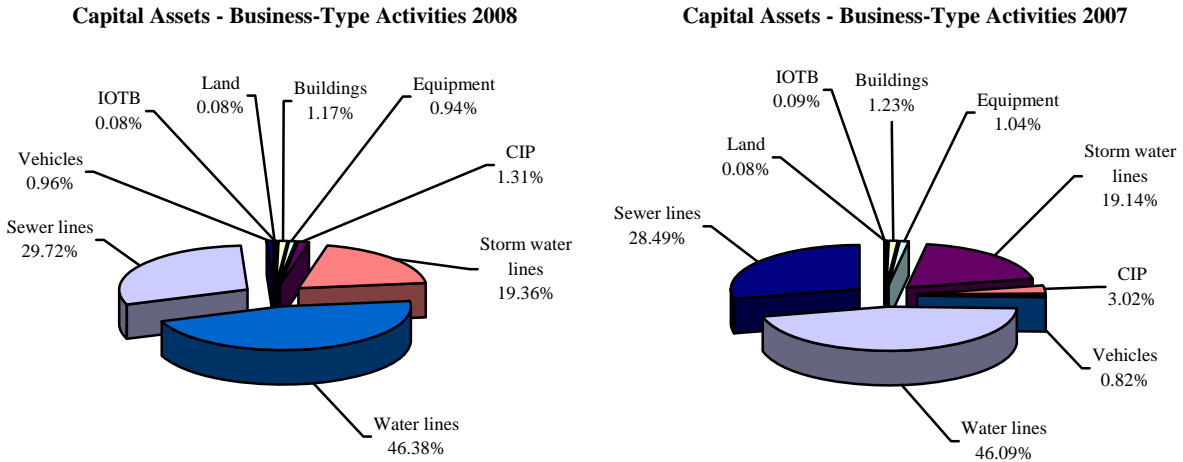


The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, street lighting and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 35% of the City's total governmental capital assets.

**CITY OF GAHANNA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.



The City's largest business-type capital asset category is infrastructure that primarily includes water, sewer and storm water 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 95.46% of the City's total business-type capital assets.

***Debt Administration***

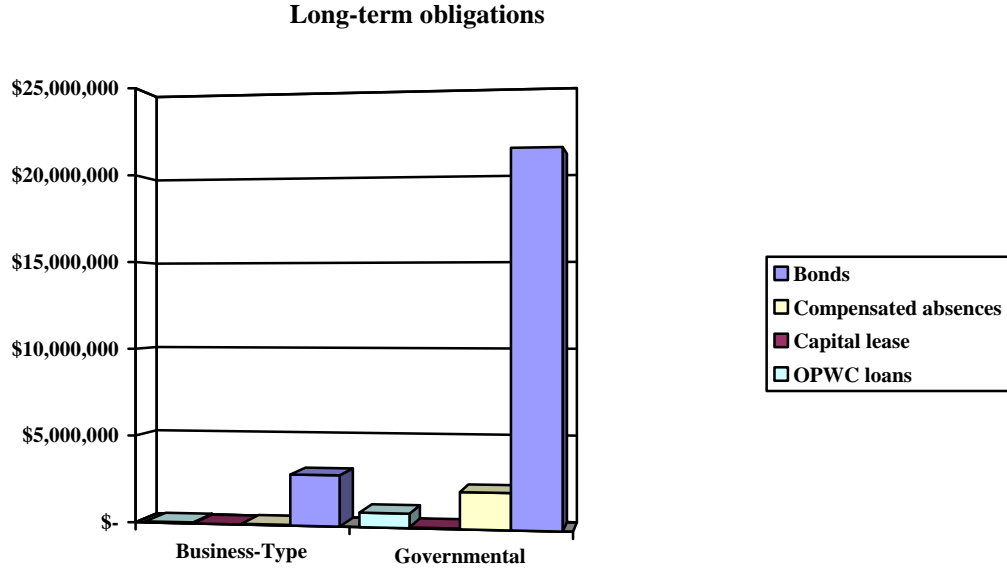
The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Compensated absences	\$ 2,082,768	\$ 1,902,798
General obligation bonds	21,237,196	22,406,282
OPWC loans	813,566	861,423
Capital lease	<u>45,502</u>	<u>75,593</u>
<b>Total long-term obligations</b>	<b><u>\$ 24,179,032</u></b>	<b><u>\$ 25,246,096</u></b>
	Business-type Activities	
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 2,902,313	\$ 3,205,464
OPWC loans	57,675	62,911
Compensated absences	<u>34,669</u>	<u>29,595</u>
<b>Total long-term obligations</b>	<b><u>\$ 2,994,657</u></b>	<b><u>\$ 3,297,970</u></b>

**CITY OF GAHANNA, OHIO**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

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



**Contacting the City’s Financial Management**

This financial report is designed to provide our citizen’s, 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: Mr. Jerry Isler, Director of Finance, City of Gahanna, 200 South Hamilton Road, Gahanna, Ohio 43230.

CITY OF GAHANNA, OHIO

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 35,719,540	\$ 23,008,320	\$ 58,727,860
Cash with fiscal agent . . . . .	494,029	-	494,029
Receivables (net of allowances for uncollectibles):			
Income taxes . . . . .	3,562,683	-	3,562,683
Property taxes . . . . .	2,205,361	-	2,205,361
Other local taxes . . . . .	159,178	-	159,178
Revenue in lieu of taxes . . . . .	1,274,414	-	1,274,414
Accounts . . . . .	544,386	3,404,853	3,949,239
Accrued interest . . . . .	262,622	-	262,622
Capital leases . . . . .	358,334	-	358,334
Due from other governments . . . . .	3,391,420	-	3,391,420
Prepayments . . . . .	111,287	5,348	116,635
Materials and supplies inventory . . . . .	261,480	22,096	283,576
Deferred bond issuance costs . . . . .	192,426	26,751	219,177
Capital assets:			
Land and construction-in-progress . . . . .	23,026,552	713,524	23,740,076
Depreciable capital assets, net . . . . .	55,724,466	50,910,994	106,635,460
Total capital assets . . . . .	<u>78,751,018</u>	<u>51,624,518</u>	<u>130,375,536</u>
Total assets . . . . .	<u>127,288,178</u>	<u>78,091,886</u>	<u>205,380,064</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	477,708	45,021	522,729
Contracts payable . . . . .	1,476,479	382,582	1,859,061
Accrued wages and benefits . . . . .	527,880	39,152	567,032
Due to other governments . . . . .	788,211	2,222,517	3,010,728
Compensatory time payable . . . . .	144,486	13,395	157,881
Accrued interest payable . . . . .	78,371	12,017	90,388
Unearned revenue . . . . .	2,417,102	-	2,417,102
Long-term liabilities:			
Due within one year . . . . .	1,423,807	146,857	1,570,664
Due in more than one year . . . . .	22,755,225	2,847,800	25,603,025
Total liabilities . . . . .	<u>30,089,269</u>	<u>5,709,341</u>	<u>35,798,610</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	60,042,672	49,865,655	109,908,327
Restricted for:			
Capital projects . . . . .	3,908,098	-	3,908,098
Debt service . . . . .	1,108,402	-	1,108,402
Community environment . . . . .	2,900,504	-	2,900,504
Security of persons and property . . . . .	881,161	-	881,161
Transportation . . . . .	1,346,468	-	1,346,468
Leisure time activities . . . . .	9,296	-	9,296
Other purposes . . . . .	1,781,849	-	1,781,849
Unrestricted . . . . .	<u>25,220,459</u>	<u>22,516,890</u>	<u>47,737,349</u>
Total net assets . . . . .	<u>\$ 97,198,909</u>	<u>\$ 72,382,545</u>	<u>\$ 169,581,454</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 4,417,484	\$ 649,653	\$ 25,223	\$ -
Security of persons and property . . . . .	8,882,162	151,581	83,782	115,000
Public health and welfare . . . . .	181,060	-	-	-
Transportation. . . . .	5,402,208	433,508	1,721,909	-
Community environment . . . . .	5,574,128	407,771	-	890,349
Leisure time activity . . . . .	3,004,206	730,881	-	140,000
Utility services . . . . .	1,691,119	1,863,163	-	-
Interest and fiscal charges. . . . .	963,467	-	-	-
Total governmental activities . . . . .	<u>30,115,834</u>	<u>4,236,557</u>	<u>1,830,914</u>	<u>1,145,349</u>
<b>Business-type Activities:</b>				
Water . . . . .	4,293,663	4,552,582	-	-
Sewer . . . . .	5,329,467	8,434,677	-	-
Storm water. . . . .	<u>1,603,400</u>	<u>1,006,822</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>11,226,530</u>	<u>13,994,081</u>	<u>-</u>	<u>-</u>
Total primary government . . . . .	<u>\$ 41,342,364</u>	<u>\$ 18,230,638</u>	<u>\$ 1,830,914</u>	<u>\$ 1,145,349</u>

