



**Auditor of State
Betty Montgomery**

**CITY OF BEXLEY
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

City of Bexley
Franklin County
2242 East Main Street
Bexley, Ohio 43209

To the members of City Council:

We have audited the accompanying general purpose financial statements of the City of Bexley, Franklin County, Ohio (the City) as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery
Auditor of State**

August 25, 2003

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CITY OF BEXLEY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

| | Governmental Fund Types | | | |
|--|--------------------------------|----------------------------|--------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>Assets and Other Debits</u> | | | | |
| Assets: | | | | |
| Equity in pooled cash, cash equivalents and investments. | \$ 2,214,931 | \$ 215,404 | \$ 328,450 | \$ 211,175 |
| Cash in segregated accounts | 1,751 | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes | 2,493,385 | 1,142,703 | - | 46,410 |
| Accounts | - | - | - | - |
| Accrued interest | 9,319 | - | - | - |
| Due from other funds | - | 3,391 | - | - |
| Due from other governments | 695,779 | 221,435 | - | - |
| Advances to other funds. | 250,000 | - | - | - |
| Prepayments. | 4,761 | - | - | - |
| Materials and supplies inventory | 7,759 | 10,941 | - | - |
| Deferred bond issuance costs | - | - | - | - |
| Property, plant and equipment (net of accumulated depreciation where applicable). | - | - | - | - |
| Other debits: | | | | |
| Amount available for debt service. | - | - | - | - |
| Amount to be provided from general government resources | - | - | - | - |
| Total assets and other debits | <u>\$ 5,677,685</u> | <u>\$ 1,593,874</u> | <u>\$ 328,450</u> | <u>\$ 257,585</u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) |
|--------------------------|-------------------------|---------------------|-------------------------|-------------------------------|
| | | Trust and Agency | General Fixed Assets | |
| Enterprise | | | | |
| \$ 560,048 | \$ 72,136 | \$ - | \$ - | \$ 3,602,144 |
| - | 4,212 | - | - | 5,963 |
| - | - | - | - | 3,682,498 |
| 622,860 | - | - | - | 622,860 |
| - | - | - | - | 9,319 |
| - | - | - | - | 3,391 |
| - | - | - | - | 917,214 |
| - | - | - | - | 250,000 |
| 711 | - | - | - | 5,472 |
| 8,130 | - | - | - | 26,830 |
| 10,960 | - | - | - | 10,960 |
| 2,774 | - | 4,022,272 | - | 4,025,046 |
| - | - | - | 328,450 | 328,450 |
| - | - | - | 3,789,586 | 3,789,586 |
| <u>\$ 1,205,483</u> | <u>\$ 76,348</u> | <u>\$ 4,022,272</u> | <u>\$ 4,118,036</u> | <u>\$ 17,279,733</u> |

-- continued

CITY OF BEXLEY, OHIO

COMBINED BALANCE SHEET (CONTINUED)
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

| | Governmental Fund Types | | | |
|--|--------------------------------|----------------------------|--------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| <u>Liabilities, equity and other credits</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 153,858 | \$ 16,021 | \$ - | \$ 42,916 |
| Contracts payable | 30,367 | - | - | - |
| Accrued wages and benefits | 120,889 | 16,519 | - | - |
| Compensated absences payable | 12,658 | 21,605 | - | - |
| Advances from other funds | - | - | - | - |
| Pension obligation payable | 127,348 | 92,677 | - | - |
| Deferred revenue | 2,175,709 | 1,307,700 | - | 27,462 |
| Due to other funds | 3,391 | - | - | - |
| Due to other governments | - | - | - | - |
| Undistributed monies | - | - | - | - |
| General obligation bonds payable | - | - | - | - |
| Claims and judgements payable | - | - | - | - |
| Capital lease obligation payable | - | - | - | - |
| Total liabilities | <u>2,624,220</u> | <u>1,454,522</u> | <u>-</u> | <u>70,378</u> |
| Equity and other credits: | | | | |
| Investment in general fixed assets | - | - | - | - |
| Retained earnings (accumulated deficit): | | | | |
| Unreserved | - | - | - | - |
| Fund balances: | | | | |
| Reserved for encumbrances | 303,328 | 6 | - | 34,340 |
| Reserved for materials and supplies inventory | 7,759 | 10,941 | - | - |
| Reserved for advances | 250,000 | - | - | - |
| Reserved for prepayments | 4,761 | - | - | - |
| Reserved for debt service | - | - | 328,450 | - |
| Unreserved: | | | | |
| Designated for budget stabilization | 1,000,000 | - | - | - |
| Undesignated | 1,487,617 | 128,405 | - | 152,867 |
| Total equity and other credits | <u>3,053,465</u> | <u>139,352</u> | <u>328,450</u> | <u>187,207</u> |
| Total liabilities, equity and other credits | <u>\$ 5,677,685</u> | <u>\$ 1,593,874</u> | <u>\$ 328,450</u> | <u>\$ 257,585</u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) |
|--------------------------|-------------------------|---------------------|-------------------------|-------------------------------|
| | | Trust and Agency | General Fixed Assets | |
| Enterprise | | | | |
| \$ 71,840 | \$ 4,885 | \$ - | \$ - | \$ 289,520 |
| - | - | - | - | 30,367 |
| 11,548 | - | - | - | 148,956 |
| 38,120 | - | - | 378,416 | 450,799 |
| 250,000 | - | - | - | 250,000 |
| 18,067 | - | - | - | 238,092 |
| - | - | - | - | 3,510,871 |
| - | - | - | - | 3,391 |
| 383,119 | - | - | - | 383,119 |
| - | 13,553 | - | - | 13,553 |
| 900,000 | - | - | 3,690,000 | 4,590,000 |
| 25,000 | - | - | - | 25,000 |
| - | - | - | 49,620 | 49,620 |
| <u>1,697,694</u> | <u>18,438</u> | <u>-</u> | <u>4,118,036</u> | <u>9,983,288</u> |
| - | - | 4,022,272 | - | 4,022,272 |
| (492,211) | - | - | - | (492,211) |
| - | 35,907 | - | - | 373,581 |
| - | - | - | - | 18,700 |
| - | - | - | - | 250,000 |
| - | - | - | - | 4,761 |
| - | - | - | - | 328,450 |
| - | - | - | - | 1,000,000 |
| - | 22,003 | - | - | 1,790,892 |
| <u>(492,211)</u> | <u>57,910</u> | <u>4,022,272</u> | <u>-</u> | <u>7,296,445</u> |
| <u>\$ 1,205,483</u> | <u>\$ 76,348</u> | <u>\$ 4,022,272</u> | <u>\$ 4,118,036</u> | <u>\$ 17,279,733</u> |

