

**CITY OF PATASKALA  
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

*FOR THE YEAR ENDED  
DECEMBER 31, 2007*

**JASON CARR, FINANCE DIRECTOR**





Mary Taylor, CPA  
Auditor of State

Members of Council  
City of Pataskala  
621 W. Broad Street  
Pataskala, Ohio 43062

We have reviewed the *Independent Auditor's Report* of the City of Pataskala, Licking County, prepared by Julian & Grube, Inc. for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 15, 2008

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**CITY OF PATASKALA  
LICKING COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

**Independent Auditor's Report**

Members of Council and Mayor  
City of Pataskala  
621 W. Broad Street  
Pataskala, Ohio 43062

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Pataskala, Licking County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Pataskala's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pataskala's management. Our responsibility is to express opinions on these financial statements based on our audit.

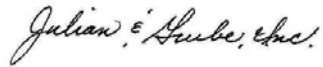
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pataskala, Licking County, Ohio, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds: street and police levy 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 June 10, 2008 on our consideration of the City of Pataskala's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of Council and Mayor  
City of Pataskala

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



Julian & Grube, Inc.  
June 10, 2008



## CITY OF PATASKALA, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

The management's discussion and analysis of the City of Pataskala's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### **Financial Highlights**

Key financial highlights for 2007 are as follows:

- The total net assets of the City increased \$350,010. Net assets of governmental activities increased \$161,923 or 2.62%. Net assets of business-type activities increased \$188,087 or 2.99% over 2006.
- General revenues accounted for \$2,835,659 or 58.68% of total governmental activities revenue. Program specific revenues accounted for \$1,996,528 or 41.32% of total governmental activities revenue.
- The City had \$4,670,264 in expenses related to governmental activities; \$1,996,528 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,673,736 were offset by general revenues (primarily property taxes and unrestricted grants and entitlements) of \$2,835,659.
- The general fund had revenues and other financing sources of \$2,050,307 in 2007. This represents an increase of \$373,390 from 2006 revenues. The expenditures and other financing uses of the general fund, which totaled \$1,914,520 in 2007, increased \$365,720 from \$1,548,800 in 2006. The net increase in fund balance for the general fund was \$135,787 or 16.65%.
- The street fund had revenues of \$672,523 in 2007, which is a decrease of \$582,640 from 2006 revenues. The expenditures in the Street fund totaled \$798,958 in 2007, which increased \$45,614 from 2006. The net decrease in fund balance was \$126,435, resulting in an ending fund balance of \$885,264.
- The police levy fund had revenues and other financing sources of \$1,742,804 in 2007, which is an increase of \$272,887 from 2006 revenues. The expenditures in the police levy fund totaled \$1,717,202 in 2007, which increased \$252,447 from \$1,464,755 in 2006. The net increase in fund balance was \$25,602, resulting in an ending fund balance of \$101,345.
- The municipal building purchase fund had revenues and other financing sources of \$151,298 in 2007, which is an increase of \$151,298 from 2006 revenues. The expenditures in the municipal building purchase fund totaled \$104,560. Fund balance increased \$46,738 resulting in an ending fund balance deficit of \$1,218,782.
- Net assets for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2007 by \$188,087. This increase in net assets was due primarily to an increase in capital assets during 2007.
- In the general fund, the actual revenues came in \$19,487 more than they were in the final budget and \$28,161 more than they were in the original budget. Actual expenditures were \$951,608 less than the amount in the final budget and \$942,934 less than they were in the original budget. These variances are the result of the City's conservative budgeting.

#### **The Basic Financial Statements**

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

## CITY OF PATASKALA, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

#### **Reporting the City as a Whole**

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net assets and statement of activities can be found on pages 17-19 of this report.

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

##### *Fund Financial Statements*

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

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

## **CITY OF PATASKALA, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007**

#### ***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, street fund, police levy fund and the municipal building purchase fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20 - 28 of this report.

#### ***Proprietary Funds***

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 29 - 31 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary fund is an agency fund. The basic fiduciary fund financial statements can be found on page 32 of this report.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33 - 60 of this report.

**CITY OF PATASKALA, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Government-Wide Financial Analysis**

The table below provides a summary of the City's assets, liabilities and net assets at December 31, 2007 and 2006:

	Governmental Activities		Net Assets Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current and other assets	\$ 5,542,848	\$ 5,566,047	\$ 5,428,990	\$ 5,426,653	\$ 10,971,838	\$ 10,992,700
Capital assets, net	5,230,975	4,653,377	9,567,071	9,544,234	14,798,046	14,197,611
Total assets	<u>10,773,823</u>	<u>10,219,424</u>	<u>14,996,061</u>	<u>14,970,887</u>	<u>25,769,884</u>	<u>25,190,311</u>
<u>Liabilities</u>						
Long-term liabilities						
outstanding	513,443	82,552	8,345,773	2,006,848	8,859,216	2,089,400
Other liabilities	3,916,791	3,955,206	167,295	6,669,133	4,084,086	10,624,339
Total liabilities	<u>4,430,234</u>	<u>4,037,758</u>	<u>8,513,068</u>	<u>8,675,981</u>	<u>12,943,302</u>	<u>12,713,739</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	3,374,813	3,123,377	1,566,742	3,325,935	4,941,555	6,449,312
Restricted	1,864,545	1,997,516	-	-	1,864,545	1,997,516
Unrestricted	1,104,231	1,060,773	4,916,251	2,968,971	6,020,482	4,029,744
Total net assets	<u>\$ 6,343,589</u>	<u>\$ 6,181,666</u>	<u>\$ 6,482,993</u>	<u>\$ 6,294,906</u>	<u>\$ 12,826,582</u>	<u>\$ 12,476,572</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the City's assets exceeded liabilities by \$12,826,582. At year-end, net assets were \$6,343,589 and \$6,482,993 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 57.42% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$3,374,813 and \$3,314,251 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2007, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$1,864,545, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$1,104,231 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF PATASKALA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

The table below shows the changes in net assets for fiscal years 2007 and 2006.

	Governmental Activities		Change in Net Assets Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services and sales	\$ 623,083	\$ 579,803	\$ 1,984,916	\$ 1,877,525	\$ 2,607,999	\$ 2,457,328
Operating grants and contributions	1,105,407	1,080,854	-	-	1,105,407	1,080,854
Capital grants and contributions	268,038	364,566	192,593	297,414	460,631	661,980
General revenues:						
Property taxes	2,139,892	2,695,514	-	-	2,139,892	2,695,514
Unrestricted grants	455,723	434,943	-	-	455,723	434,943
Interest	114,274	110,276	300,956	271,525	415,230	381,801
Other	125,770	118,245	23,908	17,318	149,678	135,563
Total revenues	<u>4,832,187</u>	<u>5,384,201</u>	<u>2,502,373</u>	<u>2,463,782</u>	<u>7,334,560</u>	<u>7,847,983</u>
Expenses:						
General government	1,063,385	1,131,868	-	-	1,063,385	1,131,868
Security of persons and property	1,710,954	1,613,421	-	-	1,710,954	1,613,421
Public health and welfare	57,500	57,000	-	-	57,500	57,000
Transportation	1,128,655	1,004,060	-	-	1,128,655	1,004,060
Community environment	335,154	329,149	-	-	335,154	329,149
Leisure time activity	257,006	206,123	-	-	257,006	206,123
Interest and fiscal charges	117,610	68,765	-	-	117,610	68,765
Water	-	-	1,525,419	964,444	1,525,419	964,444
Sewer	-	-	788,867	807,882	788,867	807,882
Total expenses	<u>4,670,264</u>	<u>4,410,386</u>	<u>2,314,286</u>	<u>1,772,326</u>	<u>6,984,550</u>	<u>6,182,712</u>
Change in net assets	161,923	973,815	188,087	691,456	350,010	1,665,271
Net assets at beginning of year	<u>6,181,666</u>	<u>5,207,851</u>	<u>6,294,906</u>	<u>5,603,450</u>	<u>12,476,572</u>	<u>10,811,301</u>
Net assets at end of year	<u>\$ 6,343,589</u>	<u>\$ 6,181,666</u>	<u>\$ 6,482,993</u>	<u>\$ 6,294,906</u>	<u>\$ 12,826,582</u>	<u>\$ 12,476,572</u>

**Governmental Activities**

Governmental activities net assets increased \$161,923 in 2007.

Security of persons and property, which primarily supports the operations of the police and fire departments, had expenses of \$1,710,954 which accounted for 36.64% of the governmental expenses of the City. These expenses were partially funded by \$169,535 in direct charges to users of the services, \$7,461 in operating grants and contributions and \$60,592 in capital grants and contributions. General government expenses totaled \$1,063,385 which was partially funded by \$329,569 in direct charges to users of the services.

The State and Federal government contributed to the City a total of \$1,105,407 in operating grants and contributions and \$81,632 in capital grants and contributions and developers contributed \$186,406 in capital. These revenues are restricted to a particular program or purpose.

**CITY OF PATASKALA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

General revenues totaled \$2,835,659, and amounted to 58.68% of total governmental revenues. These revenues primarily consist of property tax revenue of \$2,139,892. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$455,723.