**General Revenues:**

Income taxes levied for:	
General purposes . . . . .	
Property taxes levied for:	
General purposes . . . . .	
Debt service . . . . .	
Police . . . . .	
Revenue in lieu of taxes . . . . .	
Other local taxes. . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
(Decrease) in fair market value of investments . . . . .	
Gain on sale of capital assets . . . . .	
Miscellaneous . . . . .	
Total general revenues. . . . .	
Transfers. . . . .	
Change in net assets . . . . .	
<b>Net assets at beginning of year . . . . .</b>	
<b>Net assets at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Revenue (Expense) and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,742,608)	\$ -	\$ (3,742,608)
(8,531,799)	-	(8,531,799)
(181,060)	-	(181,060)
(3,246,791)	-	(3,246,791)
(4,276,008)	-	(4,276,008)
(2,133,325)	-	(2,133,325)
172,044	-	172,044
(963,467)	-	(963,467)
<u>(22,903,014)</u>	<u>-</u>	<u>(22,903,014)</u>
-	258,919	258,919
-	3,105,210	3,105,210
-	(596,578)	(596,578)
<u>-</u>	<u>2,767,551</u>	<u>2,767,551</u>
<u>(22,903,014)</u>	<u>2,767,551</u>	<u>(20,135,463)</u>
13,434,476	-	13,434,476
1,602,232	-	1,602,232
251,353	-	251,353
259,980	-	259,980
1,420,967	-	1,420,967
902,649	-	902,649
2,287,655	-	2,287,655
2,308,530	40,404	2,348,934
(492,910)	-	(492,910)
11,055	-	11,055
300,967	213,108	514,075
<u>22,286,954</u>	<u>253,512</u>	<u>22,540,466</u>
<u>(47,000)</u>	<u>47,000</u>	<u>-</u>
(663,060)	3,068,063	2,405,003
<u>97,861,969</u>	<u>69,314,482</u>	<u>167,176,451</u>
<u>\$ 97,198,909</u>	<u>\$ 72,382,545</u>	<u>\$ 169,581,454</u>

**CITY OF GAHANNA, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Tax Increment Equivalent</u>	<u>Bond Retirement</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 24,485,691	\$ 1,757,377	\$ 1,843,124	\$ 1,153,617
Cash with fiscal agent. . . . .	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes. . . . .	3,562,683	-	-	-
Property taxes. . . . .	1,678,748	-	-	258,844
Other local taxes. . . . .	159,178	-	-	-
Revenue in lieu of taxes . . . . .	-	-	1,274,414	-
Accounts. . . . .	541,501	2,885	-	-
Accrued interest. . . . .	262,622	-	-	-
Capital leases . . . . .	-	-	-	-
Due from other governments. . . . .	2,662,909	639,502	4,751	15,928
Prepayments. . . . .	107,232	4,055	-	-
Materials and supplies inventory. . . . .	261,480	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets . . . . .	<u>\$ 33,722,044</u>	<u>\$ 2,403,819</u>	<u>\$ 3,122,289</u>	<u>\$ 1,428,389</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 190,940	\$ 82,400	\$ 203,284	\$ -
Contracts payable. . . . .	1,189,122	219,867	18,501	-
Accrued wages and benefits . . . . .	500,394	27,486	-	-
Due to other governments . . . . .	394,447	62,727	-	-
Deferred revenue. . . . .	5,484,997	532,960	1,279,165	33,134
Unearned revenue. . . . .	1,567,160	-	-	241,638
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities . . . . .	<u>9,327,060</u>	<u>925,440</u>	<u>1,500,950</u>	<u>274,772</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	10,429,996	1,260,682	106,016	-
Reserved for debt service. . . . .	-	-	-	1,153,617
Unreserved:				
Designated for sick/vacation leave . . . . .	1,700,031	-	-	-
Undesignated, reported in:				
General fund . . . . .	12,264,957	-	-	-
Special revenue funds. . . . .	-	217,697	1,515,323	-
Capital projects funds. . . . .	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances. . . . .	<u>24,394,984</u>	<u>1,478,379</u>	<u>1,621,339</u>	<u>1,153,617</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances . . . . .	<u>\$ 33,722,044</u>	<u>\$ 2,403,819</u>	<u>\$ 3,122,289</u>	<u>\$ 1,428,389</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 3,741,902	\$ 2,737,829	\$ 35,719,540
-	494,029	494,029
-	-	3,562,683
-	267,769	2,205,361
-	-	159,178
-	-	1,274,414
-	-	544,386
-	-	262,622
-	358,334	358,334
-	68,330	3,391,420
-	-	111,287
-	-	261,480
<u>\$ 3,741,902</u>	<u>\$ 3,926,291</u>	<u>\$ 48,344,734</u>
\$ -	\$ 1,084	\$ 477,708
11,539	37,450	1,476,479
-	-	527,880
-	331,037	788,211
-	77,490	7,407,746
-	608,304	2,417,102
<u>11,539</u>	<u>1,055,365</u>	<u>13,095,126</u>
356,454	109,327	12,262,475
-	22	1,153,639
-	-	1,700,031
-	-	12,264,957
-	2,616,251	4,349,271
<u>3,373,909</u>	<u>145,326</u>	<u>3,519,235</u>
<u>3,730,363</u>	<u>2,870,926</u>	<u>35,249,608</u>
<u>\$ 3,741,902</u>	<u>\$ 3,926,291</u>	<u>\$ 48,344,734</u>