CITY OF BEXLEY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

| | Governmental Fund Types | | | | Fiduciary Fund Type | Total (Memorandum Only) |
|--|-------------------------|--------------------|-------------------|---------------------|------------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Revenues: | | | | | | |
| Municipal income tax | \$ 4,949,058 | \$ - | \$ - | \$ 237,004 | \$ - | \$ 5,186,062 |
| Property and other taxes | 573,592 | 274,080 | - | - | - | 847,672 |
| Charges for services | - | 571,437 | - | - | - | 571,437 |
| Licenses, permits and fees | 228,265 | 1,843 | - | - | - | 230,108 |
| Fines and forfeitures | 143,049 | 3,550 | - | - | - | 146,599 |
| Special assessments | - | - | - | 40,085 | - | 40,085 |
| Intergovernmental | 1,316,083 | 412,672 | - | 786 | - | 1,729,541 |
| Investment income | 90,336 | 3,391 | - | - | - | 93,727 |
| Other | 159,179 | 22,699 | - | - | 168,304 | 350,182 |
| Total revenues | 7,459,562 | 1,289,672 | - | 277,875 | 168,304 | 9,195,413 |
| Expenditures: | | | | | | |
| Current operations: | | | | | | |
| General government | 2,941,119 | 1,789 | - | - | - | 2,942,908 |
| Security of persons and property | 3,604,942 | 359,669 | - | - | - | 3,964,611 |
| Public health and welfare | 61,821 | - | - | - | - | 61,821 |
| Transportation | - | 503,887 | - | - | - | 503,887 |
| Community environment | 357,795 | - | - | - | 93,161 | 450,956 |
| Leisure time activity | 298,904 | 936,380 | - | - | 58,647 | 1,293,931 |
| Other | - | - | 352 | - | - | 352 |
| Capital outlay | 51,437 | - | - | 909,973 | - | 961,410 |
| Debt service: | | | | | | |
| Principal retirement | 33,292 | - | 150,000 | - | - | 183,292 |
| Interest and fiscal charges | 2,140 | - | 187,771 | - | - | 189,911 |
| Total expenditures | 7,351,450 | 1,801,725 | 338,123 | 909,973 | 151,808 | 10,553,079 |
| Excess (deficiency) of revenues over (under) expenditures | 108,112 | (512,053) | (338,123) | (632,098) | 16,496 | (1,357,666) |
| Other financing sources (uses): | | | | | | |
| Proceeds from sale of fixed assets | 13,044 | - | - | - | - | 13,044 |
| Proceeds of capital lease transaction | 51,437 | - | - | - | - | 51,437 |
| Operating transfers in | - | 382,000 | 337,771 | 500,000 | 345 | 1,220,116 |
| Operating transfers out | (1,219,771) | (345) | - | - | - | (1,220,116) |
| Total other financing sources (uses) | (1,155,290) | 381,655 | 337,771 | 500,000 | 345 | 64,481 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | (1,047,178) | (130,398) | (352) | (132,098) | 16,841 | (1,293,185) |
| Fund balances, January 1 | 4,100,045 | 268,906 | 328,802 | 319,305 | 41,069 | 5,058,127 |
| Increase in reserve for inventory | 598 | 844 | - | - | - | 1,442 |
| Fund balances, December 31 | \$ 3,053,465 | \$ 139,352 | \$ 328,450 | \$ 187,207 | \$ 57,910 | \$ 3,766,384 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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CITY OF BEXLEY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