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

<b>Governmental Activities</b>				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Program expenses:				
General government	\$ 1,063,385	\$ 733,816	\$ 1,131,868	\$ 457,860
Security of persons and property	1,710,954	1,473,366	1,613,421	1,449,621
Public health and welfare	57,500	57,500	57,000	57,000
Transportation	1,128,655	(176,737)	1,004,060	(43,925)
Community environment	335,154	334,415	329,149	328,403
Leisure time activity	257,006	133,766	206,123	67,439
Interest and fiscal charges	<u>117,610</u>	<u>117,610</u>	<u>68,765</u>	<u>68,765</u>
<b>Total expenses</b>	<u><u>\$ 4,670,264</u></u>	<u><u>\$ 2,673,736</u></u>	<u><u>\$ 4,410,386</u></u>	<u><u>\$ 2,385,163</u></u>

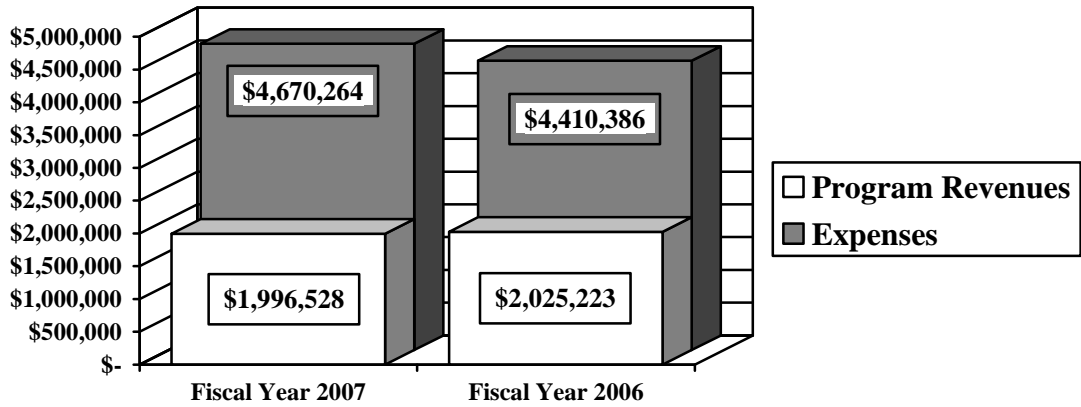
The dependence upon general revenues for governmental activities is apparent, with 57.25% and 54.08% of expenses in 2007 and 2006, respectively, supported through taxes and other general revenues.

**CITY OF PATASKALA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

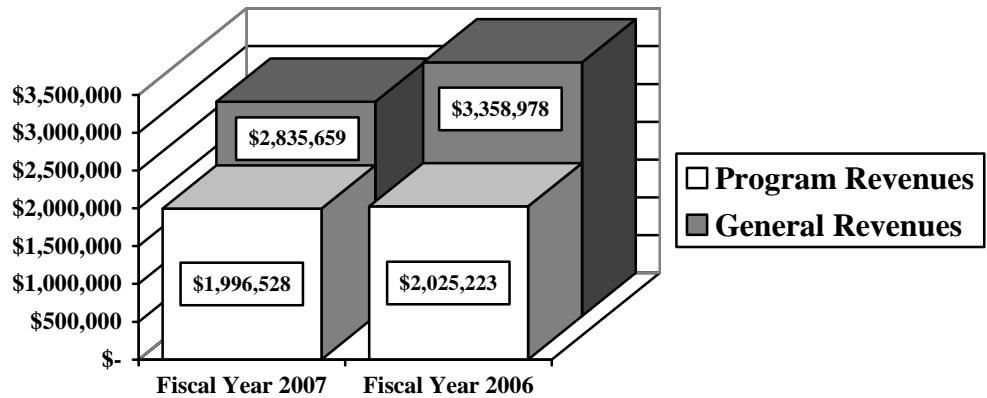
The graph below shows governmental-activities program revenues and total expenses for fiscal year 2007 and 2006:

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



The graph below shows governmental-activities general and program revenues for fiscal year 2007 and 2006:

**Governmental Activities - General and Program Revenues**



**Business-type Activities**

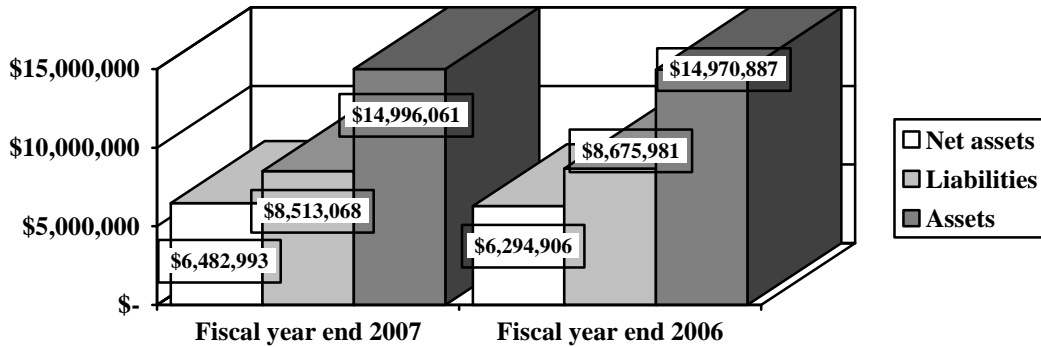
Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$2,177,509, general revenues of \$324,864, and expenses of \$2,314,286 for 2007.

**CITY OF PATASKALA, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

The graph below shows the business-type activities assets, liabilities and net assets at December 31, 2007 and 2006.

**Net Assets in Business-Type Activities**



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

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

**Governmental Funds**

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

The City's governmental funds (as presented on the balance sheet on page 20-21) reported a combined fund balance of \$1,094,165 which is \$83,214 higher than last year's total of \$1,010,951. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2007 for all major and nonmajor governmental funds.

	Fund Balances (Deficit) <u>12/31/07</u>	Fund Balances (Deficit) <u>12/31/06</u>	Increase (Decrease)
Major funds:			
General	\$ 951,200	\$ 815,413	\$ 135,787
Street	885,264	1,011,699	(126,435)
Police levy	101,345	75,743	25,602
Municipal building purchase	(1,218,782)	(1,265,520)	46,738
Other nonmajor governmental funds	<u>375,138</u>	<u>373,616</u>	<u>1,522</u>
Total	<u>\$ 1,094,165</u>	<u>\$ 1,010,951</u>	<u>\$ 83,214</u>



**CITY OF PATASKALA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

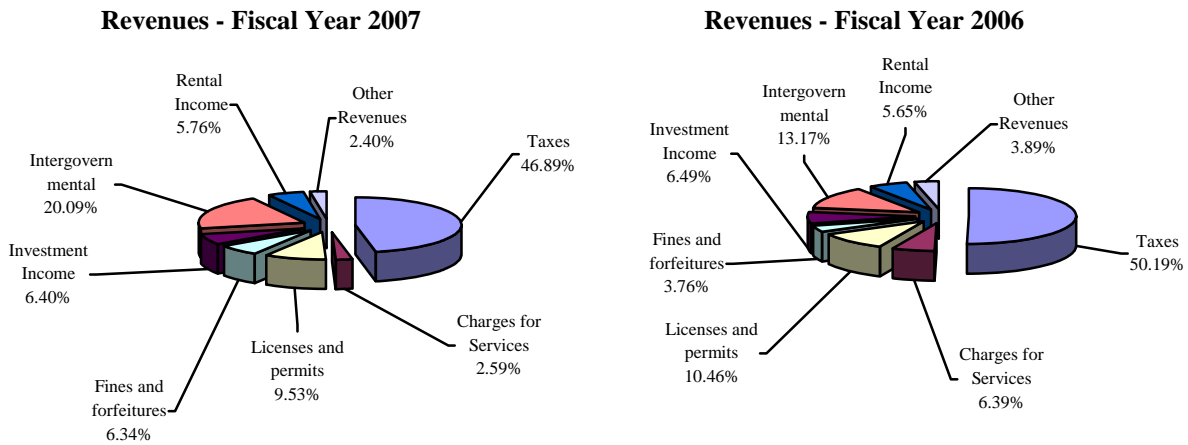
**General Fund**

The City's general fund balance increased \$135,787, primarily due to increasing revenues. The table that follows assists in illustrating the revenues of the general fund.

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 837,380	\$ 841,569	(0.50) %
Charges for services	46,181	107,213	(56.93) %
Licenses and permits	170,188	175,337	(2.94) %
Fines and forfeitures	113,232	63,076	79.52 %
Intergovernmental	358,849	220,829	62.50 %
Investment income	114,274	108,891	4.94 %
Rental income	102,879	94,747	8.58 %
Other	42,937	65,255	(34.20) %
<b>Total</b>	<b><u>\$ 1,785,920</u></b>	<b><u>\$ 1,676,917</u></b>	<b>6.50 %</b>

Tax revenue represents 46.89% of all general fund revenue. Taxes decreased 0.50% over 2006 revenues. Intergovernmental revenues increased \$138,020 or 62.50% during 2007 which is due to a grant received in 2007 that was not received in 2006. The increase in fines and forfeitures was due to an increase in fines from the Mayor's Court.

The graphs below show a breakdown of the general fund's revenues for December 31, 2007 and 2006:



**CITY OF PATASKALA, OHIO**

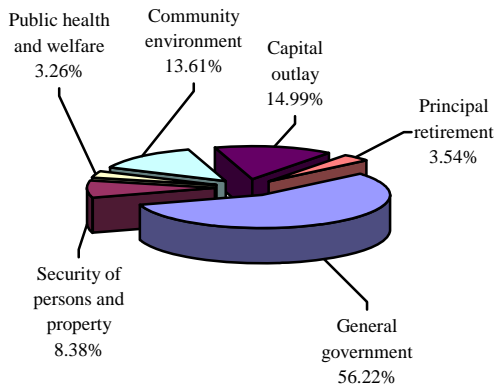
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

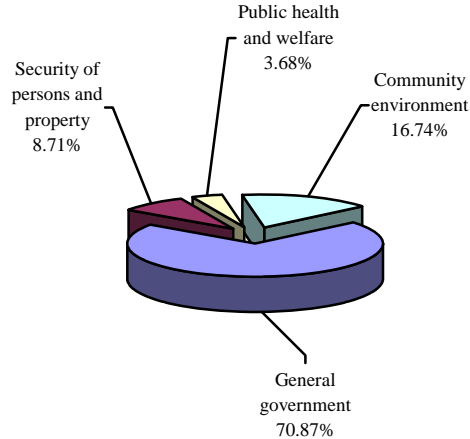
	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 991,432	\$ 1,097,581	(9.67) %
Security of persons and property	147,846	134,977	9.53 %
Public health and welfare	57,500	57,000	0.88 %
Community environment	240,047	259,242	(7.40) %
Capital outlay	264,387	-	100.00
Principal retirement	62,414	-	100.00
<b>Total</b>	<b><u>\$ 1,763,626</u></b>	<b><u>\$ 1,548,800</u></b>	<b>13.87 %</b>

All expenditures were comparably similar to the 2006. Amounts for capital outlay and principal retirement are related to the inception of a capital lease for vehicles during 2007. The largest expenditure line item, general government, decreased slightly, which is primarily due to the City spending less for purchased goods and services. The graphs below show the general fund's expenditures for December 31, 2007 and 2006:

**Expenditures - Fiscal Year 2007**



**Expenditures - Fiscal Year 2006**



***Street Fund***

The street fund had revenues of \$672,523 in 2007, which is a decrease of \$582,640 from 2006 revenues. Property taxes decreased \$547,814 as a result of a property tax levy for street improvements that expired. The expenditures in the street fund totaled \$798,958 in 2007, which increased \$45,614 from 2006. The net decrease in fund balance was \$126,435, resulting in an ending fund balance of \$885,264.