**CITY OF GAHANNA, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008

<b>Total governmental fund balances</b>		\$ 35,249,608
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		78,751,018
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income tax receivable	\$ 2,604,124	
Property taxes receivable	146,593	
Other local taxes receivable	121,201	
Revenue in lieu of taxes receivable	1,274,414	
Intergovernmental receivable	2,991,974	
Accrued interest receivable	197,481	
Accounts receivable	71,959	
Total		7,407,746
Unamortized balances of bond related transactions are not recorded in the funds.		
Unamortized premiums on bonds issued	(491,620)	
Unamortized deferred bond issuance costs	192,426	
Total		(299,194)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. The amount of accrued interest payable at year-end was:		(78,371)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds	20,745,576	
OPWC loan	813,566	
Capital leases payable	45,502	
Compensatory time payable	144,486	
Compensated absences	2,082,768	
Total		(23,831,898)
<b>Net assets of governmental activities</b>		<b>\$ 97,198,909</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF GAHANNA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Tax Increment Equivalent</u>	<u>Bond Retirement</u>
<b>Revenues:</b>				
Income taxes . . . . .	\$ 14,131,280	\$ -	\$ -	\$ -
Property taxes . . . . .	1,587,934	-	-	249,760
Other local taxes . . . . .	878,774	-	-	-
Revenue in lieu of taxes. . . . .	-	-	1,199,393	-
Charges for services . . . . .	3,098,182	2,885	-	-
Licenses, permits and fees . . . . .	423,019	-	-	-
Fines and forfeitures . . . . .	437,566	-	-	-
Intergovernmental . . . . .	2,847,529	1,514,227	4,468	31,217
Investment income . . . . .	2,238,818	55,378	-	-
Rental income . . . . .	49,008	-	-	-
Contributions and donations . . . . .	17,000	-	-	-
Decrease in fair value of investments. . . . .	(492,910)	-	-	-
Other . . . . .	230,930	11,083	-	-
Total revenues. . . . .	<u>25,447,130</u>	<u>1,583,573</u>	<u>1,203,861</u>	<u>280,977</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	3,623,619	-	214,394	1,616
Security of persons and property. . . . .	7,165,280	-	172,547	-
Public health and welfare . . . . .	181,060	-	-	-
Transportation . . . . .	1,226,611	1,076,217	-	-
Community environment . . . . .	3,458,223	-	470,085	-
Leisure time activity . . . . .	2,691,317	-	-	-
Utility services . . . . .	1,691,119	-	-	-
Capital outlay. . . . .	10,091,250	1,559,354	51,586	-
Debt service:				
Principal retirement . . . . .	30,091	-	-	1,192,835
Interest and fiscal charges . . . . .	3,965	-	-	978,519
Total expenditures . . . . .	<u>30,162,535</u>	<u>2,635,571</u>	<u>908,612</u>	<u>2,172,970</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(4,715,405)</u>	<u>(1,051,998)</u>	<u>295,249</u>	<u>(1,891,993)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	13,000	266,484	-	1,955,155
Transfers out . . . . .	(2,584,593)	(436,951)	-	-
Sale of capital assets. . . . .	11,055	-	-	-
Total other financing sources (uses) . . . . .	<u>(2,560,538)</u>	<u>(170,467)</u>	<u>-</u>	<u>1,955,155</u>
Net change in fund balances . . . . .	(7,275,943)	(1,222,465)	295,249	63,162
<b>Fund balances at beginning of year. . . . .</b>	<u>31,670,927</u>	<u>2,700,844</u>	<u>1,326,090</u>	<u>1,090,455</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 24,394,984</u>	<u>\$ 1,478,379</u>	<u>\$ 1,621,339</u>	<u>\$ 1,153,617</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 14,131,280
-	258,310	2,096,004
-	-	878,774
-	-	1,199,393
-	-	3,101,067
-	36,000	459,019
-	81,961	519,527
-	315,245	4,712,686
-	-	2,294,196
-	107,935	156,943
-	-	17,000
-	-	(492,910)
-	-	242,013
-	799,451	29,314,992
-	8,039	3,847,668
-	1,047,014	8,384,841
-	-	181,060
-	102,837	2,405,665
-	-	3,928,308
-	-	2,691,317
-	-	1,691,119
519,178	315,016	12,536,384
-	-	1,222,926
-	-	982,484
519,178	1,472,906	37,871,772
(519,178)	(673,455)	(8,556,780)
464,554	653,138	3,352,331
-	(377,787)	(3,399,331)
-	-	11,055
464,554	275,351	(35,945)
(54,624)	(398,104)	(8,592,725)
3,784,987	3,269,030	43,842,333
\$ 3,730,363	\$ 2,870,926	\$ 35,249,608

**CITY OF GAHANNA, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Net change in fund balances - total governmental funds** \$ (8,592,725)

*Amounts reported for governmental activities  
in the statement of activities are different because:*

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$ 10,264,995	
Current year depreciation	(3,574,319)	
Total		6,690,676

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income tax	(696,804)	
Property taxes	17,561	
Other local taxes	23,875	
Revenue in lieu of taxes	221,574	
Intergovernmental	478,855	
Interest income	69,712	
Other	58,954	
Total		173,727

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	1,144,978	
OPWC loan	47,857	
Capital lease	30,091	
Total		1,222,926

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items contributed to less interest being reported on the statement of activities:

Decrease in accrued interest payable	4,424	
Amortization of bond premiums	24,108	
Amortization of bond issue costs	(9,515)	
Total		19,017

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:

Increase in compensated absences payable	(179,970)	
Decrease in compensatory time payable	3,289	
Total		(176,681)

**Change in net assets of governmental activities** \$ (663,060)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Income taxes . . . . .	\$ 14,404,912	\$ 14,369,948	\$ 14,264,201	\$ (105,747)
Property taxes . . . . .	1,603,598	1,599,706	1,587,934	(11,772)
Other local taxes . . . . .	892,883	890,716	884,161	(6,555)
Charges for services . . . . .	3,016,424	3,009,103	2,986,959	(22,144)
Licenses, permits and fees . . . . .	428,651	427,611	424,464	(3,147)
Fines and forfeitures . . . . .	429,234	428,192	425,041	(3,151)
Intergovernmental . . . . .	2,836,577	2,829,691	2,808,868	(20,823)
Investment income . . . . .	2,330,140	2,324,485	2,307,379	(17,106)
Rental income . . . . .	49,491	49,371	49,008	(363)
Contributions and donations . . . . .	17,168	17,126	17,000	(126)
Other . . . . .	283,520	282,831	280,750	(2,081)
<b>Total revenues.</b> . . . .	<u>26,292,599</u>	<u>26,228,780</u>	<u>26,035,765</u>	<u>(193,015)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	4,987,400	5,137,031	4,355,857	781,174
Security of persons and property . . . . .	7,853,420	7,879,141	7,260,754	618,387
Transportation . . . . .	1,429,783	1,519,140	1,438,427	80,713
Community environment . . . . .	7,900,158	8,206,160	5,820,114	2,386,046
Public health and welfare . . . . .	182,600	182,600	181,060	1,540
Leisure time activity . . . . .	2,831,521	3,019,847	2,905,506	114,341
Utility services . . . . .	2,061,505	2,060,370	1,992,984	67,386
Capital outlay . . . . .	12,225,533	17,034,828	16,507,876	526,952
<b>Total expenditures</b> . . . . .	<u>39,471,920</u>	<u>45,039,117</u>	<u>40,462,578</u>	<u>4,576,539</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(13,179,321)</u>	<u>(18,810,337)</u>	<u>(14,426,813)</u>	<u>4,383,524</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets. . . . .	11,164	11,137	11,055	(82)
Advance in. . . . .	45,444	45,334	45,000	(334)
Transfers in. . . . .	13,128	13,096	13,000	(96)
Transfers out . . . . .	(2,075,860)	(2,605,594)	(2,584,593)	21,001
<b>Total other financing sources (uses)</b> . . . . .	<u>(2,006,124)</u>	<u>(2,536,027)</u>	<u>(2,515,538)</u>	<u>20,489</u>
Net change in fund balance. . . . .	(15,185,445)	(21,346,364)	(16,942,351)	4,404,013
<b>Fund balance at beginning of year.</b> . . . .	15,790,403	15,790,403	15,790,403	-
<b>Prior year encumbrances appropriated</b> . . . .	15,206,432	15,206,432	15,206,432	-
<b>Fund balance at end of year</b> . . . . .	<u>\$ 15,811,390</u>	<u>\$ 9,650,471</u>	<u>\$ 14,054,484</u>	<u>\$ 4,404,013</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 STREET MAINTENANCE AND REPAIR FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 1,420,432	\$ 1,292,494	\$ 1,536,629	\$ 244,135
Investment earnings. . . . .	51,190	46,580	55,378	8,798
Other . . . . .	10,245	9,322	11,083	1,761
Total revenues. . . . .	<u>1,481,867</u>	<u>1,348,396</u>	<u>1,603,090</u>	<u>254,694</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	1,123,624	1,261,191	1,241,044	20,147
Capital outlay . . . . .	2,908,203	3,023,609	2,895,254	128,355
Total expenditures . . . . .	<u>4,031,827</u>	<u>4,284,800</u>	<u>4,136,298</u>	<u>148,502</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(2,549,960)</u>	<u>(2,936,404)</u>	<u>(2,533,208)</u>	<u>403,196</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	246,333	224,146	266,484	42,338
Transfers out . . . . .	(436,951)	(436,951)	(436,951)	-
Total other financing sources (uses) . . . . .	<u>(190,618)</u>	<u>(212,805)</u>	<u>(170,467)</u>	<u>42,338</u>
Net change in fund balance. . . . .	(2,740,578)	(3,149,209)	(2,703,675)	445,534
<b>Fund balance at beginning of year . . . . .</b>	159,605	159,605	159,605	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>2,705,667</u>	<u>2,705,667</u>	<u>2,705,667</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 124,694</u>	<u>\$ (283,937)</u>	<u>\$ 161,597</u>	<u>\$ 445,534</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 TAX INCREMENT EQUIVALENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Revenue in lieu of taxes . . . . .	\$ 828,489	\$ 1,199,393	\$ 1,199,393	\$ -
Intergovernmental . . . . .	3,086	4,468	4,468	-
Total revenues . . . . .	<u>831,575</u>	<u>1,203,861</u>	<u>1,203,861</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	291,515	291,538	231,117	60,421
Security of persons and property . . . . .	190,042	190,042	190,042	-
Community environment . . . . .	683,757	775,535	751,362	24,173
Capital outlay . . . . .	40,000	51,586	51,586	-
Total expenditures . . . . .	<u>1,205,314</u>	<u>1,308,701</u>	<u>1,224,107</u>	<u>84,594</u>
Net change in fund balance . . . . .	(373,739)	(104,840)	(20,246)	84,594
<b>Fund balance at beginning of year . . . . .</b>	1,579,942	1,579,942	1,579,942	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>141,939</u>	<u>141,939</u>	<u>141,939</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,348,142</u>	<u>\$ 1,617,041</u>	<u>\$ 1,701,635</u>	<u>\$ 84,594</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2008