| | General | | | Special Revenue | | |
|--|---------------------|---------------------|---|-------------------|-------------------|---|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Municipal income tax | \$ 4,943,580 | \$ 4,919,469 | \$ (24,111) | \$ - | \$ - | \$ - |
| Property and other taxes | 576,403 | 573,592 | (2,811) | 271,611 | 274,080 | 2,469 |
| Charges for services | - | - | - | 599,640 | 571,437 | (28,203) |
| Licenses, permits and fees | 229,384 | 228,265 | (1,119) | 2,000 | 1,843 | (157) |
| Fines and forfeitures | 144,127 | 143,424 | (703) | 1,000 | 3,550 | 2,550 |
| Special assessments | - | - | - | - | - | - |
| Intergovernmental | 1,643,547 | 1,635,531 | (8,016) | 451,339 | 421,778 | (29,561) |
| Investment income | 80,750 | 80,356 | (394) | - | - | - |
| Other | 159,949 | 159,179 | (770) | - | 22,699 | 22,699 |
| Total revenues | 7,777,740 | 7,739,816 | (37,924) | 1,325,590 | 1,295,387 | (30,203) |
| Expenditures: | | | | | | |
| Current operations: | | | | | | |
| General government | 3,402,204 | 3,248,541 | 153,663 | 1,789 | 1,789 | - |
| Security of persons and property | 3,926,084 | 3,748,760 | 177,324 | 360,107 | 357,999 | 2,108 |
| Public health and welfare | 64,628 | 61,709 | 2,919 | - | - | - |
| Transportation | - | - | - | 585,823 | 512,306 | 73,517 |
| Community environment | 380,912 | 363,708 | 17,204 | - | - | - |
| Leisure time activity | 330,602 | 315,670 | 14,932 | 968,729 | 924,845 | 43,884 |
| Other | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal retirement | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - |
| Total expenditures | 8,104,430 | 7,738,388 | 366,042 | 1,916,448 | 1,796,939 | 119,509 |
| Excess (deficiency) of revenues over (under) expenditures | (326,690) | 1,428 | 328,118 | (590,858) | (501,552) | 89,306 |
| Other financing sources (uses): | | | | | | |
| Proceeds from sale of fixed assets | 13,108 | 13,044 | (64) | - | - | - |
| Operating transfers in | 14,576 | 14,007 | (569) | 400,526 | 382,000 | (18,526) |
| Operating transfers out | (1,292,138) | (1,233,778) | 58,360 | (345) | (345) | - |
| Advances in | 100,000 | 100,000 | - | - | - | - |
| Total other financing sources (uses) | (1,164,454) | (1,106,727) | 57,727 | 400,181 | 381,655 | (18,526) |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | (1,491,144) | (1,105,299) | 385,845 | (190,677) | (119,897) | 70,780 |
| Fund balance, January 1 | 2,436,631 | 2,436,631 | - | 305,568 | 305,568 | - |
| Prior year encumbrances appropriated | 456,223 | 456,223 | - | 27,950 | 27,950 | - |
| Fund balance, December 31 | \$ 1,401,710 | \$ 1,787,555 | \$ 385,845 | \$ 142,841 | \$ 213,621 | \$ 70,780 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

| Debt Service | | | Capital Projects | | | Total (Memorandum Only) | | |
|----------------|------------|-----------------------------------|------------------|------------|-----------------------------------|-------------------------|--------------|-----------------------------------|
| Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| \$ - | \$ - | \$ - | \$ 247,520 | \$ 255,392 | \$ 7,872 | \$ 5,191,100 | \$ 5,174,861 | \$ (16,239) |
| - | - | - | - | - | - | 848,014 | 847,672 | (342) |
| - | - | - | - | - | - | 599,640 | 571,437 | (28,203) |
| - | - | - | - | - | - | 231,384 | 230,108 | (1,276) |
| - | - | - | - | - | - | 145,127 | 146,974 | 1,847 |
| - | - | - | 55,084 | 40,085 | (14,999) | 55,084 | 40,085 | (14,999) |
| - | - | - | 762 | 786 | 24 | 2,095,648 | 2,058,095 | (37,553) |
| - | - | - | - | - | - | 80,750 | 80,356 | (394) |
| - | - | - | - | - | - | 159,949 | 181,878 | 21,929 |
| - | - | - | 303,366 | 296,263 | (7,103) | 9,406,696 | 9,331,466 | (75,230) |
| - | - | - | - | - | - | 3,403,993 | 3,250,330 | 153,663 |
| - | - | - | - | - | - | 4,286,191 | 4,106,759 | 179,432 |
| - | - | - | - | - | - | 64,628 | 61,709 | 2,919 |
| - | - | - | - | - | - | 585,823 | 512,306 | 73,517 |
| - | - | - | - | - | - | 380,912 | 363,708 | 17,204 |
| - | - | - | - | - | - | 1,299,331 | 1,240,515 | 58,816 |
| 2,000 | 1,651 | 349 | - | - | - | 2,000 | 1,651 | 349 |
| - | - | - | 1,034,122 | 971,100 | 63,022 | 1,034,122 | 971,100 | 63,022 |
| 185,000 | 185,000 | - | - | - | - | 185,000 | 185,000 | - |
| 231,704 | 231,704 | - | - | - | - | 231,704 | 231,704 | - |
| 418,704 | 418,355 | 349 | 1,034,122 | 971,100 | 63,022 | 11,473,704 | 10,924,782 | 548,922 |
| (418,704) | (418,355) | 349 | (730,756) | (674,837) | 55,919 | (2,067,008) | (1,593,316) | 473,692 |
| - | - | - | - | - | - | 13,108 | 13,044 | (64) |
| 416,704 | 416,704 | - | 484,590 | 500,000 | 15,410 | 1,316,396 | 1,312,711 | (3,685) |
| - | - | - | - | - | - | (1,292,483) | (1,234,123) | 58,360 |
| - | - | - | - | - | - | 100,000 | 100,000 | - |
| 416,704 | 416,704 | - | 484,590 | 500,000 | 15,410 | 137,021 | 191,632 | 54,611 |
| (2,000) | (1,651) | 349 | (246,166) | (174,837) | 71,329 | (1,929,987) | (1,401,684) | 528,303 |
| 330,102 | 330,102 | - | 195,306 | 195,306 | - | 3,267,607 | 3,267,607 | - |
| - | - | - | 2,300 | 2,300 | - | 486,473 | 486,473 | - |
| \$ 328,102 | \$ 328,451 | \$ 349 | \$ (48,560) | \$ 22,769 | \$ 71,329 | \$ 1,824,093 | \$ 2,352,396 | \$ 528,303 |