## CITY OF PATASKALA, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

#### ***Police Levy Fund***

The police levy fund had revenues and other financing sources of \$1,742,804 in 2007. The expenditures in the police levy fund totaled \$1,717,202 in 2007. The net increase in fund balance was \$25,602, resulting in an ending fund balance of \$101,345.

#### ***Municipal Building Purchase Fund***

The municipal building purchase fund had revenues and other financing sources of \$151,298 which was used to pay down \$85,000 of the bond anticipation notes that were outstanding at December 31, 2006, to finance the purchase of the municipal building. Fund balance increased \$46,738, resulting in an ending fund balance deficit of a \$1,218,782.

#### ***Budgeting Highlights***

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

Budgetary information is presented for the general fund, street fund and police levy fund. In the general fund, actual revenues of \$1,774,375 were higher than final budgeted revenues by \$19,487 and higher than the original budgeted revenues by \$28,161. Actual expenditures came in \$951,608 lower than the final budgeted amounts and \$942,934 lower than the final budgeted amounts.

Actual revenues for the street fund were higher than final budgeted revenues by \$115,243 while actual expenditures were \$660,194 lower than final budgeted expenditures and \$824,186 lower than original budgeted expenditures. Actual revenues for the police levy fund were higher than final and original budgeted revenues by \$94,772 while actual expenditures were \$152,989 lower than final and original budgeted expenditures. There were no significant variances between the original and final budgeted revenue amounts for either of the two funds.

#### ***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements. The City has no internal service funds and there was no internal balance outstanding at year-end between the governmental and business-type activities.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

At the end of fiscal 2007, the City had \$14,798,046, net of accumulated depreciation, invested in land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$5,230,975 was reported in governmental activities and \$9,567,071 was reported in business-type activities.

**CITY OF PATASKALA, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

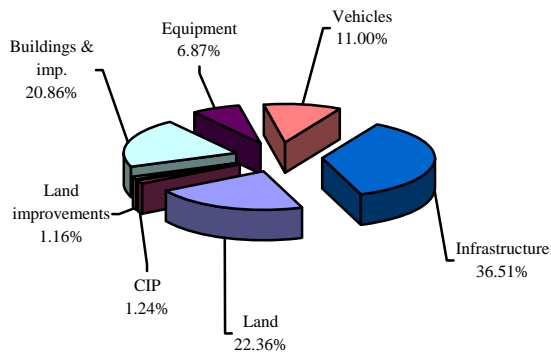
The following table shows fiscal 2007 balances compared to 2006:

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

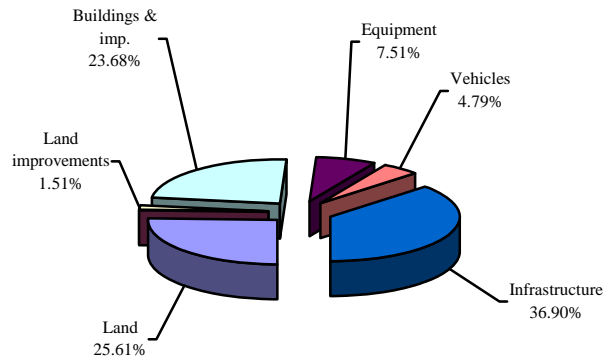
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,169,440	\$ 1,169,440	\$ 654,893	\$ 654,893	\$ 1,824,333	\$ 1,824,333
Construction-in-progress	64,732	-	-	4,237,701	64,732	4,237,701
Land improvements	61,154	69,015	3,183	5,305	64,337	74,320
Buildings and improvements	1,091,083	1,168,650	5,461,454	1,164,662	6,552,537	2,333,312
Equipment	359,349	342,970	601,840	633,305	961,189	976,275
Vehicles	575,477	218,772	-	-	575,477	218,772
Infrastructure	1,909,740	1,684,530	2,845,701	2,848,368	4,755,441	4,532,898
<b>Totals</b>	<b>\$ 5,230,975</b>	<b>\$ 4,653,377</b>	<b>\$ 9,567,071</b>	<b>\$ 9,544,234</b>	<b>\$ 14,798,046</b>	<b>\$ 14,197,611</b>

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006.

**Capital Assets - Governmental Activities 2007**



**Capital Assets - Governmental Activities 2006**



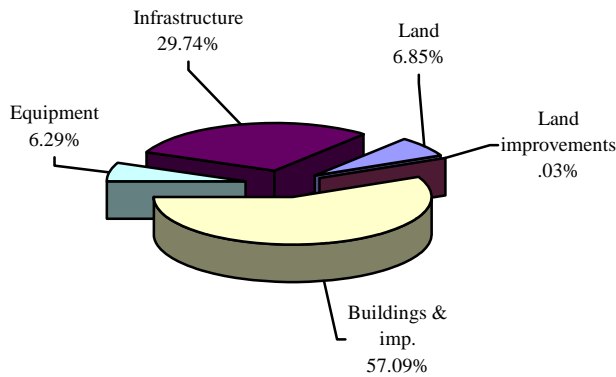
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant.

**CITY OF PATASKALA, OHIO**

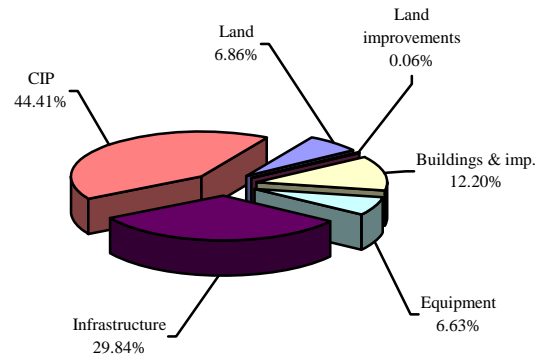
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2006.

**Capital Assets - Business-Type Activities 2007**



**Capital Assets - Business-Type Activities 2006**



The City's largest business-type capital asset category was buildings and improvements, which had an addition of the water treatment plant. The net book value of the City's buildings and improvement (cost less accumulated depreciation) represents approximately 57.09% of the City's total business-type capital assets.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2007 and 2006:

**Governmental Activities**

	<u>2007</u>	<u>2006</u>
Compensated Absences	\$ 84,281	\$ 82,552
OPWC loans	101,283	-
Capital lease obligation payable	<u>327,879</u>	<u>-</u>
<b>Total long-term obligations</b>	<b><u>\$ 513,443</u></b>	<b><u>\$ 82,552</u></b>

**Business-type Activities**

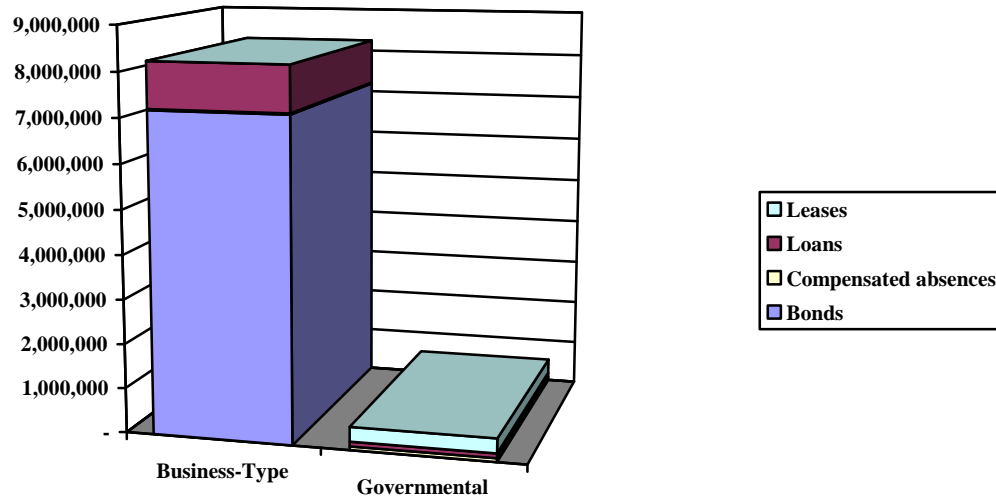
	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 7,190,000	\$ 675,000
OWDA loans	1,030,611	1,305,598
Compensated absences	<u>25,886</u>	<u>26,250</u>
<b>Total long-term obligations</b>	<b><u>\$ 8,246,497</u></b>	<b><u>\$ 2,006,848</u></b>

## CITY OF PATASKALA, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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

**Long-term obligations December 31, 2007**



#### **Economic Conditions and Outlook**

The City of Pataskala is in a position of limited flexibility. Based on the geographic size of the City, the lack of a funding source and the rapid fund balance decline of the City's Street Levy fund, the City expects dramatic cuts in services (paving streets, salting roads in the winter, general maintenance, etc.) if additional revenue sources are not approved by the City's voters. In order to alleviate this rapid fund balance decline, the City will place an income tax on the November 2007 ballot, which will be the seventh time since November 2001.

Based on the population estimates provided by the Mid-Ohio Regional Planning Commission, the City's population is estimated at 15,508 citizens. Based on similar surrounding Cities and also throughout the State of Ohio, the City of Pataskala's staffing levels are less than or equal to Cities of similar size by population.