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Assets:</b>				
Current assets:				
Equity in pooled cash and investments . . . . .	\$ 6,421,388	\$ 14,482,442	\$ 2,104,490	\$ 23,008,320
Receivables (net of allowance for uncollectibles):				
Accounts . . . . .	1,092,195	2,064,932	247,726	3,404,853
Prepayments . . . . .	2,408	2,940	-	5,348
Materials and supplies inventory . . . . .	11,048	11,048	-	22,096
Noncurrent assets:				
Deferred bond issuance costs. . . . .	3,468	3,468	19,815	26,751
Capital assets:				
Land and construction-in-progress. . . . .	277,708	313,014	122,802	713,524
Depreciable capital assets, net . . . . .	24,774,491	16,011,036	10,125,467	50,910,994
Total capital assets . . . . .	25,052,199	16,324,050	10,248,269	51,624,518
Total assets . . . . .	32,582,706	32,888,880	12,620,300	78,091,886
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable. . . . .	23,111	15,055	6,855	45,021
Contracts payable. . . . .	102,901	19,431	260,250	382,582
Accrued wages and benefits . . . . .	15,426	15,428	8,298	39,152
Due to other governments . . . . .	956,124	1,259,692	6,701	2,222,517
Compensatory time payable . . . . .	5,711	5,746	1,938	13,395
Accrued interest payable . . . . .	1,295	2,304	8,418	12,017
Current portion of compensated absences. . . . .	12,416	12,416	5,739	30,571
Current portion of general obligation bonds payable . . . . .	11,949	11,949	76,124	100,022
Current portion of OPWC loans payable . . . . .	-	16,264	-	16,264
Total current liabilities. . . . .	1,128,933	1,358,285	374,323	2,861,541
Long-term liabilities:				
Compensated absences . . . . .	1,381	1,381	1,336	4,098
General obligation bonds payable. . . . .	329,244	329,244	2,143,803	2,802,291
OPWC loans payable. . . . .	-	41,411	-	41,411
Total long-term liabilities. . . . .	330,625	372,036	2,145,139	2,847,800
Total liabilities . . . . .	1,459,558	1,730,321	2,519,462	5,709,341
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	24,975,743	16,189,920	8,699,992	49,865,655
Unrestricted . . . . .	6,147,405	14,968,639	1,400,846	22,516,890
Total net assets. . . . .	\$ 31,123,148	\$ 31,158,559	\$ 10,100,838	\$ 72,382,545

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 4,552,582	\$ 8,434,677	\$ 1,006,822	\$ 13,994,081
Other . . . . .	75,856	101,484	10,812	188,152
Total operating revenues . . . . .	<u>4,628,438</u>	<u>8,536,161</u>	<u>1,017,634</u>	<u>14,182,233</u>
<b>Operating expenses:</b>				
Personal services . . . . .	434,763	431,854	265,666	1,132,283
Contractual services . . . . .	2,953,709	4,328,942	942,177	8,224,828
Materials and supplies . . . . .	31,037	10,184	2,240	43,461
Depreciation . . . . .	712,517	436,034	222,744	1,371,295
Other . . . . .	140,923	104,504	67,944	313,371
Total operating expenses . . . . .	<u>4,272,949</u>	<u>5,311,518</u>	<u>1,500,771</u>	<u>11,085,238</u>
Operating income (loss) . . . . .	<u>355,489</u>	<u>3,224,643</u>	<u>(483,137)</u>	<u>3,096,995</u>
<b>Nonoperating revenues (expenses):</b>				
Interest revenue . . . . .	9,876	9,876	20,652	40,404
Interest and fiscal charges . . . . .	(20,714)	(17,949)	(102,629)	(141,292)
Other nonoperating revenues . . . . .	21,638	3,318	-	24,956
Total nonoperating revenues (expenses) . . . . .	<u>10,800</u>	<u>(4,755)</u>	<u>(81,977)</u>	<u>(75,932)</u>
Net income (loss) before transfers . . . . .	366,289	3,219,888	(565,114)	3,021,063
Transfers in . . . . .	-	-	60,000	60,000
Transfers out . . . . .	<u>(5,000)</u>	<u>(5,000)</u>	<u>(3,000)</u>	<u>(13,000)</u>
Changes in net assets . . . . .	361,289	3,214,888	(508,114)	3,068,063
<b>Net assets at beginning of year . . . . .</b>	<u>30,761,859</u>	<u>27,943,671</u>	<u>10,608,952</u>	<u>69,314,482</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 31,123,148</u>	<u>\$ 31,158,559</u>	<u>\$ 10,100,838</u>	<u>\$ 72,382,545</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>				
Cash received from charges for services . . . . .	\$ 4,253,263	\$ 7,879,945	\$ 933,687	\$ 13,066,895
Cash received from other operations . . . . .	75,856	101,484	10,812	188,152
Cash payments for personal services . . . . .	(431,976)	(431,946)	(267,093)	(1,131,015)
Cash payments for contractual services . . . . .	(2,543,563)	(4,020,177)	(696,012)	(7,259,752)
Cash payments for materials and supplies. . . . .	(80,335)	(15,720)	(1,941)	(97,996)
Cash payments for other expenses . . . . .	(135,118)	(87,654)	(63,046)	(285,818)
Net cash provided by (used in) operating activities . . .	<u>1,138,127</u>	<u>3,425,932</u>	<u>(83,593)</u>	<u>4,480,466</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from transfers in. . . . .	-	-	60,000	60,000
Cash payments for transfers out. . . . .	(5,000)	(5,000)	(3,000)	(13,000)
Cash payments for repayment of interfund loan . . . . .	-	-	(45,000)	(45,000)
Cash received other nonoperating revenues. . . . .	21,638	3,318	-	24,956
Net cash provided by (used in) noncapital financing activities . . . . .	<u>16,638</u>	<u>(1,682)</u>	<u>12,000</u>	<u>26,956</u>
<b>Cash flows from capital and related financing activities:</b>				
Cash payments for the acquisition of capital assets. . . .	(721,859)	(643,890)	(121,517)	(1,487,266)
Principal payments on OPWC loan . . . . .	-	(5,236)	-	(5,236)
Interest payments on OPWC loan . . . . .	-	(1,101)	-	(1,101)
Principal payments on bonds. . . . .	(211,949)	(11,949)	(76,124)	(300,022)
Interest payments on bonds. . . . .	(21,948)	(16,098)	(104,140)	(142,186)
Net cash (used in) capital and related financing activities. . . . .	<u>(955,756)</u>	<u>(678,274)</u>	<u>(301,781)</u>	<u>(1,935,811)</u>
<b>Cash flows from investing activities:</b>				
Cash received from interest earned. . . . .	9,876	9,876	20,652	40,404
Net cash provided by investing activities . . . . .	<u>9,876</u>	<u>9,876</u>	<u>20,652</u>	<u>40,404</u>
Net increase (decrease) in cash and cash equivalents . . . .	208,885	2,755,852	(352,722)	2,612,015
<b>Cash and cash equivalents at beginning of year . . . .</b>	<b>6,212,503</b>	<b>11,726,590</b>	<b>2,457,212</b>	<b>20,396,305</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b><u>\$ 6,421,388</u></b>	<b><u>\$ 14,482,442</u></b>	<b><u>\$ 2,104,490</u></b>	<b><u>\$ 23,008,320</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss). . . . .	\$ 355,489	\$ 3,224,643	\$ (483,137)	\$ 3,096,995
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation . . . . .	712,517	436,034	222,744	1,371,295
Changes in assets and liabilities:				
(Increase) in accounts receivable. . . . .	(299,319)	(554,732)	(73,135)	(927,186)
Decrease in materials and supplies inventory . . . . .	4,108	4,108	-	8,216
Decrease in prepayments . . . . .	217	199	-	416
Increase in accounts payable . . . . .	11,380	9,576	4,470	25,426
Increase in contracts payable . . . . .	93,381	18,906	248,148	360,435
Increase in accrued wages and benefits . . . . .	3,902	3,904	1,262	9,068
Increase (decrease) in due to other governments. . . . .	253,204	280,011	(4,044)	529,171
Increase in compensated absences payable. . . . .	2,292	2,292	490	5,074
(Decrease) in accrued vacation leave. . . . .	(4,755)	(4,755)	(2,329)	(11,839)
Increase in compensatory time payable. . . . .	5,711	5,746	1,938	13,395
Net cash provided by (used) operating activities . . . .	<u>\$ 1,138,127</u>	<u>\$ 3,425,932</u>	<u>\$ (83,593)</u>	<u>\$ 4,480,466</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GAHANNA, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2008**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,137,054
Cash in segregated accounts . . . . .	<u>17,664</u>
Total assets . . . . .	<u>\$ 1,154,718</u>
<b>Liabilities:</b>	
Undistributed assets. . . . .	\$ 733,789
Deposits held and due to others. . . . .	<u>420,929</u>
Total liabilities . . . . .	<u>\$ 1,154,718</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