CITY OF BEXLEY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Operating revenues: | |
| Charges for services | \$ 3,992,463 |
| Other operating revenues | 7,997 |
| Total operating revenues | 4,000,460 |
| Operating expenses: | |
| Personal services | 492,168 |
| Contract services | 3,000,626 |
| Materials and supplies | 95,119 |
| Depreciation and amortization | 685 |
| Other operating expenses. | 12,404 |
| Total operating expenses | 3,601,002 |
| Operating income | 399,458 |
| Nonoperating expenses: | |
| Interest expense and fiscal charges | (43,933) |
| Total nonoperating expenses | (43,933) |
| Net income | 355,525 |
| Accumulated deficit, January 1. | (847,736) |
| Accumulated deficit, December 31 | \$ (492,211) |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF BEXLEY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Cash flows from operating activities: | |
| Cash received from customers | \$ 3,984,302 |
| Cash received from other operations | 7,997 |
| Cash payments for personal services | (497,835) |
| Cash payments for contract services | (3,122,351) |
| Cash payments for materials and supplies | (108,928) |
| Cash payments for other expenses | <u>(12,404)</u> |
| Net cash provided by operating activities | <u>250,781</u> |
| Cash flows from noncapital financing activities: | |
| Cash used in repayment of interfund loans | <u>(100,000)</u> |
| Net cash used in noncapital financing activities | <u>(100,000)</u> |
| Cash flows from capital and related financing activities: | |
| Principal retirement | (35,000) |
| Interest and fiscal charges | <u>(43,933)</u> |
| Net cash used in capital and related financing activities | <u>(78,933)</u> |
| Net increase in cash and cash equivalents | 71,848 |
| Cash and cash equivalents at January 1 | <u>488,200</u> |
| Cash and cash equivalents at December 31 | <u><u>\$ 560,048</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 399,458 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation and amortization | 685 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (8,161) |
| Increase in materials and supplies inventory | (627) |
| Increase in prepayments | (711) |
| Decrease in accounts payable | (5,026) |
| Decrease in accrued wages and benefits | (4,858) |
| Decrease in compensated absences payable | (1,515) |
| Decrease in due to other governments | (28,877) |
| Increase in pension obligation payable | 413 |
| Decrease in claims and judgements payable | <u>(100,000)</u> |
| Net cash provided by operating activities | <u><u>\$ 250,781</u></u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 1 - THE REPORTING ENTITY

The City of Bexley (the "City") is a home rule corporation established under the laws of the State of Ohio that operates under its own Charter. The current Charter, which provides for the mayor-council form of government, was adopted November 8, 1996, and became effective December 31, 1996.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below:

A. Reporting Entity

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with GASB Statement No. 14, "The Financial Reporting Entity". Based on application of the criteria set forth in GASB Statement No. 14, the City evaluated potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the City, and whether exclusion would cause the general purpose financial statements to be misleading or incomplete. Among the factors considered were whether the City holds the PCU's corporate powers, appoints a voting majority of the PCU's board, is able to impose its will on the PCU, or whether a financial benefit/burden relationship exists between the City and the PCU.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, refuse collection, street maintenance and repairs, building inspection, parks and recreation and water and sewer utilities. The preceding financial statements include all funds and account groups of the City (the primary government). The City has no component units, but is a member of two insurance purchasing pools, described in Note 16.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - Fund Accounting

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate.

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all activities of the City not required to be included in another fund.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

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

PROPRIETARY FUNDS

Enterprise Funds - The enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner governmental funds. Agency Funds have no measurement focus (i.e., assets equal liabilities), and are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

ACCOUNT GROUPS

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

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General Fixed Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the City, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the City, except those accounted for in the proprietary funds.

C. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental and expendable trust funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the reporting of expenses and expenditures.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS

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

Nonexchange 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 taxes is recognized in the period in which the income is earned (See Note 6). On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange 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: interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fines and forfeitures, fees and special assessments.