The Administration continues to find ways to cut costs and also find new sources of revenues by reviewing its current fee structure for all services provided. However, these fees will not cover the necessary costs to maintain and improve the City's infrastructure.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Jason Carr, Finance Director, City of Pataskala, 621 W. Broad Street, Pataskala, Ohio 43062.

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF PATASKALA, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 2,504,509	\$ 5,015,922	\$ 7,520,431
Receivables (net of allowances for uncollectibles):			
Real and other taxes . . . . .	2,258,699	-	2,258,699
Accounts . . . . .	74,547	238,922	313,469
Special assessments . . . . .	481	-	481
Due from other governments . . . . .	554,378	-	554,378
Prepayments . . . . .	35,903	7,552	43,455
Materials and supplies inventory . . . . .	35,565	8,456	44,021
Unamortized bond issue costs . . . . .	-	158,138	158,138
Restricted assets:			
Cash with fiscal and escrow agent . . . . .	78,766	-	78,766
Capital assets:			
Land and construction in progress . . . . .	1,234,172	654,893	1,889,065
Depreciable capital assets, net. . . . .	3,996,803	8,912,178	12,908,981
Total capital assets, net. . . . .	<u>5,230,975</u>	<u>9,567,071</u>	<u>14,798,046</u>
 Total assets . . . . .	 <u>10,773,823</u>	 <u>14,996,061</u>	 <u>25,769,884</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	72,201	5,855	78,056
Accrued wages and benefits . . . . .	147,479	33,967	181,446
Pension obligation payable. . . . .	89,856	20,155	110,011
Accrued interest payable . . . . .	13,484	107,318	120,802
Notes payable. . . . .	1,427,000	-	1,427,000
Unearned revenue . . . . .	2,166,771	-	2,166,771
Long-term liabilities:			
Due within one year . . . . .	140,126	375,907	516,033
Due in more than one year . . . . .	373,317	7,969,866	8,343,183
 Total liabilities . . . . .	 <u>4,430,234</u>	 <u>8,513,068</u>	 <u>12,943,302</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt. . . . .	3,374,813	1,566,742	4,941,555
Restricted for:			
Debt service . . . . .	30,067	-	30,067
Street construction, maintenance and repairs . . . . .	1,141,807	-	1,141,807
Parks and recreation . . . . .	78,690	-	78,690
Police and fire. . . . .	220,905	-	220,905
Other purposes . . . . .	393,076	-	393,076
Unrestricted . . . . .	<u>1,104,231</u>	<u>4,916,251</u>	<u>6,020,482</u>
 Total net assets. . . . .	 <u>\$ 6,343,589</u>	 <u>\$ 6,482,993</u>	 <u>\$ 12,826,582</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF PATASKALA, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General government . . . . .	\$ 1,063,385	\$ 329,569	\$ -	\$ -
Security of persons and property . . . . .	1,710,954	169,535	7,461	60,592
Public health and welfare . . . . .	57,500	-	-	-
Transportation . . . . .	1,128,655	-	1,097,946	207,446
Community environment . . . . .	335,154	739	-	-
Leisure time activity . . . . .	257,006	123,240	-	-
Interest and fiscal charges . . . . .	117,610	-	-	-
Total governmental activities . . . . .	<u>4,670,264</u>	<u>623,083</u>	<u>1,105,407</u>	<u>268,038</u>
<b>Business-type Activities:</b>				
Water . . . . .	1,525,419	1,011,506	-	79,695
Sewer . . . . .	<u>788,867</u>	<u>973,410</u>	<u>-</u>	<u>112,898</u>
Total business-type activities . . . . .	<u>2,314,286</u>	<u>1,984,916</u>	<u>-</u>	<u>192,593</u>
Total primary government . . . . .	<u>\$ 6,984,550</u>	<u>\$ 2,607,999</u>	<u>\$ 1,105,407</u>	<u>\$ 460,631</u>

**General Revenues:**

Property taxes levied for:

- General purposes . . . . .
- Street fund . . . . .
- Police fund . . . . .

Grants and entitlements not restricted to specific programs . . . . .

Investment earnings . . . . .

Miscellaneous . . . . .

Total general revenues . . . . .

Change in net assets . . . . .

**Net assets at beginning of year . . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (733,816)	\$ -	\$ (733,816)
(1,473,366)	-	(1,473,366)
(57,500)	-	(57,500)
176,737	-	176,737
(334,415)	-	(334,415)
(133,766)	-	(133,766)
(117,610)	-	(117,610)
<u>(2,673,736)</u>	<u>-</u>	<u>(2,673,736)</u>
-	(434,218)	(434,218)
-	297,441	297,441
-	(136,777)	(136,777)
<u>(2,673,736)</u>	<u>(136,777)</u>	<u>(2,810,513)</u>
826,407	-	826,407
1,726	-	1,726
1,311,759	-	1,311,759
455,723	-	455,723
114,274	300,956	415,230
125,770	23,908	149,678
<u>2,835,659</u>	<u>324,864</u>	<u>3,160,523</u>
161,923	188,087	350,010
<u>6,181,666</u>	<u>6,294,906</u>	<u>12,476,572</u>
<u>\$ 6,343,589</u>	<u>\$ 6,482,993</u>	<u>\$ 12,826,582</u>

**CITY OF PATASKALA, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	<u>General</u>	<u>Street</u>	<u>Police Levy</u>	<u>Municipal Building Purchase</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 971,095	\$ 794,505	\$ 247,761	\$ 28,801
Receivables (net of allowance for uncollectibles):				
Real and other taxes . . . . .	875,191	-	1,383,508	-
Accounts . . . . .	72,952	600	-	-
Special assessments . . . . .	-	-	-	-
Due from other governments . . . . .	116,619	318,017	73,653	-
Prepayments . . . . .	12,787	7,161	13,388	-
Materials and supplies inventory . . . . .	-	35,565	-	-
Restricted assets:				
Cash with fiscal and escrow agents . . . . .	-	-	-	-
Total assets . . . . .	<u>\$ 2,048,644</u>	<u>\$ 1,155,848</u>	<u>\$ 1,718,310</u>	<u>\$ 28,801</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 18,294	\$ 18,055	\$ 31,517	\$ -
Accrued wages and benefits . . . . .	40,799	26,109	79,242	-
Pension obligation payable . . . . .	25,009	15,748	49,045	-
Accrued interest payable . . . . .	-	-	-	7,583
Notes payable . . . . .	-	-	-	1,240,000
Unearned revenue . . . . .	842,103	-	1,324,668	-
Deferred revenue . . . . .	171,239	210,672	132,493	-
Total liabilities . . . . .	<u>1,097,444</u>	<u>270,584</u>	<u>1,616,965</u>	<u>1,247,583</u>
<b>Fund Balances:</b>				
Reserved for prepayments . . . . .	12,787	7,161	13,388	-
Reserved for materials and supplies inventory . . . . .	-	35,565	-	-
Reserved for restricted assets . . . . .	-	-	-	-
Reserved for debt service . . . . .	-	-	-	-
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	938,413	-	-	-
Special revenue funds . . . . .	-	842,538	87,957	-
Capital projects funds . . . . .	-	-	-	(1,218,782)
Total fund balances . . . . .	<u>951,200</u>	<u>885,264</u>	<u>101,345</u>	<u>(1,218,782)</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,048,644</u>	<u>\$ 1,155,848</u>	<u>\$ 1,718,310</u>	<u>\$ 28,801</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 462,347	\$ 2,504,509
-	2,258,699
995	74,547
481	481
46,089	554,378
2,567	35,903
-	35,565
78,766	78,766
\$ 591,245	\$ 5,542,848
\$ 4,335	\$ 72,201
1,329	147,479
54	89,856
5,901	13,484
187,000	1,427,000
-	2,166,771
17,488	531,892
216,107	4,448,683
2,567	35,903
-	35,565
78,766	78,766
30,067	30,067
-	938,413
456,639	1,387,134
(192,901)	(1,411,683)
375,138	1,094,165
\$ 591,245	\$ 5,542,848

**CITY OF PATASKALA, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007

<b>Total governmental fund balances</b>		\$ 1,094,165
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,230,975
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 96,061	
Special assessment revenues	481	
Intergovernmental revenues	375,472	
Other revenue	<u>59,878</u>	
Total		531,892
Long-term liabilities, including leases and loans, are not due and payable in the current period and therefore are not reported in the funds.		
Lease purchase agreement	(327,879)	
OPWC loans	(101,283)	
Compensated absences	<u>(84,281)</u>	
Total		<u>(513,443)</u>
<b>Net assets of governmental activities</b>		<u>\$ 6,343,589</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF PATASKALA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Street</u>	<u>Police Levy</u>	<u>Municipal Building Purchase</u>
<b>Revenues:</b>				
Property and other taxes . . . . .	\$ 837,380	\$ 1,726	\$ 1,330,805	\$ -
Charges for services . . . . .	46,181	-	50,000	-
Licenses and permits . . . . .	170,188	-	-	-
Fines and forfeitures . . . . .	113,232	-	-	-
Intergovernmental . . . . .	358,849	622,338	190,010	-
Investment income . . . . .	114,274	21,779	-	-
Rental income . . . . .	102,879	-	-	-
Other . . . . .	42,937	26,680	12,679	404
Total revenues . . . . .	<u>1,785,920</u>	<u>672,523</u>	<u>1,583,494</u>	<u>404</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	991,432	-	-	-
Security of persons and property . . . . .	147,846	-	1,524,488	-
Public health and welfare . . . . .	57,500	-	-	-
Transportation . . . . .	-	798,958	-	-
Community environment . . . . .	240,047	-	-	-
Leisure time activity . . . . .	-	-	-	-
Capital outlay . . . . .	264,387	-	159,310	-
Debt service:				
Principal retirement . . . . .	62,414	-	33,404	-
Interest and fiscal charges . . . . .	-	-	-	104,560
Total expenditures . . . . .	<u>1,763,626</u>	<u>798,958</u>	<u>1,717,202</u>	<u>104,560</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>22,294</u>	<u>(126,435)</u>	<u>(133,708)</u>	<u>(104,156)</u>
<b>Other financing sources (uses):</b>				
Loan issuance . . . . .	-	-	-	-
Capital lease transaction . . . . .	264,387	-	159,310	-
Transfers in . . . . .	-	-	-	150,894
Transfers out . . . . .	(150,894)	-	-	-
Total other financing sources (uses) . . . . .	<u>113,493</u>	<u>-</u>	<u>159,310</u>	<u>150,894</u>
Net change in fund balances . . . . .	135,787	(126,435)	25,602	46,738
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<u>815,413</u>	<u>1,011,699</u>	<u>75,743</u>	<u>(1,265,520)</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 951,200</u>	<u>\$ 885,264</u>	<u>\$ 101,345</u>	<u>\$ (1,218,782)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,169,911
129,801	225,982
-	170,188
-	113,232
488,889	1,660,086
5,547	141,600
-	102,879
47,201	129,901
<u>671,438</u>	<u>4,713,779</u>
-	991,432
10,522	1,682,856
-	57,500
67,802	866,760
2,927	242,974
135,840	135,840
541,058	964,755
-	95,818
13,050	117,610
<u>771,199</u>	<u>5,155,545</u>
<u>(99,761)</u>	<u>(441,766)</u>
101,283	101,283
-	423,697
27,199	178,093
(27,199)	(178,093)
<u>101,283</u>	<u>524,980</u>
1,522	83,214
373,616	1,010,951
<u>\$ 375,138</u>	<u>\$ 1,094,165</u>