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

**Reporting Entity**

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

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

The City is a member of the Central Ohio Health Care Consortium (the “Pool”), a risk sharing pool which provides health insurance. The Pool, which commenced business on January 1, 1992, has five 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, and again on January 1, 2007. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City has no ongoing financial responsibility other than the three year minimum membership. See Note 19.

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 20.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

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) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply FASB Pronouncements and Interpretations issued after November 30, 1989, to its business-type activities or enterprise funds. The more significant of the City's accounting policies are described below.

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

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

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

*Fund Financial Statements*

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

**B. Fund Accounting**

The City uses funds to maintain its financial records during the year. 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.

*Governmental Funds*

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

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

Street maintenance and repair fund – This fund accounts for ninety-two and one-half percent of the State gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

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

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

Capital improvement fund – This fund accounts for various road construction and improvement projects within the City. These projects are financed from local sources.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

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

*Proprietary Funds*

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

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

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

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

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

*Fiduciary Funds*

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

**C. Measurement Focus**

*Government-wide Financial Statements*

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

*Fund Financial Statements*

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

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

**D. Basis of Accounting**

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

*Revenues – Exchange and Non-exchange Transactions*

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: 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 for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 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, 2008, are recorded as deferred revenue in the governmental funds.

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

*Expenses/Expenditures*

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

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

**E. Budgets And Budgetary Accounting**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the 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 fiduciary assets and liabilities as "cash in segregated accounts".

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

During the year, investments were limited to Federal Home Loan Mortgage Corporation (FHLMC) multicall mortgage guaranteed partnership certificates, FHLMC multicall guaranteed partnership certificates, Federal National Mortgage Association (FNMA) guaranteed REMIC pass thru certificates, Federal National Reserve (FNR) Series 1989-27 Class Y GTD Pass Thru Certificate, FHLMC bonds, FHLMC notes, Federal Home Loan Bank (FHLB) bonds, FNMA bonds, FNMA notes, Federal Farm Credit Bank (FFCB) bonds, Eaton Vance Prime Mutual Fund, 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 share price.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2008.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2008 amounted to \$2,238,818, which includes \$1,196,873 assigned from other funds.

For purposes of the statement of cash flows and for presentation on the financial statements, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**G. Materials And Supplies Inventory**

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

**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 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:

<u>Descriptions</u>	<u>Estimated Life</u>
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment:	
Machinery and equipment	3-30 years
Furniture and fixtures	20 years
Computers	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 water 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.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

**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. City employees must use their compensatory time balance that has been carried forward by the following year-end.

**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.

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 issuance costs are recorded as deferred charges.

**M. Reserves of Fund Balance**

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

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

**N. Fund Designations**

Fund balance designations are established to indicate tentative planned expenditures of financial resources. A designation reflects the City's intentions and is subject to change. The designation is reported as part of unreserved fund balance. The designation represents monies set aside for the payment of accumulated vacation/sick leave balances upon separation from the City.

**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 Receivables/Payables**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivable" and "interfund 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 or internal balances at December 31, 2008.

**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 adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for recreational activities, improving the living environment of the City, the operation of police programs, and the City's street repair/improvement programs.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

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

The government-wide statement of net assets reports \$11,935,778 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. 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 Principle**

For 2008, the City has implemented GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the City.

**B. Compliance**

Contrary to Ohio Revised Code Sections 5705.39 and 5705.36, the City had appropriations in excess of estimated resources throughout and at the year ended December 31, 2008.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) is presented for the general fund and the street maintenance and repair and tax increment equivalent special revenue funds on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

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 the general fund and major special revenue funds.

	<b>Net Change in Fund Balance</b>		
	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Tax Increment Equivalent</u>
Budget basis	\$ (16,942,351)	\$ (2,703,675)	\$ (20,246)
Net adjustment for revenue accruals	(588,635)	(19,517)	-
Net adjustment for expenditure accruals	(626,584)	(95,053)	174,006
Net adjustment for other sources/uses	(45,000)	-	-
Adjustment for encumbrances	<u>10,926,627</u>	<u>1,595,780</u>	<u>141,489</u>
GAAP basis	<u><u>\$ (7,275,943)</u></u>	<u><u>\$ (1,222,465)</u></u>	<u><u>\$ 295,249</u></u>

**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.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

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;
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 Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 two 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 treasurer 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 fiscal year-end, the City had \$494,029 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, 2008. This amount is not included in the City's depository balance below.

*Cash in Segregated Accounts:* At fiscal year-end, the City had \$17,664 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.

