

**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

Basic Financial Statements
(Audited)

For The Year Ended
December 31, 2009

MS. ANGEL MUMMA, DIRECTOR OF FINANCE

**CITY OF GAHANNA
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Gahanna's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Gahanna's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, Ohio, as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund, and major special revenue funds: street maintenance and repair and tax increment equivalent for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2010, on our consideration of the City of Gahanna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Julian & Grube, Inc.
June 28, 2010

CITY OF GAHANNA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

The management's discussion and analysis of the City of Gahanna's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- The total net assets of the City increased \$1,730,803 or 1.02% from 2008. Net assets of governmental activities increased \$1,527,624 or 1.57% from 2008 and net assets of business-type activities increased \$203,179 or .28% over 2008.
- General revenues accounted for \$22,625,882 or 73.74% of total governmental activities revenue. Program specific revenues accounted for \$8,057,851 or 26.26% of total governmental activities revenue.
- The City had \$29,111,383 in expenses related to governmental activities; \$8,057,851 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$21,053,532 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$22,625,882.
- The general fund had revenues and other financing sources of \$24,880,568 in 2009. This represents a decrease of \$590,617 or 2.32% from 2008. The expenditures and other financing uses of the general fund, which totaled \$30,355,366 in 2009, decreased \$2,391,762 or 7.30% from 2008. The net decrease in fund balance for the general fund was \$5,474,798 or 22.44%.
- The street maintenance and repair fund had revenues and other financing sources of \$1,568,505 in 2009. The expenditures and other financing uses of the street maintenance and repair fund totaled \$2,087,120 in 2009. The net decrease in fund balance for the street maintenance and repair fund was \$518,615.
- The tax increment equivalent fund had revenues of \$1,351,801 in 2009. The expenditures and other financing uses of the tax increment equivalent fund totaled \$928,151 in 2009. The net increase in fund balance for the tax increment equivalent fund was \$423,650.
- The bond retirement fund had revenues and other financing sources of \$1,689,314 in 2009. The expenditures of the bond retirement fund totaled \$1,689,313 in 2009. The net increase in fund balance for the bond retirement fund was \$1.
- The capital improvement fund had revenues and other financing sources of \$3,031,515 in 2009. The expenditures of the capital improvement fund totaled \$1,580,304 in 2009. The net increase in fund balance for the capital improvement fund was \$1,451,211.
- Net assets for the business-type activities, which are made up of the Water, Sewer and Storm Water enterprise funds, increased in 2009 by \$203,179. Charges for services revenue were less than in 2008.
- In the general fund, actual revenues were \$376,330 lower than the final budget revenues and actual expenditures were \$3,776,167 less than the final budget expenditures. These variances are the result of the City's conservative budgeting. Budgeted expenditures increased \$2,092,444 from the original budget to the final budget, primarily due to an increase in budgeted capital outlay expenditures. Transfers out increased \$2,045,186 from the original budget to the final budget.

CITY OF GAHANNA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 9.

CITY OF GAHANNA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental funds are the general fund, street maintenance and repair fund, tax increment equivalent fund, bond retirement fund and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water management functions. The City's major enterprise funds are the water, sewer and storm water funds.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2009 and 2008:

	Net Assets					
	Governmental Activities		Business-type Activities		2009 Total	2008 Total
	2009	2008	2009	2008		
<u>Assets</u>						
Current and other assets	\$ 44,649,028	\$ 48,537,160	\$ 23,556,100	\$ 26,467,368	\$ 68,205,128	\$ 75,004,528
Capital assets, net	82,581,324	78,751,018	52,076,065	51,624,518	134,657,389	130,375,536
Total assets	127,230,352	127,288,178	75,632,165	78,091,886	202,862,517	205,380,064
<u>Liabilities</u>						
Current and other liabilities	4,412,923	5,910,237	163,597	2,714,684	4,576,520	8,624,921
Long-term liabilities	24,090,896	24,179,032	2,882,844	2,994,657	26,973,740	27,173,689
Total liabilities	28,503,819	30,089,269	3,046,441	5,709,341	31,550,260	35,798,610
<u>Net Assets</u>						
Invested in capital assets, net of related debt	61,259,010	60,042,672	49,292,971	49,865,655	110,551,981	109,908,327
Restricted	15,470,230	11,935,778	-	-	15,470,230	11,935,778
Unrestricted	21,997,293	25,220,459	23,292,753	22,516,890	45,290,046	47,737,349
Total net assets	\$ 98,726,533	\$ 97,198,909	\$ 72,585,724	\$ 72,382,545	\$ 171,312,257	\$ 169,581,454