**CITY OF PATASKALA, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Net change in fund balances - total governmental funds** \$ 83,214

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Capital outlay exceeds depreciation expense in the current period accordingly.

Capital asset additions	\$ 933,118	
Current year depreciation	(355,520)	
<b>Total</b>		<b>577,598</b>

Proceeds of capital leases and loans are recorded as other financing sources in the funds, however in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (524,980)

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

Property taxes	(30,019)	
Special assessment revenues	481	
Intergovernmental revenues	(44,650)	
Other revenue	6,190	
<b>Total</b>		<b>(67,998)</b>

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 95,818

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (1,729)

**Change in net assets of governmental activities** \$ 161,923

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF PATASKALA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and other taxes . . . . .	\$ 824,091	\$ 828,183	\$ 837,380	\$ 9,197
Charges for services . . . . .	45,448	45,674	46,181	507
Licenses and permits. . . . .	167,492	168,324	170,193	1,869
Fines and forfeitures. . . . .	110,794	111,345	112,581	1,236
Intergovernmental . . . . .	351,097	352,841	356,759	3,918
Investment income . . . . .	112,460	113,019	114,274	1,255
Rental income . . . . .	101,246	101,749	102,879	1,130
Other . . . . .	33,586	33,753	34,128	375
Total revenues. . . . .	<u>1,746,214</u>	<u>1,754,888</u>	<u>1,774,375</u>	<u>19,487</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,632,976	1,638,479	982,861	655,618
Security of persons and property . . . . .	326,509	327,610	206,869	120,741
Public health and welfare. . . . .	90,754	91,060	57,500	33,560
Community environment . . . . .	366,646	367,882	232,299	135,583
Debt service:				
Principal retirement . . . . .	90,694	91,000	85,000	6,000
Interest and fiscal charges . . . . .	65,778	66,000	65,894	106
Total expenditures . . . . .	<u>2,573,357</u>	<u>2,582,031</u>	<u>1,630,423</u>	<u>951,608</u>
Net change in fund balance. . . . .	(827,143)	(827,143)	143,952	971,095
<b>Fund balance at beginning of year. . . . .</b>	<u>827,143</u>	<u>827,143</u>	<u>827,143</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,095</u>	<u>\$ 971,095</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF PATASKALA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 STREET FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property and other taxes . . . . .	\$ 1,798	\$ 1,447	\$ 1,726	\$ 279
Intergovernmental . . . . .	690,896	556,076	663,285	107,209
Investment income . . . . .	22,686	18,259	21,779	3,520
Other . . . . .	27,291	21,965	26,200	4,235
Total revenues. . . . .	<u>742,671</u>	<u>597,747</u>	<u>712,990</u>	<u>115,243</u>
<b>Expenditures:</b>				
Current:				
Transportation . . . . .	<u>1,603,915</u>	<u>1,439,923</u>	<u>779,729</u>	<u>660,194</u>
Total expenditures . . . . .	<u>1,603,915</u>	<u>1,439,923</u>	<u>779,729</u>	<u>660,194</u>
Net change in fund balance. . . . .	(861,244)	(842,176)	(66,739)	775,437
<b>Fund balance at beginning of year. . . . .</b>	<u>861,244</u>	<u>861,244</u>	<u>861,244</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 19,068</u>	<u>\$ 794,505</u>	<u>\$ 775,437</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF PATASKALA, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 POLICE LEVY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property and other taxes . . . . .	\$ 1,251,264	\$ 1,251,264	\$ 1,330,805	\$ 79,541
Charges for services . . . . .	50,000	50,000	50,000	-
Intergovernmental . . . . .	180,446	180,446	191,917	11,471
Other . . . . .	9,156	9,156	12,916	3,760
Total revenues. . . . .	<u>1,490,866</u>	<u>1,490,866</u>	<u>1,585,638</u>	<u>94,772</u>
<b>Expenditures:</b>				
Current:				
Security of persons and property . . . . .	<u>1,663,291</u>	<u>1,663,291</u>	<u>1,510,302</u>	<u>152,989</u>
Total expenditures . . . . .	<u>1,663,291</u>	<u>1,663,291</u>	<u>1,510,302</u>	<u>152,989</u>
Net change in fund balance . . . . .	(172,425)	(172,425)	75,336	247,761
<b>Fund balance at beginning of year . . . . .</b>	<u>172,425</u>	<u>172,425</u>	<u>172,425</u>	<u>-</u>
<b>Fund balance at end of year. . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,761</u>	<u>\$ 247,761</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF PATASKALA, OHIO

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2007

	<u>Business-type Activities -Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,543,442	\$ 2,472,480	\$ 5,015,922
Receivables (net of allowance for uncollectibles):			
Accounts . . . . .	110,383	128,539	238,922
Prepayments . . . . .	3,776	3,776	7,552
Materials and supplies inventory . . . . .	6,606	1,850	8,456
Unamortized bond issue costs . . . . .	158,138	-	158,138
Total current assets . . . . .	<u>2,822,345</u>	<u>2,606,645</u>	<u>5,428,990</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress. . . . .	330,752	324,141	654,893
Depreciable capital assets, net. . . . .	6,448,905	2,463,273	8,912,178
Total capital assets, net . . . . .	<u>6,779,657</u>	<u>2,787,414</u>	<u>9,567,071</u>
Total noncurrent assets . . . . .	<u>6,779,657</u>	<u>2,787,414</u>	<u>9,567,071</u>
Total assets . . . . .	<u>9,602,002</u>	<u>5,394,059</u>	<u>14,996,061</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable. . . . .	2,714	3,141	5,855
Accrued wages and benefits . . . . .	16,853	17,114	33,967
Pension obligation payable. . . . .	9,974	10,181	20,155
Compensated absences . . . . .	6,973	11,420	18,393
Accrued interest payable . . . . .	103,988	3,330	107,318
General obligation bonds - current . . . . .	20,000	40,000	60,000
OWDA loans - current . . . . .	100,224	197,290	297,514
Total current liabilities . . . . .	<u>260,726</u>	<u>282,476</u>	<u>543,202</u>
Long-term liabilities:			
General obligation bonds. . . . .	6,629,276	600,000	7,229,276
OWDA loans . . . . .	292,654	440,443	733,097
Compensated absences . . . . .	7,493	-	7,493
Total long-term liabilities. . . . .	<u>6,929,423</u>	<u>1,040,443</u>	<u>7,969,866</u>
Total liabilities. . . . .	<u>7,190,149</u>	<u>1,322,919</u>	<u>8,513,068</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt. . . . .	57,061	1,509,681	1,566,742
Unrestricted . . . . .	<u>2,354,792</u>	<u>2,561,459</u>	<u>4,916,251</u>
Total net assets . . . . .	<u>\$ 2,411,853</u>	<u>\$ 4,071,140</u>	<u>\$ 6,482,993</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF PATASKALA, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 1,011,506	\$ 973,410	\$ 1,984,916
Other . . . . .	14,446	9,462	23,908
Total operating revenues . . . . .	<u>1,025,952</u>	<u>982,872</u>	<u>2,008,824</u>
<b>Operating expenses:</b>			
Personal services . . . . .	291,883	295,274	587,157
Contract services . . . . .	253,191	24,047	277,238
Materials and supplies . . . . .	113,564	203,227	316,791
Depreciation . . . . .	272,235	156,063	428,298
Other . . . . .	-	11,677	11,677
Total operating expenses. . . . .	<u>930,873</u>	<u>690,288</u>	<u>1,621,161</u>
Operating income . . . . .	<u>95,079</u>	<u>292,584</u>	<u>387,663</u>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue. . . . .	200,189	100,767	300,956
Interest expense and fiscal charges . . . . .	<u>(594,546)</u>	<u>(98,579)</u>	<u>(693,125)</u>
Total nonoperating revenues (expenses) . . . . .	<u>(394,357)</u>	<u>2,188</u>	<u>(392,169)</u>
Income (loss) before capital contributions . . . . .	(299,278)	294,772	(4,506)
Capital contributions . . . . .	<u>79,695</u>	<u>112,898</u>	<u>192,593</u>
Changes in net assets . . . . .	(219,583)	407,670	188,087
<b>Net assets at beginning of year . . . . .</b>	<u>2,631,436</u>	<u>3,663,470</u>	<u>6,294,906</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 2,411,853</u>	<u>\$ 4,071,140</u>	<u>\$ 6,482,993</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF PATASKALA, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from charges for services. . . . .	\$ 1,004,908	\$ 967,652	\$ 1,972,560
Cash received from other operations. . . . .	14,446	9,462	23,908
Cash payments for personal services. . . . .	(287,865)	(289,593)	(577,458)
Cash payments for contract services . . . . .	(253,133)	(23,989)	(277,122)
Cash payments for materials and supplies . . . . .	(136,754)	(206,463)	(343,217)
Cash payments for other expenses . . . . .	-	(12,731)	(12,731)
Net cash provided by operating activities . . . . .	<u>341,602</u>	<u>444,338</u>	<u>785,940</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(602,730)	(27,516)	(630,246)
Principal retirement on bonds, notes and loans . . . . .	(7,531,546)	(218,441)	(7,749,987)
Interest paid on bonds, notes and loans. . . . .	(567,571)	(98,682)	(666,253)
Premium received on issuance of general obligation bonds . . . . .	100,382	-	100,382
Bond issuance costs incurred. . . . .	(159,900)	-	(159,900)
General obligation bonds issued. . . . .	6,550,000	-	6,550,000
Bond anticipation notes issued. . . . .	1,295,000	-	1,295,000
Net cash used in capital and related financing activities . . . . .	<u>(916,365)</u>	<u>(344,639)</u>	<u>(1,261,004)</u>
<b>Cash flows from investing activities:</b>			
Interest received. . . . .	200,189	100,767	300,956
Net cash provided by investing activities . . . . .	<u>200,189</u>	<u>100,767</u>	<u>300,956</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(374,574)	200,466	(174,108)
<b>Cash and cash equivalents at beginning of year. . . . .</b>	<u>2,918,016</u>	<u>2,272,014</u>	<u>5,190,030</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 2,543,442</u></u>	<u><u>\$ 2,472,480</u></u>	<u><u>\$ 5,015,922</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income. . . . .	\$ 95,079	\$ 292,584	\$ 387,663
Adjustments:			
Depreciation . . . . .	272,235	156,063	428,298
Changes in assets and liabilities:			
(Increase) in accounts receivable. . . . .	(6,598)	(9,825)	(16,423)
(Increase) in materials and supplies inventory . . . . .	(2,142)	(600)	(2,742)
Decrease in prepayments. . . . .	412	446	858
Increase (decrease) in accounts payable . . . . .	(20,990)	435	(20,555)
Increase in accrued wages and benefits . . . . .	1,842	2,113	3,955
Increase (decrease) in compensated absences payable. . . . .	(767)	403	(364)
Increase in pension obligation payable. . . . .	2,531	2,719	5,250
Net cash provided by operating activities. . . . .	<u><u>\$ 341,602</u></u>	<u><u>\$ 444,338</u></u>	<u><u>\$ 785,940</u></u>