**Deposits with Financial Institutions**

At December 31, 2008, the carrying amount of all City deposits was \$(419,247) and the bank balance of all City deposits was \$849,809. A liability for the negative carrying value is not recorded as the City has the ability to transfer money from STAR Ohio which is recorded as investment below. Of the bank balance, \$449,641 was exposed to custodial risk as discussed below and \$400,168 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

**Investments**

As of December 31, 2008, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>1 Year or Less</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	<u>Greater Than 3 Years</u>
FHLMC multicall mortgage guaranteed partnership certificates	\$ 1,351,907	\$ -	\$ 992,426	\$ 160,070	\$ 199,411
FHLMC multicall guaranteed partnership certificates	1,748,954	-	415,791	-	1,333,163
FNMA guaranteed REMIC pass thru certificates	799,918	306,953	492,965	-	-
FNR series 1898-27 class Y guaranteed pass thru certificate	11,881	-	-	-	11,881
FHLB bonds	6,893,371	116,678	722,023	2,367,301	3,687,369
FNMA bonds	5,269,465	1,013,440	627,947	705,172	2,922,906
FNMA notes	1,705,195	329,368	-	324,701	1,051,126
FHLMC notes	2,394,293	-	815,987	835,350	742,956
FHLMC bonds	404,876	12,093	88,574	-	304,209
FFCB bonds	1,732,343	-	-	-	1,732,343
U.S government money market mutual funds	10,362,459	10,362,459	-	-	-
Eaton Vance mutual fund	765,897	765,897	-	-	-
Negotiable certificates of deposit	5,460,594	2,479,930	2,189,892	491,300	299,472
STAR Ohio	21,400,672	21,400,672	-	-	-
<b>Total</b>	<b>\$ 60,301,825</b>	<b>\$ 36,787,490</b>	<b>\$ 6,345,605</b>	<b>\$ 4,883,894</b>	<b>\$ 12,284,836</b>

The weighted average length to maturity of investment is 1.19 years.

*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 federal agency bonds and notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The FNR Series 1989-27 class Y guaranteed pass thru certificate, the FHLMC multicall mortgage guaranteed partnership certificates, the FHLMC multicall guaranteed partnership certificates and the FNMA guaranteed REMIC pass thru certificates carry a rating of AAA by Standard and Poor's. The Eaton Vance Prime Mutual Fund carries 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.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

*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 federal agency bonds and notes and the FNR Series 1989-27 class Y guaranteed pass thru certificate, the FHLMC multicall mortgage guaranteed partnership certificates, the FHLMC multicall guaranteed partnership certificates and the FNMA guaranteed REMIC pass thru certificates 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 treasurer 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.

The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC multicall mortgage guaranteed partnership certificates	\$ 1,351,907	2.24
FHLMC multicall guaranteed partnership certificates	1,748,954	2.90
FNMA guaranteed REMIC pass through certificates	799,918	1.33
FNR series guaranteed pass through certificates	11,881	0.02
FHLB bonds	6,893,371	11.43
FNMA bonds	5,269,465	8.74
FNMA notes	1,705,195	2.83
FHLMC notes	2,394,293	3.97
FHLMC bonds	404,876	0.67
FFCB bonds	1,732,343	2.87
U.S government money market mutual funds	10,362,459	17.18
Eaton Vance mutual fund	765,897	1.27
Negotiable certificates of deposit	5,460,594	9.06
STAR Ohio	<u>21,400,672</u>	<u>35.49</u>
Total	<u>\$ 60,301,825</u>	<u>100</u>

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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**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, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (419,247)
Investments	60,301,825
Cash with fiduciary agent	<u>494,029</u>
Total	<u>\$ 60,376,607</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 36,213,569
Business type activities	23,008,320
Fiduciary funds	<u>1,154,718</u>
Total	<u>\$ 60,376,607</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 that has a tax rate of one and one-half percent or less, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All proceeds go to the general fund.

**NOTE 7 – PROPERTY TAX**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. 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.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the 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. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Gahanna. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 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 2008 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.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 7 – PROPERTY TAX** (continued)

The full tax rate for all City operations for the year ended December 31, 2008 was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 774,231,340
Commercial/industrial/mineral	163,336,240
Tangible personal property	920,167
<u>Public utility</u>	
Real	18,820
Personal	<u>11,751,890</u>
Total assessed value	<u><u>\$ 950,258,457</u></u>

**NOTE 8 – RECEIVABLES**

Receivables at December 31, 2008, 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>
Ohio Department Of Development Grant	\$ 1,000,000
Local Government	800,081
Gasoline/Cents Per Gallon Tax	574,213
Clean Ohio Revitalization Grant	299,999
Estate Tax	160,797
Recreation Trails Program Grant	140,000
Homestead And Rollback	136,457
Motor Vehicle License Tax	117,138
Columbus Urban Area Security Initiative Grant	115,000
Mayor's Court	34,748
GHSO Operation Safe Communte Grant	7,432
Department of Justice Bulletproof Vest Partnership Grant	4,050
Franklin County DUI Task Force Grant	<u>1,505</u>
Total Due From Other Governments	<u><u>\$ 3,391,420</u></u>

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 9 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2008, was as follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
<b><u>Governmental activities:</u></b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 15,847,259	\$ 301,514	\$ -	\$ 16,148,773
Construction in progress	18,891,512	6,809,522	(18,823,255)	6,877,779
Total capital assets, not being depreciated	<u>34,738,771</u>	<u>7,111,036</u>	<u>(18,823,255)</u>	<u>23,026,552</u>
Depreciable capital assets:				
Buildings	9,099,903	16,107,198	-	25,207,101
Improvements other than buildings	5,113,092	196,343	-	5,309,435
Machinery and equipment	5,715,221	483,086	(10,998)	6,187,309
Vehicles	2,962,443	250,846	-	3,213,289
Infrastructure	66,486,203	4,939,741	-	71,425,944
Total depreciable capital assets	<u>89,376,862</u>	<u>21,977,214</u>	<u>(10,998)</u>	<u>111,343,078</u>
Less: accumulated depreciation:				
Buildings	(2,550,518)	(318,338)	-	(2,868,856)
Improvements other than buildings	(2,685,456)	(214,934)	-	(2,900,390)
Machinery and equipment	(2,978,592)	(578,695)	10,998	(3,546,289)
Vehicles	(2,050,742)	(372,864)	-	(2,423,606)
Infrastructure:	(41,789,983)	(2,089,488)	-	(43,879,471)
Total accumulated depreciation	<u>(52,055,291)</u>	<u>(3,574,319)</u>	<u>10,998</u>	<u>(55,618,612)</u>
Depreciable capital assets, net	<u>37,321,571</u>	<u>18,402,895</u>	<u>-</u>	<u>55,724,466</u>
Governmental activities capital assets, net	<u>\$ 72,060,342</u>	<u>\$ 25,513,931</u>	<u>\$ (18,823,255)</u>	<u>\$ 78,751,018</u>

Depreciation expense was charged to governmental programs as follows:

Security of persons and property	\$ 415,156
Leisure time activities	235,039
Community environment	461,038
General government	261,534
Transportation	2,201,552
Total depreciation expense	<u>\$ 3,574,319</u>

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 39,210	\$ -	\$ -	\$ 39,210
Construction in progress	1,558,071	684,038	(1,567,795)	674,314
Total capital assets, not being Depreciated	<u>1,597,281</u>	<u>684,038</u>	<u>(1,567,795)</u>	<u>713,524</u>
Depreciable capital assets:				
Buildings	991,000	-	-	991,000
Improvements other than buildings	55,800	-	-	55,800
Machinery and equipment	778,646	14,950	-	793,596
Vehicles	511,690	144,592	-	656,282
Infrastructure:				
Storm sewer lines	13,125,382	341,187	-	13,466,569
Water lines and miscellaneous infrastructure	39,335,314	851,442	-	40,186,756
Sewer lines and miscellaneous infrastructure	23,518,243	1,018,852	-	24,537,095
Total depreciable capital assets	<u>78,316,075</u>	<u>2,371,023</u>	<u>-</u>	<u>80,687,098</u>
Less: accumulated depreciation:				
Buildings	(358,629)	(28,458)	-	(387,087)
Improvements other than buildings	(9,855)	(2,790)	-	(12,645)
Machinery and equipment	(240,641)	(66,009)	-	(306,650)
Vehicles	(87,746)	(71,404)	-	(159,150)
Infrastructure:				
Storm sewer lines	(3,268,812)	(204,102)	-	(3,472,914)
Water lines and miscellaneous infrastructure	(15,594,449)	(648,168)	-	(16,242,617)
Sewer lines and miscellaneous infrastructure	(8,844,677)	(350,364)	-	(9,195,041)
Total accumulated depreciation	<u>(28,404,809)</u>	<u>(1,371,295)</u>	<u>-</u>	<u>(29,776,104)</u>
Depreciable capital assets, net	<u>49,911,266</u>	<u>999,728</u>	<u>-</u>	<u>50,910,994</u>
Business-type activities capital assets, net	<u>\$ 51,508,547</u>	<u>\$ 1,683,766</u>	<u>\$ (1,567,795)</u>	<u>\$ 51,624,518</u>

Depreciation expense was charged to the enterprise funds as follows:

Water	\$ 712,517
Sewer	436,034
Storm Water	222,744
Total depreciation expense	<u>\$ 1,371,295</u>

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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**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 that may be obtained by 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 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$474,000, \$624,225 and \$549,913, respectively; 92.39 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

**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 information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers. The City has no firefighters. Contributions are authorized by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police were \$547,440 for the year ended December 31, 2008, \$591,471 for the year ended December 31, 2007, and \$465,270 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 74.06 percent for police officers has been contributed for 2008.