DEFERRED REVENUE

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenues. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

EXPENSES/EXPENDITURES

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

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

TAX BUDGET

During the first Council meeting in July, the City Auditor presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ESTIMATED RESOURCES

The County Budget Commission determines if the budget justifies the need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased.

APPROPRIATIONS

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ENCUMBRANCES

As part of formal budgetary control, purchases orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis (Combined Statement of Revenues, Expenditures, and Changes in Fund Balances) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis (Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual) encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Note 14 provides a reconciliation of the budgetary-basis and GAAP-basis of accounting.

E. Cash and Investments

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

During fiscal year 2002, investments were limited to STAR Ohio, a repurchase agreement, and federal agency securities.

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 not 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 December 31, 2002.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2002, interest revenue credited to the general fund amounted to \$90,336 which includes \$30,491 assigned from other City funds.

For purpose of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent that the investment was purchased from a specific fund.

The City has segregated bank accounts for Mayor's Court monies and employee benefits held separate from the City's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as or "Cash in Segregated Accounts" since they are not required to be deposited into the City treasury.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year-end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

G. Fixed Assets

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. No depreciation is recognized for assets in the general fixed assets account group. The City has not included infrastructure in the general fixed assets account group. The City has established a capitalization threshold of \$500 for general fixed assets.

CITY OF BEXLEY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received and the depreciation is charged to contributed capital. Depreciation has been provided using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Lives Years</u> |
|--|----------------------------------|
| Machinery, equipment, furniture and fixtures | 5 - 20 |
| Buildings | 40 - 60 |
| Improvements other than buildings | 20 - 50 |

The City's fixed assets are described in Note 8.

H. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Bonds, long-term loans, and special assessment bonds are recognized as a liability of the general long-term obligations account group until due or until resources have been accumulated in the fund for payment early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the proprietary fund.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Compensated Absences

The liability for compensated absences is based on the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by city ordinance and/or policy, plus applicable additional salary related payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Fund Balance Reserves and Designations

Reserved or designated fund balances indicate that portion of fund equity which are not available for current appropriation or use. The unreserved and undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventory, long-term advances, and available debt service equity as reservations of fund balance in the governmental funds. The City reports amounts set-aside by City Council for budget stabilization as a designation of fund balance in the governmental funds.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/ expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the combined balance sheet as due to/from other funds.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as interfund loans receivable or payable on the combined balance sheet.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.
5. Non recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

L. Estimates

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

CITY OF BEXLEY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Financial Reporting for Proprietary and Similar Fund Types

The City's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This statement is effective for financial statements beginning after December 15, 1993. The City accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

N. Memorandum Only - Total Columns

The "total" columns on the GPFS are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances/Retained Earnings

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

Special Revenue Funds

| | |
|----------------|-------------|
| Recreation | \$ (25,029) |
| Police Pension | (60,772) |

Enterprise Fund

| | |
|-------|-----------|
| Water | (773,878) |
|-------|-----------|

These fund deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit and provides operating transfers when cash is required, not when accruals occur.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash, Cash Equivalents and Investments." Statutes require the classification of monies held by the City into three categories:

Active Monies: those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury; in depository accounts payable or withdrawable on demand; including negotiable order of withdrawal (NOW) account; or in money market deposit accounts.

Inactive Monies: those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies: 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit accounts including passbook accounts.

Interim moneys 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;

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash in Segregated Accounts - At year-end, \$5,963 was on deposit in segregated accounts and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash, Cash Equivalents and Investments".

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Deposits: At fiscal year-end, the carrying amount of the City's deposits was \$264,807 and the bank balance was \$528,784. Both amounts include the amount of deposits held with fiscal agents, and deposits in segregated accounts. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$328,784 was uninsured and uncollateralized as defined by the GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

| | Category 3 | Fair Value |
|--|---------------|---------------|
| Repurchase agreement | \$ 41,000 | \$ 41,000 |
| Federal agency securities | 752,300 | 752,300 |
| Total | \$ 793,300 | |
| Investments not subject to categorization: | | |
| Investment in STAR Ohio | | 2,550,000 |
| Total investments | | \$ 3,343,300 |

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of pooled cash and cash equivalents on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | <u>Cash and Cash Equivalents/ Deposits</u> | <u>Investments</u> |
|--|--|---------------------|
| GASB Statement No. 9 | \$ 3,602,144 | \$ - |
| Investments of the cash management pool: | | |
| Repurchase agreement | (41,000) | 41,000 |
| Investment in STAR Ohio | (2,550,000) | 2,550,000 |
| Federal agency securities | (752,300) | <u>752,300</u> |
| Total GASB Statement No. 3 Investments | | <u>\$ 3,343,300</u> |
| Cash in segregated accounts | <u>5,963</u> | |
| GASB Statement No. 3 | <u>\$ 258,844</u> | |

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the City's operating transfers for 2002:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| General Fund | \$ - | \$ 1,219,771 |
| <u>Special Revenue Funds</u> | | |
| Street | 50,000 | - |
| Recreation | 300,000 | 345 |
| Police Pension | 32,000 | - |
| <u>Debt Service Fund</u> | | |
| Bond Retirement | 337,771 | - |
| <u>Capital Projects Fund</u> | | |
| Capital Improvements | 500,000 | - |