**Noncash Transactions:**

At December 31, 2007 and December 31, 2006, the Water fund purchased \$0 and \$371,704, respectively, in capital assets on account.

During fiscal 2007, the Water and Sewer funds received \$79,695 and \$112,898, respectively, in capital contributions from developers.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF PATASKALA, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
DECEMBER 31, 2007

	<u>Agency</u>
<b>Assets:</b>	
Cash in segregated accounts . . . . .	\$ 8,456
Total assets. . . . .	<u>\$ 8,456</u>
<b>Liabilities:</b>	
Undistributed monies. . . . .	\$ 8,456
Total liabilities . . . . .	<u>\$ 8,456</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## CITY OF PATASKALA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### NOTE 1 - DESCRIPTION OF THE CITY

The City of Pataskala, Licking County, Ohio (the "City") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a government that is directed by a publicly-elected seven-member Council, and a Mayor. The city administrator is the chief executive officer, and the finance director is the chief fiscal officer. The City provides the following services: general government, including water and sewer utilities, police protection, parks and recreation, public health, street maintenance and community development.

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

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

##### A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's BFS to be misleading or incomplete.

The primary government consists of all funds and departments which provide various services including police protection, street maintenance and repair, parks, recreation, water and sewer services. Council and the City Administrator are directly responsible for these activities. The accompanying financial statements present the City, which has no component units. The following organizations are described due to their relationship with the City:

##### *JOINTLY GOVERNED ORGANIZATIONS*

West Licking Joint Fire District - The West Licking Joint Fire District, a jointly governed organization, is a political subdivision governed by a board of trustees which possesses its own contracting and budgeting authority. The board of trustees consists of one representative from each of the participating governments; the City of Pataskala, the Village of Kirkersville, Harrison Township, Etna Township, City of Reynoldsburg and Jersey Township. The City made no contributions during 2007 for the operation of the West Licking Joint Fire District.

## CITY OF PATASKALA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

Southwest Licking Community Water and Sewer District - The Southwest Licking Community Water and Sewer District, a jointly governed organization, is a political subdivision governed by a board of trustees which possesses its own contracting and budgeting authority. The City Council of Pataskala appoints one member of the Sewer District and the remaining members are appointed by Harrison and Etna Townships. The City made no contributions during 2007 for the operation of the Sewer District.

#### **B. Basis of Presentation - Fund Accounting**

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

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

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

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

#### **C. Fund Accounting**

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

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

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. This includes, but is not limited to, police protection, public health activities, cemetery, and the general administration of City functions.

Street Fund - The street fund accounts for revenues generated from license and gasoline taxes to be used on local roads within the City.

Police Levy Fund - This fund accounts for tax and other revenues collected for police operations.

Municipal Building Purchase Fund - This fund is used to account for the purchase of the municipal building.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; and (b) for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds** - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

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

Water Fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer Fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

**Fiduciary Funds** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for the Mayor's Court activity.

**D. Measurement Focus and Basis of Accounting**

**Government-wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**E. Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the 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.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from 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: state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**F. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the Certificate of Estimated Resources and the Appropriations Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The City's legal level of budgetary is established 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.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

***Tax Budget*** - During the first Council meeting in July, the Mayor presents the following fiscal year's annual operating budget 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. The Licking County Budget Commission waived this requirement for 2007.

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a 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 Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final Certificate of Estimated Resources issued during 2007.

***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, object, department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund, department, object appropriations do not exceed current estimated resources, as certified. The appropriations for a fund at the legal level of control may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by 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.

**G. Cash and Cash Equivalents**

Cash balances of the City's funds, except cash in segregated accounts and cash held by a fiscal agent, are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the financial statements as "Equity in pooled cash and cash equivalents."

During 2007, investments were limited to nonnegotiable certificates of deposit and a repurchase agreement. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

The City has a segregated bank account for Mayor's Court monies separate from the City's central bank account. This interest bearing depository account is presented on the financial statements as "Cash in segregated accounts" since it is not required to be deposited into the City treasury.



**CITY OF PATASKALA, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2007 amounted to \$114,274, which included \$97,485 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the financial statement, 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 they are purchased from a specific fund.

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

**H. Inventories of Materials and Supplies**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when consumed. Inventories of the proprietary funds are expensed when used.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	5 - 20 years	5 - 20 years
Buildings and improvements	20 - 60 years	20 - 60 years
Equipment	5 - 15 years	5 - 15 years
Vehicles	8 years	8 years
Infrastructure	15 - 75 years	80 years

**J. Compensated Absences**

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service or any employee with at least twenty (20) years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16. Sick leave benefits were accrued using the "vesting" method.

The total liability for vacation, compensatory time, 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 labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**CITY OF PATASKALA, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

**K. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**M. Interfund Activity**

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

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

**N. Fund Balance Reserves**

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

The City reports a reservation of fund balance for amounts representing prepayments, materials and supplies inventory, restricted assets and debt service in the governmental fund financial statements.

**O. Estimates**

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

**CITY OF PATASKALA, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

**P. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. The proprietary funds received \$192,593 in capital contributions from developers during 2007.

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist primarily of permissive motor vehicle license tax and mayor's court computer monies.

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

**R. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund.

**S. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provision or enabling legislation.

Restricted assets represent certain resources which are segregated from other resources of the City. These assets are generally held in separate accounts of the City or by a trustee. Restricted assets represent permissive tax monies held by Licking County.

**T. Extraordinary Item**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

**U. Bond Discounts, Premiums and Issuance Costs**

Bond issuance costs are reported as deferred charges and amortized over the life of the bond using the straight-line method. The unamortized portion of the bond issuance costs are reported on the statement of net assets. Bond discounts or premiums are (1) shown as additions to, or deductions from, the account of the bond liability, (2) amortized using the straight-line method, and (3) reflected as interest income or expense in the proprietary fund.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at December 31, 2007, included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
Municipal building purchase	\$ 1,218,782
<u>Nonmajor governmental fund</u>	
Courter Bridge improvement	192,901

The general fund is liable for any deficits and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the municipal building purchase fund and Courter Bridge improvement fund resulted from the reporting of notes payable as fund liabilities (see Note 12).

**B. Change in Accounting Principles**

For 2007, the City has implemented GASB Statement No. 48 "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the City.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

## CITY OF PATASKALA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash with Fiscal and Escrow Agent**

At year-end, the City had \$78,766 on deposit with the Licking County Treasurer. The data regarding insurance and collateralization can be obtained from the Licking County Comprehensive Annual Financial Report for the year ended December 31, 2007. This amount is not included in the City's depository balance detailed in Note 4.C.

**B. Cash in Segregated Accounts**

At year-end, the City had \$8,456 deposited with a financial institution for monies related to the Mayor's Court which are reported as an agency fund. These amounts were covered by the Federal Deposit Insurance Corporation and are not included in the City's depository balance detailed in Note 4.C.

**C. Deposits with Financial Institutions**

At December 31, 2007, the carrying amount of all City deposits was \$(135,862) exclusive of the \$7,656,293 repurchase agreements included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the City's bank accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2007, the City's entire bank balance of \$4,607 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

**D. Investments**

As of December 31, 2007, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreements	\$ 7,656,293	\$ 7,656,293

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The federal agency securities that underlie the repurchase agreements were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the City's \$7,656,293 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreements	\$ 7,656,293	100.00%

**E. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ (135,862)
Investments	7,656,293
Cash with fiscal and escrow agent	78,766
Cash in segregated accounts	<u>8,456</u>
Total	<u>\$ 7,607,653</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,583,275
Business type activities	5,015,922
Agency fund	<u>8,456</u>
Total	<u>\$ 7,607,653</u>



**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2007, consisted of the following:

<u>Transfer from</u>	<u>Transfer to</u>		<u>Total</u>
	<u>Municipal Building Purchase</u>	<u>Nonmajor Governmental</u>	
General	\$ 150,894	\$ -	\$ 150,894
Nonmajor governmental	-	27,199	27,199
Total	<u>\$ 150,894</u>	<u>\$ 27,199</u>	<u>\$ 178,093</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

Transfers amounting to \$150,894 from the general fund to the municipal building purchase fund and \$27,199 from the permissive license tax nonmajor special revenue fund to the Courter Bridge improvement nonmajor capital projects fund are required to transfer debt payments to the funds which report the liabilities.

Transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2007-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The Licking County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2007 was \$10.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real property tax	\$ 314,715,530
Public utility tangible personal property	6,427,500
Tangible personal property	<u>3,246,170</u>
Total assessed valuation	<u>\$ 324,389,200</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007. Although total property tax collections for the next year are measurable, they are generally not collected during the available period.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2007, as well as intended to finance fiscal 2007 operations.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 7 - RECEIVABLES - (Continued)**

A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Real and other taxes	\$ 2,258,699
Accounts	74,547
Special assessments	481
Due from other governments	554,378

**Business-type Activities:**

Accounts	238,922
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Receivables have been disaggregated on the face of the BFS. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Balance</u> 12/31/06	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> 12/31/07
<b><u>Governmental Activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,169,440	\$ -	\$ -	\$ 1,169,440
Construction in progress	-	64,732	-	64,732
Total capital assets, not being depreciated	<u>1,169,440</u>	<u>64,732</u>	<u>-</u>	<u>1,234,172</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	142,095	-	-	142,095
Buildings and improvements	1,427,007	24,288	-	1,451,295
Equipment	747,307	59,343	-	806,650
Vehicles	1,431,348	444,558	-	1,875,906
Infrastructure	<u>1,853,074</u>	<u>340,197</u>	<u>-</u>	<u>2,193,271</u>
Total capital assets, being depreciated	<u>5,600,831</u>	<u>868,386</u>	<u>-</u>	<u>6,469,217</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(73,080)	(7,861)	-	(80,941)
Buildings and improvements	(258,357)	(101,855)	-	(360,212)
Equipment	(404,337)	(42,964)	-	(447,301)
Vehicles	(1,212,576)	(87,853)	-	(1,300,429)
Infrastructure	<u>(168,544)</u>	<u>(114,987)</u>	<u>-</u>	<u>(283,531)</u>
Total accumulated depreciation	<u>(2,116,894)</u>	<u>(355,520)</u>	<u>-</u>	<u>(2,472,414)</u>
Total capital assets, being depreciated, net	<u>3,483,937</u>	<u>512,866</u>	<u>-</u>	<u>3,996,803</u>
Governmental activities capital assets, net	<u>\$ 4,653,377</u>	<u>\$ 577,598</u>	<u>\$ -</u>	<u>\$ 5,230,975</u>

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 8 - CAPITAL ASSETS - (Continued)**

	Balance		Balance
<b><u>Business-type Activities:</u></b>	<u>12/31/06</u>	<u>Additions</u>	<u>Disposals</u>
	<u>12/31/06</u>	<u>Additions</u>	<u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>			
Land	\$ 654,893	\$ -	\$ -
Construction in progress	4,237,701	221,010	(4,458,711)
Total capital assets, not being depreciated	<u>4,892,594</u>	<u>221,010</u>	<u>(4,458,711)</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	105,881	-	-
Buildings and improvements	2,224,643	4,458,711	-
Equipment	1,343,251	37,532	-
Infrastructure	<u>5,932,610</u>	<u>192,593</u>	<u>-</u>
Total capital assets, being depreciated	<u>9,606,385</u>	<u>4,688,836</u>	<u>-</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(100,576)	(2,122)	-
Buildings and improvements	(1,059,981)	(161,919)	-
Equipment	(709,946)	(68,997)	-
Infrastructure	<u>(3,084,242)</u>	<u>(195,260)</u>	<u>-</u>
Total accumulated depreciation	<u>(4,954,745)</u>	<u>(428,298)</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>4,651,640</u>	<u>4,260,538</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 9,544,234</u>	<u>\$ 4,481,548</u>	<u>\$ (4,458,711)</u>

Depreciation expense was charged to functions/programs (governmental activities) and fund's (business-type activities) of the City as follows:

**Governmental Activities:**

General government	\$ 67,388
Security of persons and property	26,990
Leisure time activity	30,778
Transportation	137,279
Community environment	<u>93,085</u>
Total depreciation expense - governmental activities	<u>\$ 355,520</u>

**Business-type Activities:**

Water	\$ 272,235
Sewer	<u>156,063</u>
Total depreciation expense - business type activities	<u>\$ 428,298</u>

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

Employees earn vacation at different rates which are also affected by length of service. Vacation is accrued each pay and may be carried over. The maximum number of hours which may be accrued is based on years of service. Vacation and sick leave accumulated by governmental fund type employees has been recorded in the general long-term obligations account group to the extent they were not paid using current expendable available resources. Vacation and sick leave earned by proprietary funds type employees is expensed when earned and has been recorded in the fund.

Employees earn compensatory-time and may accrue a maximum of forty hours, except police officers may accrue a maximum of eighty hours, which may be carried forward to the next year.

As of December 31, 2007, the liability for compensated absences in governmental activities was \$84,281, and \$25,886 was the liability for compensated absences reported in the business-type activities. The total liability for the City's compensated absences reported on the statement of net assets was \$110,167 with \$77,286 being due within one year.

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

During 2007, the City entered into capital lease agreements for the acquisition of vehicles. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund. Capital lease payments in the governmental funds have been reclassified on the financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement. The first year's payment consists of principal only.

Capital assets consisting of vehicles have been capitalized in the amount of \$423,697. This amount represents the present value of minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2007 was \$27,787, leaving a current book value of \$395,910. A corresponding liability was recorded in the government-wide financial statements. Principal payments made in the 2007 fiscal year totaled \$62,414 paid by the general fund and \$33,404 paid by the police levy fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2007.

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 95,818
2009	95,818
2010	95,817
2011	<u>95,818</u>
Total future minimum lease payments	383,271
Less: amount representing interest	<u>(55,392)</u>
Present value of net minimum lease payments	<u><u>\$ 327,879</u></u>

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2007, the following changes occurred in the City's governmental long-term obligations:

<b>Governmental Activities:</b>	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/07</u>	Amounts Due in <u>One Year</u>
Capital lease obligations	\$ -	\$ 423,697	\$ (95,818)	\$ 327,879	\$ 74,342
OPWC loans	-	101,283	-	101,283	6,891
Compensated absences	<u>82,552</u>	<u>30,818</u>	<u>(29,089)</u>	<u>84,281</u>	<u>58,893</u>
Total governmental activities long-term obligations	<u>\$ 82,552</u>	<u>\$ 555,798</u>	<u>\$ (124,907)</u>	<u>\$ 513,443</u>	<u>\$ 140,126</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid. For the City's governmental activities, this is the general fund, street fund and police levy fund.

Capital Lease Obligation: Capital lease payments were made from the general fund and police levy fund. See Note 10 for detail on the City's capital lease obligations.

OPWC Loans: The Ohio Public Works Commission (OPWC) loans are general obligations of the City, and will be repaid from the City's general operating revenues. The OPWC loans are interest free, providing repayment remains current.

A summary of the City's future debt service requirements for governmental activities long-term obligations outstanding as of December 31, 2007 are as follows:

<u>Year</u>	<u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,891	\$ -	\$ 6,891
2009	10,547	-	10,547
2010	10,547	-	10,547
2011	10,546	-	10,546
2012	10,547	-	10,547
2013-2017	19,839	-	19,839
2018-2022	16,183	-	16,183
2023-2027	<u>16,183</u>	<u>-</u>	<u>16,183</u>
Total	<u>\$ 101,283</u>	<u>\$ -</u>	<u>\$ 101,283</u>

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

B. During the fiscal year 2007, the following changes occurred in the City's business-type long-term obligations:

<b>Business-Type Activities:</b>	<u>Interest Rate</u>	<u>Balance 12/31/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>	<u>Amounts Due in One Year</u>
<u>General Obligation Revenue Bonds</u>						
Sewer bonds	5.50-6.125%	\$ 675,000	\$ -	\$ (35,000)	\$ 640,000	\$ 40,000
Water bonds	4.25-5.00%	-	6,550,000	-	6,550,000	20,000
Total general obligation revenue bonds	4.25-6.125%	<u>675,000</u>	<u>6,550,000</u>	<u>(35,000)</u>	<u>7,190,000</u>	<u>60,000</u>
<u>OWDA Loans</u>						
Sewer plant loan	7.55%	821,174	-	(183,441)	637,733	197,290
Water system loan	10.57%	<u>484,424</u>	-	<u>(91,546)</u>	<u>392,878</u>	<u>100,224</u>
Total OWDA loans		<u>1,305,598</u>	<u>-</u>	<u>(274,987)</u>	<u>1,030,611</u>	<u>297,514</u>
<u>Other Obligations</u>						
Compensated absences		<u>26,250</u>	<u>2,880</u>	<u>(3,244)</u>	<u>25,886</u>	<u>18,393</u>
Total other obligations		<u>26,250</u>	<u>2,880</u>	<u>(3,244)</u>	<u>25,886</u>	<u>18,393</u>
Total business-type activities long-term obligations		<u>\$ 2,006,848</u>	<u>\$ 6,552,880</u>	<u>\$ (313,231)</u>	8,246,497	<u>\$ 375,907</u>
Add: Unamortized premium on bond issue					<u>99,276</u>	
Total reported on the statement of net assets					<u>\$ 8,345,773</u>	

General Obligation Revenue Bonds: The sewer bonds are general obligation revenue bonds, which are supported by the full faith and credit of the City. The bonds will be retired with operating revenues of the sewer fund to the extent such revenues are available, or from the general operating revenues of the City.