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2009, the City's assets exceeded liabilities by \$171,312,257. At year-end, net assets were \$98,726,533 and \$72,585,724 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 66.38% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$61,259,010 and \$49,292,971 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, 2009, 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, \$15,470,230 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 \$21,997,293 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The table below shows the changes in net assets for fiscal years 2009 and 2008.

	Change in Net Assets					
	Governmental	Governmental	Business-type	Business-type	2009	2008
	Activities	Activities	Activities	Activities	Total	Total
	2009	2008	2009	2008		
Revenues						
Program revenues:						
Charges for services	\$ 4,601,858	\$ 4,236,557	\$ 11,972,699	\$ 13,994,081	\$ 16,574,557	\$ 18,230,638
Operating grants and contributions	1,898,377	1,830,914	-	-	1,898,377	1,830,914
Capital grants and contributions	1,557,616	1,145,349	-	-	1,557,616	1,145,349
Total program revenues	8,057,851	7,212,820	11,972,699	13,994,081	20,030,550	21,206,901
General revenues:						
Income taxes	13,037,720	13,434,476	-	-	13,037,720	13,434,476
Property taxes	2,093,234	2,113,565	-	-	2,093,234	2,113,565
Revenue in lieu of taxes	1,375,873	1,420,967	-	-	1,375,873	1,420,967
Other local taxes	842,211	902,649	-	-	842,211	902,649
Unrestricted grants and entitlements	3,395,583	2,287,655	-	-	3,395,583	2,287,655
Investment earnings	1,098,874	2,308,530	2,383	40,404	1,101,257	2,348,934
Increase (decrease) in fair value of investments	346,999	(492,910)	-	-	346,999	(492,910)
Gain on sale of capital assets	95,995	11,055	-	-	95,995	11,055
Miscellaneous	339,393	300,967	218,983	213,108	558,376	514,075
Total general revenues	22,625,882	22,286,954	221,366	253,512	22,847,248	22,540,466
Total revenues	30,683,733	29,499,774	12,194,065	14,247,593	42,877,798	43,747,367
Expenses:						
General government	4,006,381	4,417,484	-	-	4,006,381	4,417,484
Security of persons and property	9,082,898	8,882,162	-	-	9,082,898	8,882,162
Public health and welfare	195,382	181,060	-	-	195,382	181,060
Transportation	4,198,845	5,402,208	-	-	4,198,845	5,402,208
Community environment	5,168,287	5,574,128	-	-	5,168,287	5,574,128
Leisure time activity	3,238,751	3,004,206	-	-	3,238,751	3,004,206
Utility services	2,295,336	1,691,119	-	-	2,295,336	1,691,119
Interest and fiscal charges	925,503	963,467	-	-	925,503	963,467
Water	-	-	5,080,513	4,293,663	5,080,513	4,293,663
Sewer	-	-	6,343,851	5,329,467	6,343,851	5,329,467
Storm water	-	-	611,248	1,603,400	611,248	1,603,400
Total expenses	29,111,383	30,115,834	12,035,612	11,226,530	41,146,995	41,342,364
Transfers	(44,726)	(47,000)	44,726	47,000	-	-
Increase in net assets	1,527,624	(663,060)	203,179	3,068,063	1,730,803	2,405,003
Net assets at beginning of year	97,198,909	97,861,969	72,382,545	69,314,482	169,581,454	167,176,451
Net assets at end of year	\$ 98,726,533	\$ 97,198,909	\$ 72,585,724	\$ 72,382,545	\$ 171,312,257	\$ 169,581,454

CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Governmental Activities

Governmental activities net assets increased \$1,527,624 in 2009. The City experienced a \$396,756 decrease in income tax revenue from the prior year. The decrease in income tax revenue is the result of an overall decrease in the economic condition of the State of Ohio and experienced nationwide. This decrease was offset by an increase of \$365,301 and \$412,267 in charges for services and capital grants and contributions, respectively. In addition, the City experienced an increase in unrestricted grants and entitlements (not restricted to a specific program) of \$1,107,928 primarily due to a grant for Tech Center Drive.