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

**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 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 administrated 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 2008, local government employers contributed 14.00% of covered payroll (17.40% 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 amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

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, 2008, 2007, and 2006, were \$474,000, \$477,114, and \$268,979, respectively; 92.39 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

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 increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which 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 Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost sharing multiple employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit 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 information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. 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 percent of covered payroll for police. The City of Gahanna has no fire personnel.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75 percent 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 pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

The OP&F Board of Trustees is also 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. Active members do not make contributions to the OPEB Plan.

The City's contributions to the OP&F which are allocated to fund post-employment health care benefits for police were \$289,821 for the year ended December 31, 2008, \$313,132 for the year ended December 31, 2007, and \$306,880 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 74.06 percent has been contributed for police for 2008.

**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.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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

**B. Deferred Compensation Plan**

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

**C. Health Care Benefits**

The City provides health care benefits through the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool that provided 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 – CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the City has entered into capitalized leases for copier equipment and a mail machine. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “*Accounting for Leases*”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

The copier equipment and mail machine have been capitalized at \$125,052. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2008 totaled \$30,091 in the governmental funds.

The assets acquired through capital leases as of December 31, 2008, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leased equipment	<u>\$125,052</u>	<u>\$81,278</u>	<u>\$43,774</u>

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 13 – CAPITAL LEASES - LESSEE DISCLOSURE** *(continued)*

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2008.

Fiscal Year Ending December 31,	Payments
2009	\$34,057
2010	13,723
Total	47,780
Less: Amount Representing Interest	(2,278)
Present Value of Minimum Lease Payments	\$45,502

**NOTE 14 – CAPITAL LEASE RECEIVABLE**

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

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

Fiscal Year Ending December 31,	Amount
2009	\$239,045
2010	48,063
2011	30,188
2012	16,428
2013	9,089
2014 - 2017	15,521
Total Lease Receivable	\$358,334

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**

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

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2008, was as follows:

Types / Issues	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008	Due Within One Year
<u>Business-type activities:</u>					
<u>General obligation bonds</u>					
Water fund					
1994 - Star Bank series 4.0% to 5.85%	\$ 200,000	\$ -	\$ (200,000)	\$ -	\$ -
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	345,667	-	(11,949)	333,718	11,949
Premium on bonds issued	7,879	-	(404)	7,475	-
Sewer fund					
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	345,668	-	(11,949)	333,719	11,949
Premium on bonds issued	7,878	-	(404)	7,474	-
Storm water fund					
2005 - Creekside Phase II and Morrison Road					
Serial bonds 3.25% to 5.0%	278,111	-	(11,124)	266,987	11,124
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	1,975,000	-	(65,000)	1,910,000	65,000
Premium on bonds issued	45,261	-	(2,321)	42,940	-
Total general obligations bonds	<u>3,205,464</u>	<u>-</u>	<u>(303,151)</u>	<u>2,902,313</u>	<u>100,022</u>
<u>Other long-term obligations</u>					
1996 - OPWC Loan 3.5 %	62,911	-	(5,236)	57,675	16,264
Compensated absences payable	29,595	53,177	(48,103)	34,669	30,571
Total other long-term obligations	<u>92,506</u>	<u>53,177</u>	<u>(53,339)</u>	<u>92,344</u>	<u>46,835</u>
Total business-type activities	<u>\$ 3,297,970</u>	<u>\$ 53,177</u>	<u>\$ (356,490)</u>	<u>\$ 2,994,657</u>	<u>\$ 146,857</u>

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
*(continued)*

Types / Issues	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008	Due Within One Year
<b>Governmental activities:</b>					
<u>General obligation bonds</u>					
1994 - Star Bank series 4.0% to 5.85%	\$ 510,000	\$ -	\$ (510,000)	\$ -	\$ -
2005 - Creekside Phase II and Morrison Road					
Serial bonds 3.25% to 5.0%	9,511,889	-	(373,876)	9,138,013	388,876
Term bonds 4.25%	3,185,000	-	-	3,185,000	-
Premium on bonds issued	305,946	-	(13,350)	292,596	-
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	8,683,665	-	(261,102)	8,422,563	261,102
Premium on bonds issued	209,782	-	(10,758)	199,024	-
Total general obligations bonds	<u>22,406,282</u>	<u>-</u>	<u>(1,169,086)</u>	<u>21,237,196</u>	<u>649,978</u>
<u>Other long-term obligations</u>					
2006 - OPWC Loan 3.5 %	861,423	-	(47,857)	813,566	143,571
Capital lease obligation	75,593	-	(30,091)	45,502	32,048
Compensated absences payable	1,902,798	957,153	(777,183)	2,082,768	598,210
Total other long-term obligations	<u>2,839,814</u>	<u>957,153</u>	<u>(855,131)</u>	<u>2,941,836</u>	<u>773,829</u>
Total governmental activities	<u>\$ 25,246,096</u>	<u>\$ 957,153</u>	<u>\$ (2,024,217)</u>	<u>\$ 24,179,032</u>	<u>\$ 1,423,807</u>

The City's overall legal debt margin (the ability to issue additional amounts of general obligation debt) was \$77,243,611, with an unvoted debt margin of \$52,213,319 at December 31, 2008.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
*(continued)*

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

<i>Fiscal Year Ending December 31,</i>	<i>Business-Type Activities</i>							
	<i>Water General Obligation Bonds</i>		<i>Sewer General Obligation Bonds</i>		<i>Stormwater General Obligation Bonds</i>		<i>Sewer OPWC Loan</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>
2009	\$ 11,949	\$ 15,540	\$ 11,949	\$ 15,540	\$ 76,124	\$ 101,016	\$ 16,264	\$ 2,746
2010	11,949	15,032	11,949	15,032	81,710	97,891	11,323	1,351
2011	12,802	14,525	12,802	14,525	81,710	94,535	11,723	951
2012	12,802	13,980	12,802	13,980	87,295	91,151	12,137	537
2013	13,656	13,436	13,656	13,436	92,881	87,532	6,228	109
2014 - 2018	77,667	57,968	77,668	57,968	517,602	376,516	-	-
2019 - 2023	97,300	38,872	97,300	38,872	641,337	248,221	-	-
2024 - 2027	95,593	12,248	95,593	12,248	598,327	74,280	-	-
Totals	<u>\$ 333,718</u>	<u>\$ 181,601</u>	<u>\$ 333,719</u>	<u>\$ 181,601</u>	<u>\$ 2,176,986</u>	<u>\$ 1,171,142</u>	<u>\$ 57,675</u>	<u>\$ 5,694</u>

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

<i>Fiscal Year Ending December 31,</i>	<i>Serial Bonds</i>		<i>Term Bonds</i>		<i>OPWC Loan</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>
2009	\$ 649,978	\$ 940,455	\$ -	\$ -	\$ 143,571
2010	659,392	916,719	-	-	95,714
2011	727,685	892,629	-	-	95,713
2012	757,100	864,762	-	-	95,714
2013	789,807	835,757	-	-	95,713
2014 - 2018	4,452,061	3,670,465	-	-	287,141
2019 - 2023	5,594,064	2,522,919	-	-	-
2024 - 2028	3,930,489	696,448	1,830,000	330,437	-
2029 - 2030	-	-	1,355,000	86,913	-
Totals	<u>\$ 17,560,576</u>	<u>\$ 11,340,154</u>	<u>\$ 3,185,000</u>	<u>\$ 417,350</u>	<u>\$ 813,566</u>

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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**NOTE 15 – OUTSTANDING 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:

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

**B. General Obligation Bonds**

During 1994, the City issued \$4,105,000 in general obligation bonds to provide funds for the acquisition and construction of major capital facilities and the refinancing of bond anticipation notes. General obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 15 year serial bonds and are paid with property taxes from the debt service fund. These bonds were retired in 2008.