On August 28, 2007 the City issued \$6,550,000 in water system improvement general obligation bonds. The proceeds of the bond issue were used to repay \$6,145,000 in water treatment plant notes (see Note 12) and to fund construction of various water system improvements. The bonds bear interest rates ranging from 4.25% to 5.00% and mature on December 1, 2037. The water bonds are general obligation revenue bonds, which are supported by the full faith and credit of the City. The bonds will be retired with operating revenues of the water fund to the extent such revenues are available, or from the general operating revenues of the City. At December 31, 2007, the City had \$161,420 of unspent bond proceeds remaining on this bond issue.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

OWDA Loans: The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to OWDA are intended to be paid primarily from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2007, the City had outstanding borrowings of \$1,030,611. During 2007, the sewer and water funds made \$183,441 and \$91,546 principal payments, respectively, on the OWDA loans.

Compensated Absences: Compensated absences will be paid from the fund from which the employees' salaries are paid. For the City's business-type activities, this is the water fund and sewer fund.

The future debt service requirements for business-type activities long-term obligations outstanding as of year-end are as follows:

Year	General Obligation Revenue Bonds			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 60,000	\$ 427,343	\$ 487,343	\$ 297,514	\$ 72,143	\$ 369,657
2009	140,000	344,388	484,388	321,910	51,318	373,228
2010	150,000	337,737	487,737	348,385	28,730	377,115
2011	195,000	330,613	525,613	62,802	4,374	67,176
2012	175,000	321,481	496,481	-	-	-
2013 - 2017	1,000,000	1,474,963	2,474,963	-	-	-
2018 - 2022	1,035,000	1,211,300	2,246,300	-	-	-
2023 - 2027	1,145,000	950,687	2,095,687	-	-	-
2028 - 2032	1,455,000	639,963	2,094,963	-	-	-
2033 - 2037	1,835,000	262,238	2,097,238	-	-	-
Total	<u>\$ 7,190,000</u>	<u>\$ 6,300,713</u>	<u>\$ 13,490,713</u>	<u>\$ 1,030,611</u>	<u>\$ 156,565</u>	<u>\$ 1,187,176</u>

**C. Legal Debt Margin**

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 assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. 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, 2007, the City's total debt margin was \$33,736,929 and the unvoted debt margin was \$17,686,042.



**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 12 - NOTES PAYABLE**

During 2007, the City had the following note activity:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/06</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/07</u>
Bridge improvement	4.00%	09/01/06	08/29/07	\$ 205,000	\$ -	\$ (205,000)	\$ -
Bridge improvement	4.65%	08/28/07	08/28/08	-	187,000	-	187,000
Municipal building	6.35%	12/21/06	12/20/07	465,000	-	(465,000)	-
Municipal building	6.25%	12/19/07	12/18/08	-	380,000	-	380,000
Municipal building	4.25%	09/27/06	09/26/07	860,000	-	(860,000)	-
Municipal building	4.50%	09/25/07	09/24/08	-	860,000	-	860,000
<b>Total governmental activities notes payable</b>				<b><u>\$ 1,530,000</u></b>	<b><u>\$ 1,427,000</u></b>	<b><u>\$(1,530,000)</u></b>	<b><u>\$ 1,427,000</u></b>

<u>Business-type Activities</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 12/31/06</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/07</u>
Water treatment plant	4.50%	02/20/07	11/20/07	\$ -	\$ 1,295,000	\$ (1,295,000)	\$ -
Water tower project	4.50%	02/09/06	02/09/07	1,395,000	-	(1,395,000)	-
Water treatment plant	4.50%	09/01/06	08/29/07	4,750,000	-	(4,750,000)	-
<b>Total business-type activities notes payable</b>				<b><u>\$ 6,145,000</u></b>	<b><u>\$ 1,295,000</u></b>	<b><u>\$(7,440,000)</u></b>	<b><u>\$ -</u></b>

On August 28, 2007, the City issued \$187,000 in bond anticipation notes in order to refinance notes that were previously issued on September 1, 2006 for bridge improvements. The proceeds are recorded in the nonmajor governmental funds. The notes have a 4.65% interest rate and are scheduled to mature on August 28, 2008.

On December 19, 2007 and September 25, 2007, the City issued \$380,000 and \$860,000, respectively, in bond anticipation notes to refinance previous notes issued on December 21, 2006 and September 27, 2006 for purchase of the municipal building. The total proceeds were split between a \$380,000 taxable note carrying a 6.25% interest rate, and an \$860,000 tax-exempt note carrying a 4.50% interest rate. The proceeds and related note liability are recorded in the municipal building purchase fund. The \$860,000 note is scheduled to mature September 24, 2008 and the \$380,000 note is schedule to mature December 18, 2008.

On September 1, 2006, the City issued \$4,750,000 in bond anticipation notes for the water treatment project. These notes were retired on August 29, 2007 from the proceeds of the water system improvement general obligation bonds (see Note 11). The principal and interest payment to retire this note was made from the water fund.

On February 9, 2006, the City issued \$1,395,000 in bond anticipation notes for the water tower system project. These notes were retired on February 9, 2007 from the proceeds of the bond anticipation notes described below. The principal and interest payment to retire this note was made from the water fund.

**CITY OF PATASKALA, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**NOTE 12 - NOTES PAYABLE - (Continued)**

On February 20, 2007, the City issued \$1,295,000 in bond anticipation notes. These notes were issued in the anticipation of the issuance of bonds to be used for the purpose of water system improvements. These notes were retired on November 20, 2007 from the proceeds of the water system improvement general obligation bonds (see Note 11). The principal and interest payment to retire this note was made from the water fund.

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Casualty Insurance**

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 purchases fire and extended coverage insurance on all buildings and contents to \$2,000,000 with a variety of deductibles beginning with \$0 to \$5,000. Coverage is purchased on City vehicles for a combined single limit liability of \$2,000,000. The City purchases general liability insurance coverage with a \$2,000,000 limit per occurrence. The City also has an umbrella policy which provides an additional \$75,000 in coverage over and above listed policies.

**B. Employee Medical, Dental, Vision and Life**

The City provides employee medical, dental, vision and life insurance through traditional insurance carriers. Medical insurance is provided by Anthem, dental is provided by Principal Insurance Group, vision is provided by Vision Service Plan and life insurance is provided by Anthem. The risk of loss transfers entirely to the insurance carriers. The City pays 100% of the premiums.

**C. Workers' Compensation**

The City participates in the Ohio Municipal League (OML) 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.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 14 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement under the Traditional Pension Plan, were required to contribute 9.5% of their annual covered salaries. Members participating in the Traditional Pension Plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2007 was 8.85% for the period January 1, 2007 through June 30, 2007 and 7.85% for the period July 1, 2007 through December 31, 2007, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.17% of covered payroll for the period January 1, 2007 through June 30, 2007 and 11.17% of covered payroll for the period July 1, 2007 through December 31, 2007. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's required contributions to the Traditional Pension and Combined Plans for the years ended December 31, 2007, 2006, and 2005 were \$118,914, \$94,806, and \$93,775, respectively; 56% has been contributed for 2007 and 100% has been contributed for 2006 and 2005. The unpaid contribution for 2007 in the amount of \$52,027 is recorded as a liability.

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

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

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 14 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.5% for police officers. The portion of the City's contributions to fund pension obligations was 12.75% for police officers. The City's required contributions to OP&F for police officers was \$166,165 for the year ended December 31, 2007, \$160,859 for the year ended December 31, 2006 and \$139,781 for the year ended December 31, 2005. The full amount has been contributed for 2005 and 2006. 73% has been contributed for 2007 with the remainder being reported as a liability in the respective funds. The unpaid contribution for 2007 in the amount of \$45,060 has been recorded as a liability.

**NOTE 15 - POST-EMPLOYMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Pension or Combined Plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for post-employment health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the Traditional Pension or Combined Plans is set aside for the funding of post-employment health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85% of covered payroll (17.17% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care for the period January 1, 2007 through June 30, 2007 and 6.00% of covered payroll was the portion that was used to fund health care for the period July 1, 2007 through December 31, 2007.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 5.00% for the next eight years. In subsequent years, (nine and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the Traditional Pension and Combined Plans was 374,979 as of December 31, 2007. The City's actual employer contributions for 2007 which were used to fund post-employment benefits were \$47,222. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the latest information available) were \$12.0 billion. At December 31, 2006 (the latest information available), the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 15 - POST-EMPLOYMENT BENEFIT PLANS - (Continued)**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

The Ohio Police and Fire Pension Fund (OP&F) provides post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. 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 OP&F is considered an Other Post-employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the OP&F's Board of Trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll of which 6.75% of covered payroll was applied to the post-employment health care program during 2007. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2007 that were used to fund post-employment benefits were \$57,519 for police officers. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006 (the latest information available), was 14,120 for police officers and 10,563 for firefighters.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund, street fund and police levy fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses 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).

**CITY OF PATASKALA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

**Net Change in Fund Balance**

	General	Street	Police Levy
Budget basis	\$ 143,952	\$ (66,739)	\$ 75,336
Net adjustment for revenue accruals	11,545	(40,467)	(2,144)
Net adjustment for expenditure accruals	(133,203)	(19,229)	(206,900)
Net adjustment for other financing sources/(uses) accruals	113,493	-	159,310
GAAP basis	\$ 135,787	\$ (126,435)	\$ 25,602

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2007.

**B. Litigation**

The City is involved in various lawsuits. The City's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the City.



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

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

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

Members of Council and Mayor  
City of Pataskala  
621 W. Broad Street  
Pataskala, Ohio 43062

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pataskala, Licking County, Ohio, as of and for the year ended December 31, 2007, which collectively comprise the City of Pataskala's basic financial statements and have issued our report thereon dated June 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

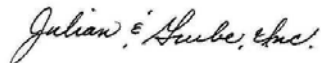
Members of Council and Mayor  
City of Pataskala

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the City of Pataskala in a separate letter dated June 10, 2008.

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



Julian & Grube, Inc.  
June 10, 2008





**Mary Taylor, CPA**  
Auditor of State

**CITY OF PATASKALA**

**LICKING 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  
JULY 29, 2008**