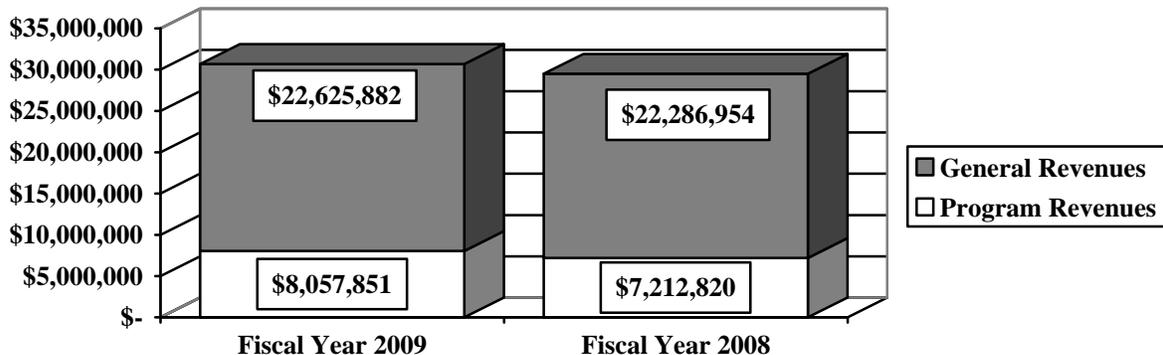
Security of persons and property, which primarily supports the operations of the police department, accounted for \$9,082,898 of the total expenses of the City. These expenses were partially funded by \$545,423 in direct charges to users of the services, \$98,587 in operating grants and contributions and \$31,281 in capital grants and contributions. General government expenses totaled \$4,006,381. General government expenses were partially funded by \$553,735 in direct charges to users of the services and \$14,583 in operating grants and contributions.

Transportation, which primarily includes street improvement programs, accounted for \$4,198,845 of the total expenses of the City. These expenses were partially funded by \$362,326 in direct charges to users of the services and \$1,772,304 in operating grants and contributions. Community environment, which primarily supports economic development programs, accounted for \$5,168,287 of the total expenses of the City. These expenses were partially funded by \$242,223 in direct charges to users of the services, \$10,407 in operating grants and contributions and \$1,526,335 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,898,377 in operating grants and contributions and \$1,557,616 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$1,526,335 subsidized community environment programs. Of the total operating grants and contributions, \$1,772,304 subsidized transportation programs.

General revenues totaled \$22,625,882, and amounted to 73.74% of total governmental revenues. These revenues primarily consist of tax revenue (including income, property, revenue in lieu of, and other local taxes) of \$17,349,038. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds from the State of Ohio, making up \$3,395,583. The graph below compares the City's general revenues (which includes property taxes, income taxes and unrestricted grants and entitlements) and program revenues for fiscal year 2009 and 2008.