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|---------------------|----------------------|
| <u>Expendable Trust Funds</u> | | |
| Bexley Recreation Rotary | 345 | - |
| | _____ | _____ |
| Total operating transfers | <u>\$ 1,220,116</u> | <u>\$ 1,220,116</u> |

B. The following is a reconciliation of the City's long-term advances outstanding at December 31, 2002:

| | <u>Advances To Other Funds</u> | <u>Advances From Other Funds</u> |
|--------------------------|------------------------------------|--------------------------------------|
| General Fund | \$ 250,000 | \$ - |
| <u>Enterprise Funds</u> | | |
| Water | - | 200,000 |
| Sewer | - | 50,000 |
| | _____ | _____ |
| Total long-term advances | <u>\$ 250,000</u> | <u>\$ 250,000</u> |

C. Interfund balances at December 31, 2002 which result from quasi-external transactions consist of the following individual fund receivables and payables:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|-----------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ - | \$ 3,391 |
| <u>Special Revenue Funds</u> | | |
| State Highway | 1,074 | - |
| Street | 2,317 | - |
| | _____ | _____ |
| Total due from/due to other funds | <u>\$ 3,391</u> | <u>\$ 3,391</u> |

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the 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 revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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 year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

CITY OF BEXLEY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

NOTE 6 - TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2002 was \$7.85 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

| | |
|----------------------------|-----------------------|
| Real property | \$ 379,300,420 |
| Public utility | 3,948,740 |
| Tangible personal property | <u>3,043,578</u> |
| Total valuation | <u>\$ 386,292,738</u> |

B. Income Taxes

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 80 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Tax receipts are collected and distributed to the City by the Regional Income Tax Authority.

During 2002, income tax proceeds were distributed to the general fund and capital projects funds, and totaled \$5,186,062 for 2002.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 7 - RECEIVABLES

Receivables at December 31, 2002 primarily consisted of taxes, accounts (billings for user charged services) and intergovernmental receivables. Intergovernmental receivables have been reported as "Due from Other Governments" on the combined balance sheet. All receivables are considered fully collectible.

A summary of principal receivables follows:

| | <u>Amount</u> |
|------------------------------|---------------|
| <u>General Fund</u> | |
| Income tax | \$ 1,809,980 |
| Real and other taxes | 683,405 |
| Accrued interest | 9,319 |
| Due from other governments | 695,779 |
| <u>Special Revenue Funds</u> | |
| Real and other taxes | 1,142,703 |
| Due from other funds | 3,391 |
| Due from other governments | 221,435 |
| <u>Enterprise Funds</u> | |
| Accounts | 622,860 |
| <u>Capital Projects Fund</u> | |
| Income Tax | 46,410 |

NOTE 8 - FIXED ASSETS

A. A summary by class of the changes in general fixed assets during the fiscal year is as follows:

| | <u>Balance</u> | | <u>Additions</u> | | <u>Deletions</u> | | <u>Balance</u> |
|----------------------------|----------------|------------|------------------|------|------------------|-----------------|----------------|
| | <u>1/01/02</u> | | | | | <u>12/31/02</u> | |
| Land | \$ 92,500 | \$ - | \$ - | \$ - | \$ 92,500 | | |
| Land improvements | 528,352 | - | - | - | 528,352 | | |
| Buildings | 1,326,624 | - | - | - | 1,326,624 | | |
| Machinery and equipment | 782,613 | 74,803 | (6,417) | | 850,999 | | |
| Vehicles | 1,172,360 | 51,437 | - | | 1,223,797 | | |
| Total general fixed assets | \$ 3,902,449 | \$ 126,240 | \$ (6,417) | | \$ 4,022,272 | | |

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 8 - FIXED ASSETS - (Continued)

B. A summary of the proprietary fund property, plant, and equipment at December 31, 2002 is as follows:

| | <u>Balance</u> <u>12/31/02</u> |
|--------------------------------|-----------------------------------|
| Vehicles | \$ 20,137 |
| Machinery and equipment | <u>7,622</u> |
| Total gross assets | 27,759 |
| Less: accumulated depreciation | <u>(24,985)</u> |
| Total net assets | <u>\$ 2,774</u> |

NOTE 9 - LONG TERM OBLIGATIONS

A. Changes in long-term obligations of the City during 2002 were as follows:

| | <u>Balance at</u> <u>1/01/02</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at</u> <u>12/31/02</u> |
|--------------------------------------|-------------------------------------|------------------|---------------------|--------------------------------------|
| General Long-term Obligations | | | | |
| Street construction | | | | |
| bond (voted) 1998 - 4.875% | \$ 3,840,000 | \$ - | \$ (150,000) | \$ 3,690,000 |
| Compensated absences | 410,408 | - | (31,992) | 378,416 |
| Capital lease obligation | <u>31,475</u> | <u>51,437</u> | <u>(33,292)</u> | <u>49,620</u> |
| Total general long-term obligations | <u>4,281,883</u> | <u>51,437</u> | <u>(215,284)</u> | <u>4,118,036</u> |
| Enterprise Fund Obligations | | | | |
| Water bonds (unvoted) | | | | |
| 1999 - 4.70-4.90% | 935,000 | - | (35,000) | 900,000 |
| Compensated absences | 37,370 | - | (1,279) | 36,091 |
| Claims and judgements | <u>125,000</u> | <u>-</u> | <u>(100,000)</u> | <u>25,000</u> |
| Total enterprise fund obligations | <u>1,097,370</u> | <u>-</u> | <u>(136,279)</u> | <u>961,091</u> |
| Total, all long-term obligations | <u>\$ 5,379,253</u> | <u>\$ 51,437</u> | <u>\$ (351,563)</u> | <u>\$ 5,079,127</u> |