During 1994, the City issued \$1,505,000 in general obligation bonds for the purpose of replacing and constructing water and sewer lines. Enterprise obligation bonds are direct obligations and pledge the full faith and credit of the City for repayment. These bonds are generally issued as 15 year serial bonds and are paid from revenues from the operations of the water and sewer systems. These bonds were retired in 2008.

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, 2008, all of the governmental activities and enterprise bond proceeds have been spent toward the project.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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**NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS**  
*(continued)*

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, 2008, \$5,295,747 of the governmental activities bond proceeds had been spent toward the project leaving \$3,387,918 in unspent proceeds at December 31, 2008. As of December 31, 2008, \$1,465,210 of the enterprise bond proceeds had been spent toward the project leaving \$671,650, \$264,737 and \$264,738 in unspent proceeds in the storm water, water and sewer enterprise funds, respectively, at December 31, 2008.

**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.

**D. Compensated Absences / Capital Leases**

Compensated absences will be paid from the general, street maintenance and repair, State highway, storm water, water and sewer funds. Capital leases are paid from the general fund.

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 16 – CONSTRUCTION COMMITMENTS**

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2008, the significant outstanding construction commitments were:

Project	Contract Amount	Amount Completed	Balance 12/31/2008
Gahanna Creekside LLC	\$17,693,971	\$17,378,151	\$315,820
Morrison Road - Phase II	3,380,401	3,063,216	317,185
Tech Center Drive	3,233,287	2,612,028	621,259
Hannah Park Construction	2,459,666	2,039,485	420,181
Bedford Landfill Cleanup	4,200,000	2,743,637	1,456,363
I-270 Ramp Modifications	352,507	273,795	78,712
Central Corridor Development	1,110,638	306,764	803,874
Pool Improvements	1,920	688	1,232
Foxwood/Rice Avenue Project	316,500	105,969	210,531
Whiteboard Wireless Project	2,637,675	1,996,609	641,066
Security Cameras at Various Parks	398,399	350,290	48,109
Pizzuro Park Playground	4,880	4,617	263
Claycraft/Morrison - Phase I	314,643	216,847	97,796
Friendship Park Shelter House	36,402	31,780	4,622
Wireless Project	3,143,171	1,898,498	1,244,673
City Hall Building Modifications	95,949	92,309	3,640
Police Department Building Modifications	239,927	206,747	33,180
Jenson Park Master Meter	396,421	395,821	600
Playground Improvement	148,959	124,052	24,907
Woodside Green Shelter Roofing	118,793	72,606	46,187
Big Walnut Restoration	44,496	39,896	4,600
Recreation Trails	559,900	133,678	426,222
Pizzuro Dog Park	64,869	43,740	21,129
Park Engineering and Storm Drainage	76,643	68,051	8,592
Creekside - Mill Race	64,097	62,341	1,756
Manor Homes (Infrastructure Improvements)	1,722,695	1,383,247	339,448
Gahanna Heights Storm Water Remediation	37,517	35,708	1,809
Total	<u>\$ 42,854,326</u>	<u>\$ 35,680,570</u>	<u>\$ 7,173,756</u>

**City of Gahanna, Ohio**  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

**NOTE 17 – RISK MANAGEMENT**

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

**NOTE 18 – INTERFUND TRANSFERS**

Transfers made during the year ended December 31, 2008, were as follows:

	Transfers To						Total
	Street		Bond Retirement	Capital Improvement	Nonmajor Governmental	Storm Water	
	General	Maintenance and Repair					
General	\$ -	\$ 266,484	\$ 1,140,417	\$ 464,554	\$ 653,138	\$ 60,000	\$ 2,584,593
Street maintenance and repair	-	-	436,951	-	-	-	436,951
Nonmajor Governmental	-	-	377,787	-	-	-	377,787
Water	5,000	-	-	-	-	-	5,000
Sewer	5,000	-	-	-	-	-	5,000
Storm Water	3,000	-	-	-	-	-	3,000
Total	<u>\$ 13,000</u>	<u>\$ 266,484</u>	<u>\$ 1,955,155</u>	<u>\$ 464,554</u>	<u>\$ 653,138</u>	<u>\$ 60,000</u>	<u>\$ 3,412,331</u>

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfers from the water, sewer and storm water funds to the general fund were made for future severance payments. The transfers from the general, street maintenance and repair, and nonmajor governmental funds to the bond retirement fund were made to service annual debt payments.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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**NOTE 19 – 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 five political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The City pays monthly contributions to the Consortium, 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 City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the Pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$175,000 per claim per year, with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$7,350,026 to a maximum of \$2,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

**NOTE 20 – 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.

*City of Gahanna, Ohio*  
Notes To The Basic Financial Statements  
For The Fiscal Year Ended December 31, 2008

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**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.

**B. Federal And State Grants**

For the period January 1, 2008, to December 31, 2008, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City of Gahanna's basic financial statements and have issued our report thereon dated June 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Gahanna's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Gahanna's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Gahanna's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Gahanna's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Gahanna's financial statements that is more than inconsequential will not be prevented or detected by the City of Gahanna's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Gahanna's internal control.

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

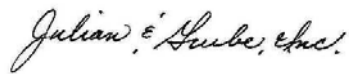
Members of Council and Mayor  
City of Gahanna

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Gahanna's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-COG-001 and 2008-COG-002.

The City of Gahanna's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit City of Gahanna's responses and, accordingly, we express no opinion on them.

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



Julian & Grube, Inc.  
June 25, 2009

**CITY OF GAHANNA  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2008**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2008-COG-001

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The City had appropriations in excess of estimated resources December 31, 2008 in the following funds:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>December 31, 2008</u>			
<u>Major Funds:</u>			
Street Maintenance and Repair	\$ 4,437,814	\$ 4,721,751	\$ 283,937
Bond Retirement	126,777	332,827	206,050
<u>Nonmajor Funds:</u>			
Public Landscape Trust	17,550	21,435	3,885
County Permissive	2,555,847	2,683,594	127,747

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

We recommend the City comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Finance Director will attempt to update estimated revenues in a more timely manner.

Finding Number	2008-COG-002
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Ohio Revised Code Sections 5705.36, in part, requires Finance Directors to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

During the year ended December 31, 2008, the City did not request enough amended certificates throughout the year upon notice of increased or decreased resources.

The City is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the City certify its available sources at year end and file amended certificates as necessary throughout the year. This will facilitate the City's appropriation process.

Client Response: The City will attempt to monitor its estimated revenues more closely and will request amended certificates as needed.

**CITY OF GAHANNA  
FRANLIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2007-COG-001	<u>Significant Deficiency/Material Weakness</u> - SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. The City did not maintain sufficient controls in place to report financial data for accounts receivable in relation to utilities services provided, receivables for tax increment financing agreements and interfund transactions.	Yes	Finding no longer valid
2007-COG-002	<u>Significant Deficiency</u> - The City did not reconcile bank statements in a timely manner.	Yes	Finding no longer valid
2007-COG-003	<u>Significant Deficiency</u> - The City did not submit their annual GAAP report in a timely manner.	Yes	Finding no longer valid