Governmental Activities – General and Program Revenues



CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

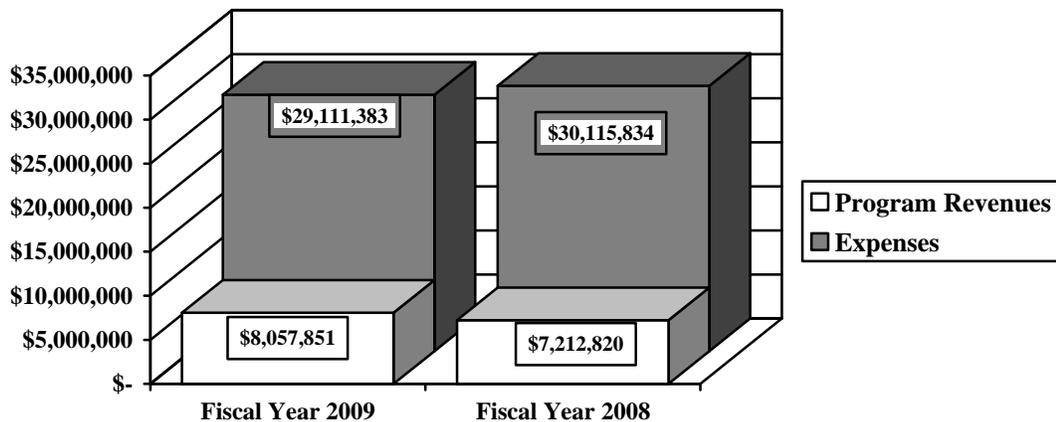
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program Expenses:				
General government	\$ 4,006,381	\$ 3,438,063	\$ 4,417,484	\$ 3,742,608
Security of persons and property	9,082,898	8,407,607	8,882,162	8,531,799
Public health and welfare	195,382	195,382	181,060	181,060
Transportation	4,198,845	2,064,215	5,402,208	3,246,791
Community environment	5,168,287	3,389,322	5,574,128	4,276,008
Leisure time activity	3,238,751	2,205,130	3,004,206	2,133,325
Utility services	2,295,336	428,310	1,691,119	(172,044)
Interest and fiscal charges	925,503	925,503	963,467	963,467
Total	\$ 29,111,383	\$ 21,053,532	\$ 30,115,834	\$ 22,903,014

The dependence upon general revenues for governmental activities is apparent, with 72.32% of expenses supported through taxes and other general revenues.

Governmental Activities – Program Revenues vs. Total Expenses



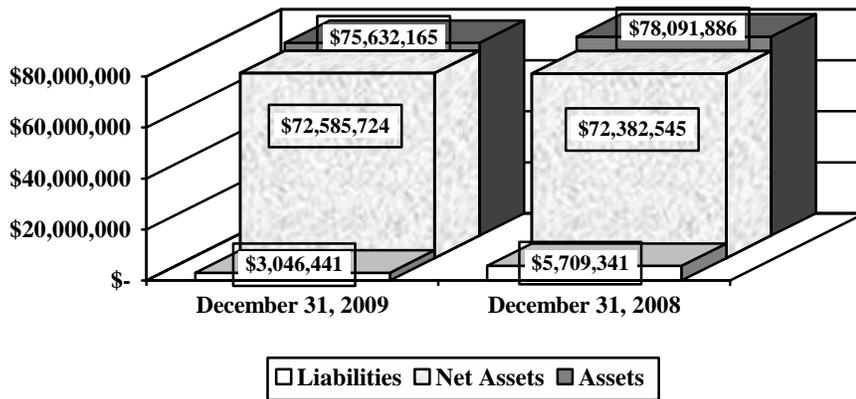
CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Business-type Activities

Business-type activities include the water, sewer and storm water enterprise funds. These programs had program revenues of \$11,972,699, general revenues of \$221,366, transfers in of \$44,726 and expenses of \$12,035,612 for 2009. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 19-20) reported a combined fund balance of \$31,853,765 which is \$3,395,843 below last year's total of \$35,249,608. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2009 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/09</u>	Fund Balances <u>12/31/08</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 18,920,186	\$ 24,394,984	\$ (5,474,798)
Street maintenance and repair	959,764	1,478,379	(518,615)
Tax increment equivalent	2,044,989	1,621,339	423,650
Bond retirement	1,153,618	1,153,617	1
Capital improvements	5,181,574	3,730,363	1,451,211
Other nonmajor governmental funds	<u>3,593,634</u>	<u>2,870,926</u>	<u>722,708</u>
Total	<u>\$ 31,853,765</u>	<u>\$ 35,249,608</u>	<u>\$ (3,395,843)</u>

CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

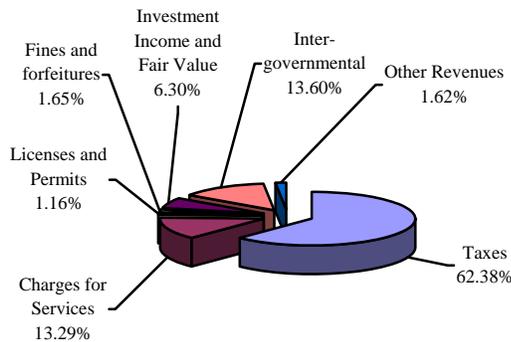
General Fund

The City's general fund balance decreased \$5,474,798, primarily due to a decrease in revenues coupled with an increase in transfers out. The table that follows assists in illustrating the revenues of the general fund.