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 9 - LONG TERM OBLIGATIONS - (Continued)

General obligation bonds are direct obligations of the City and will be paid from the debt service fund using property tax revenues. Compensated absences reported in the "compensated absences payable" account will be paid from the fund from which the employees' salaries are paid. The capital lease obligation will be paid from the general fund.

- B.** The following is a summary of the City's future annual debt service requirements to maturity for general obligation bonds:

| <u>Year</u> | <u>General Obligation Bonds</u> | | Enterprise <u>General Obligation Bonds</u> | | <u>Total</u> |
|-------------|---------------------------------|---------------------|---|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2003 | \$ 155,000 | \$ 179,896 | \$ 35,000 | \$ 42,287 | \$ 412,183 |
| 2004 | 165,000 | 171,759 | 35,000 | 40,678 | 412,437 |
| 2005 | 175,000 | 163,096 | 40,000 | 39,067 | 417,163 |
| 2006 | 180,000 | 153,909 | 45,000 | 37,227 | 416,136 |
| 2007 | 195,000 | 144,459 | 40,000 | 35,157 | 414,616 |
| 2008 - 2012 | 1,105,000 | 572,676 | 250,000 | 144,759 | 2,072,435 |
| 2013 - 2017 | 1,395,000 | 286,639 | 310,000 | 82,035 | 2,073,674 |
| 2018 - 2019 | <u>320,000</u> | <u>15,600</u> | <u>145,000</u> | <u>10,780</u> | <u>491,380</u> |
| Totals | <u>\$ 3,690,000</u> | <u>\$ 1,688,034</u> | <u>\$ 900,000</u> | <u>\$ 431,990</u> | <u>\$ 6,710,024</u> |

- C.** The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2002, the City's total debt margin was \$36,299,187, and the unvoted debt margin was \$20,674,551; both amounts include available funds of \$328,450.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the City entered into capitalized leases for the acquisition of three vehicles. During fiscal year 2002, the City entered into a capitalized lease for the acquisition of three police cruisers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of \$100,177. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$33,292 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2002:

| Year Ending <u>December 31,</u> | <u>Amount</u> |
|---|------------------|
| 2003 | \$ 35,431 |
| 2004 | <u>18,072</u> |
| Total future minimum lease payments | 53,503 |
| Less: amount representing interest | <u>(3,883)</u> |
| Present value of future minimum lease payments | <u>\$ 49,620</u> |

The City does not have capitalized lease obligations after fiscal year 2004.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were \$432,755, \$378,928, and \$327,219, respectively; 71.91% has been contributed for 2002 and 100% for 2001 and 2000. \$121,581, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The 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 Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary, while the City is required to contribute 19.5 percent and 24.0 percent for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2002, 2001 and 2000 were \$399,174, \$333,888, and \$324,902, respectively. 77.38% has been contributed for 2002, and 100% has been contributed for both 2001 and 2000. The unpaid contribution for 2002 of \$90,306 is recorded as a liability within the respective funds.

NOTE 12 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$114,824.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 12 - POSTRETIREMENT BENEFIT PLANS - (Continued)

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 12 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis.

A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001 (the latest information available), is 13,174 for police officers and 10,239 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers were \$158,472. OP&F's total health care expense for the year ending December 31, 2001 (the latest information available), was \$122.299 million, which was net of member contributions of \$6.875 million.

NOTE 13 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police and dispatchers may carry over 40 hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 960 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)

Upon retirement, an employee can be paid for one half of his/her accumulated hours of sick leave, except fire department employees, who are part time and do not accumulate sick leave. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 2002, the liability for unpaid compensated absences reported as a fund liability in governmental fund types was \$34,263, and \$378,416 was reported in the general long-term obligations account group. \$2,029 was the liability for current compensated absences reported in proprietary fund types, and the non-current portion was \$36,091. The total liability for the City's compensated absences for all fund types and account groups was \$450,799.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP (generally accepted accounting principles) basis are:

- 1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- 2) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- 3) Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
- 4) The City repays enterprise fund general obligation debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been reclassified accordingly.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES
OVER/(UNDER) EXPENDITURES AND OTHER FINANCING USES

| | <u>Governmental Fund Types</u> | | | |
|---|--------------------------------|-------------------------------------|----------------------------------|--------------------------------------|
| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> |
| Budget basis | \$ (1,105,299) | \$ (119,898) | \$ (1,652) | \$ (174,837) |
| Adjustments: | | | | |
| Net adjustment for revenue accruals | (280,254) | (5,715) | - | (18,388) |
| Net adjustment for expenditure accruals | (28,077) | (6,569) | 80,233 | (16,128) |
| Net adjustment for other financing sources/ (uses) accruals | (48,563) | - | (78,933) | - |
| Encumbrances | <u>415,015</u> | <u>1,784</u> | <u>-</u> | <u>77,255</u> |
| GAAP basis | <u>\$ (1,047,178)</u> | <u>\$ (130,398)</u> | <u>\$ (352)</u> | <u>\$ (132,098)</u> |