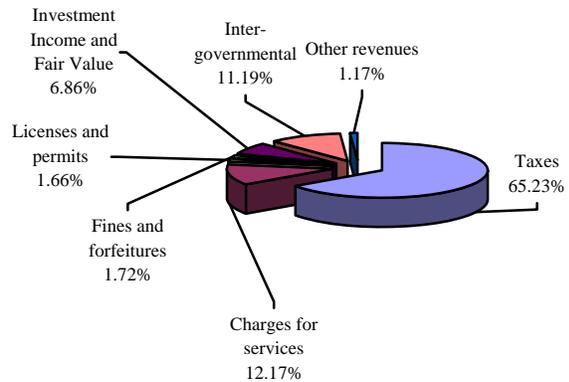
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 15,420,807	\$ 16,597,988	(7.09) %
Charges for services	3,288,629	3,098,182	6.15 %
Licenses, permits and fees	285,831	423,019	(32.43) %
Fines and forfeitures	408,090	437,566	(6.74) %
Intergovernmental	3,361,024	2,847,529	18.03 %
Investment income	1,210,249	2,238,818	(45.94) %
Increase (decrease) in fair value of investments	346,999	(492,910)	170.40 %
Other	<u>399,711</u>	<u>296,938</u>	34.61 %
Total	<u>\$ 24,721,340</u>	<u>\$ 25,447,130</u>	(2.85) %

Tax revenue represents 62.38% of all general fund revenue. Tax revenue decreased by 7.09% from the prior year. The decrease in taxes revenue is primarily due to a decrease in the overall economy. On the modified accrual basis, income tax revenue decreased \$1,158,117 from 2008. The decrease in investment income is due to lower interest rates on the City's investment portfolio. The fair value of investments increased substantially in 2009 resulting from fluctuations in value of the investment securities. The City intends to hold investments to maturity. The decrease in licenses and permits and fines and forfeitures revenue was offset by an increase in charges for services revenue. Intergovernmental revenues increased 18.03% due to the City receiving more state and federal grant funding in 2009 versus 2008. Other revenue, including rental income and contributions and donations, increased as the City experienced more of these revenue sources in 2009 versus 2008.

Revenues – Fiscal Year 2009



Revenues – Fiscal Year 2008



CITY OF GAHANNA, OHIO

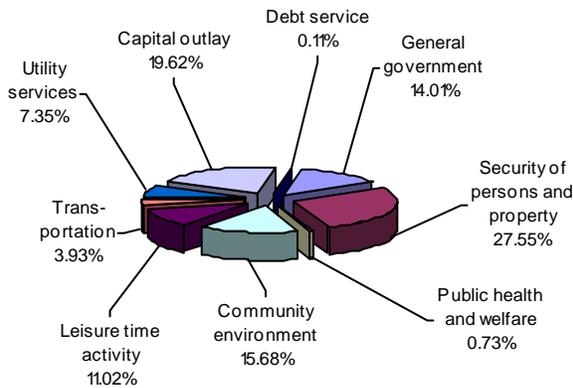
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

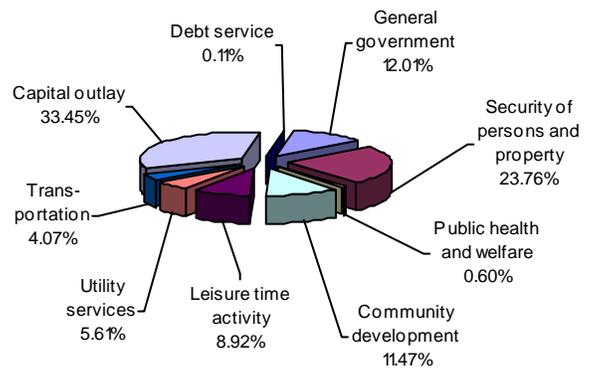
<u>Expenditures</u>	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General government	\$ 3,758,322	\$ 3,623,619	3.72 %
Security of persons and property	7,389,607	7,165,280	3.13 %
Public health and welfare	195,382	181,060	7.91 %
Transportation	1,054,665	1,226,611	(14.02) %
Community environment	4,206,970	3,458,223	21.65 %
Leisure time activity	2,957,090	2,691,317	9.88 %
Utility services	1,970,557	1,691,119	16.52 %
Capital outlay	5,264,500	10,091,250	(47.83) %
Debt service	<u>29,181</u>	<u>34,056</u>	(14.31) %
Total	<u>\$ 26,826,274</u>	<u>\$ 30,162,535</u>	(11.06) %