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains four enterprise funds which are intended to be self-supporting from user fees charged for services provided to consumers for water, sewer and refuse operations, and community events. Segment information for the fiscal year ended December 31, 2002 is as follows:

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Refuse Fund</u> | <u>Community Events Fund</u> | <u>Total</u> |
|--|-----------------------|-----------------------|------------------------|--------------------------------------|--------------|
| Operating revenues | \$ 1,430,230 | \$ 1,674,878 | \$ 889,278 | \$ 6,074 | \$ 4,000,460 |
| Depreciation and amortization | 685 | - | - | - | 685 |
| Operating expenses other than depreciation | 1,206,091 | 1,523,050 | 865,379 | 5,797 | 3,600,317 |
| Operating income | 223,454 | 151,828 | 23,899 | 277 | 399,458 |
| Net income | 179,521 | 151,828 | 23,899 | 277 | 355,525 |
| Net working capital | 333,440 | 324,121 | 22,308 | 277 | 680,146 |
| Total assets | 567,473 | 545,054 | 92,679 | 277 | 1,205,483 |
| Long-term liabilities payable from fund revenues | 1,121,052 | 62,908 | 2,131 | - | 1,186,091 |
| Total equity/(deficit) | (773,878) | 261,213 | 20,177 | 277 | (492,211) |
| Encumbrances outstanding at December 31, 2002 | 77,751 | 57,372 | 15,000 | - | 150,123 |

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 16 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was part of the Ohio Municipal Alliance, an insurance purchasing pool, for all property, crime, liability, boiler and machinery, and public official liability. The City has transferred its risk of loss to the insurance carrier to the extent of the limits shown below.

| <u>Type of Coverage</u> | <u>Deductible</u> | <u>Limits of Coverage</u> | |
|-------------------------|-------------------|---------------------------|------------------|
| Property | \$ 500 | \$4,159,900 | |
| General Liability | 0 | 3,000,000 | per occurrence/ |
| | | 5,000,000 | annual aggregate |
| Inland Marine | 500 | 1,048,127 | |
| EDP | 500 | 152,500 | |
| Vehicles | | | 3,000,000 |
| Comprehensive | 500 | | |
| Collision | 500 | | |
| Wrongful Acts | 1,000 | 3,000,000 | per occurrence/ |
| | | 4,000,000 | annual aggregate |
| Police | 1,000 | 3,000,000 | per occurrence, |
| | | 4,000,000 | annual aggregate |
| Public Officials Bond | 0 | 10,000 | |

B. Health Insurance

During 2002, the City provided its employees group health, life, dental, vision, and drug insurance in a traditionally-funded manner through commercial carriers.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 16 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The City also participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald Company. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee. There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the City.

NOTE 17 - CONTINGENCIES

A. Grants

The City receives financial assistance from various federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires the compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2002.

B. Litigation

The City was not involved in litigation as either plaintiff or defendant at fiscal year-end.

CITY OF BEXLEY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

NOTE 18 - CONTRACTUAL COMMITMENT

Under the terms of an agreement in 1998 between the City and the City of Columbus, the City has reported a liability of \$25,000 in the water fund and sewer fund for water and sewer charges from January, 1995 through July, 1996. Due to faulty equipment, these charges were never originally billed to the City. The City is currently remitting \$25,000 each calendar quarter to the City of Columbus, and must remit the entire amount by March 31, 2003. Unpaid balances were not charged interest through March 31, 2000. The balance remaining after that date has accrued interest at the rate of 6%. During fiscal 2002, the City remitted a total of \$100,000 to the City of Columbus.



**Auditor of State
Betty Montgomery**

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

City of Bexley
Franklin County
2242 East Main Street
Bexley, Ohio 43209

To the members of City Council:

We have audited the general purpose financial statements of City of Bexley, Franklin County, Ohio (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 25, 2003. We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 25, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-001.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 25, 2003.

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

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

Betty Montgomery
Auditor of State

August 25, 2003

**CITY OF BEXLEY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-001

Monitoring of Park and Recreation Receipts

The Parks and Recreation Department Supervisor should perform a daily review that ensures that receipts match deposit slips, the date of receipt reconciles to class roster, and that there is supporting documentation for each receipt.

The Supervisor did not review the collection and recording of receipt activity performed by the Park and Recreation Department personnel.

Supervisory review helps ensure the amount recorded by the City is accurate and complete. Such review also helps protect the City from potential theft and fraud, and allows for management to detect errors or irregularities in a timely manner.

We recommend the Park and Recreation Department Supervisor perform a daily review of receipts collected.

We also reported this matter in our audit of the 2001 financial statements.



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CITY OF BEXLEY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2003**