The most significant increase was in the area of community environment programs which increased \$748,747. The expenditures related to school district compensation which increased approximately \$1.159 million from 2008 which offset decreases in other community environment programs such as the building and zoning department. Utility services increased due to increasing utility costs. Transportation expenditures decreased as the City made fewer transportation improvements than in the prior year. Capital outlay also decreased as the City reduced capital expenditures in 2009 as a cost cutting measure. Leisure time activity increased due to overall improvements in the parks. The increase in all other expenditures was primarily due to normal and customary wage and benefit increases.

Expenditures - Fiscal Year 2009



Expenditures - Fiscal Year 2008



Street Maintenance and Repair Fund

The street maintenance and repair fund had revenues and other financing sources of \$1,568,505 in 2009. The expenditures and other financing uses of the street maintenance and repair fund totaled \$2,087,120 in 2009. The net decrease in fund balance for the street maintenance and repair fund was \$518,615. The City's expenditures and other financing uses decreased \$985,402 from 2008 as fewer street maintenance projects were performed in 2009.

CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Tax Increment Equivalent Fund

The tax increment equivalent fund had revenues of \$1,351,801 in 2009. The expenditures and other financing uses of the tax increment equivalent fund totaled \$928,151 in 2009. The net increase in fund balance for the tax increment equivalent fund was \$423,650. Both revenues and expenditures increased \$147,940 and \$19,539, respectively, from 2008.

Bond Retirement Fund

The bond retirement fund had revenues and other financing sources of \$1,689,314 in 2009. The expenditures of the bond retirement fund totaled \$1,689,313 in 2009. The net increase in fund balance for the bond retirement fund was \$1.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$3,031,515 in 2009. The expenditures of the capital improvement fund totaled \$1,580,304 in 2009. The net increase in fund balance for the capital improvement fund was \$1,451,211. The capital improvement fund received \$1,620,753 more in transfers in during 2009 versus 2008 and received \$478,172 in OPWC loan proceeds in 2009.

Budgeting Highlights – General Fund

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

In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$2,092,444 from \$36,128,919 to \$38,221,363. Actual revenues of \$24,643,653 were less than final budgeted revenues by \$376,330. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$3,776,167 lower than the final budgeted amounts. The only significant other financing use was transfers out which the actual came in \$20,464 lower than the final budget.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail.

CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the City had \$134,657,389 (net of accumulated depreciation) invested in land, improvements other than buildings, buildings, vehicles, equipment, infrastructure, storm water lines, water lines, sewer lines and construction in progress (CIP). Of this total, \$82,581,324 was reported in governmental activities and \$52,076,065 was reported in business-type activities.

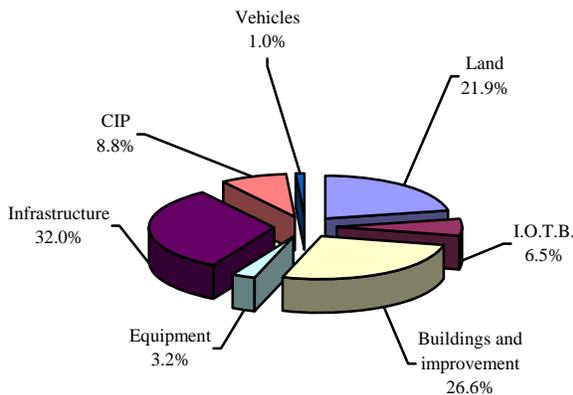
The following table shows 2009 year end balances compared to 2008:

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

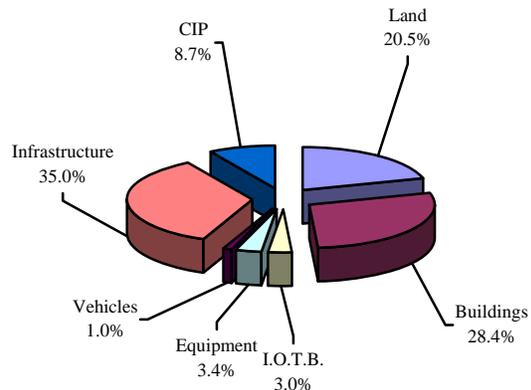
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 18,113,001	\$ 16,148,773	\$ 288,706	\$ 39,210	\$ 18,401,707	\$ 16,187,983
Buildings	21,942,884	22,338,245	575,455	603,913	22,518,339	22,942,158
I.O.T.B.	5,320,258	2,409,045	624,675	43,155	5,944,933	2,452,200
Equipment	2,678,519	2,641,020	427,276	486,946	3,105,795	3,127,966
Vehicles	823,416	789,683	439,682	497,132	1,263,098	1,286,815
Storm water lines	-	-	9,786,964	9,993,655	9,786,964	9,993,655
Water lines	-	-	23,346,525	23,965,305	23,346,525	23,965,305
Sewer lines	-	-	15,002,358	15,320,888	15,002,358	15,320,888
Infrastructure	26,405,560	27,546,473	-	-	26,405,560	27,546,473
Construction in progress	<u>7,297,686</u>	<u>6,877,779</u>	<u>1,584,424</u>	<u>674,314</u>	<u>8,882,110</u>	<u>7,552,093</u>
Totals	<u>\$ 82,581,324</u>	<u>\$ 78,751,018</u>	<u>\$ 52,076,065</u>	<u>\$ 51,624,518</u>	<u>\$ 134,657,389</u>	<u>\$ 130,375,536</u>

The following graphs show the breakdown of governmental capital assets by category for 2009 and 2008.

Capital Assets - Governmental Activities 2009



Capital Assets - Governmental Activities 2008

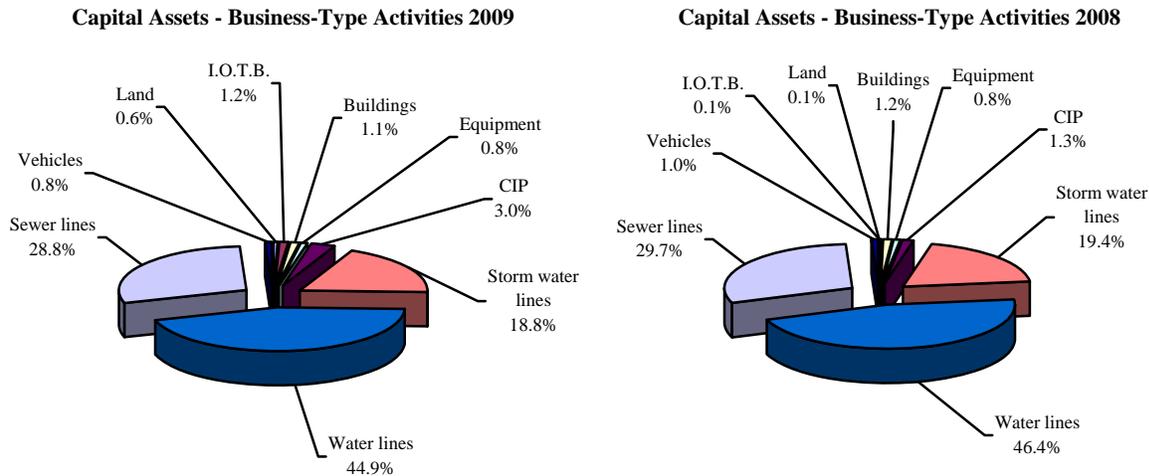


CITY OF GAHANNA, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, street lighting and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 32% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2009 and 2008.



The City's largest business-type capital asset category is infrastructure that primarily includes water, sewer and storm water lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 92% of the City's total business-type capital assets.

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

Debt Administration

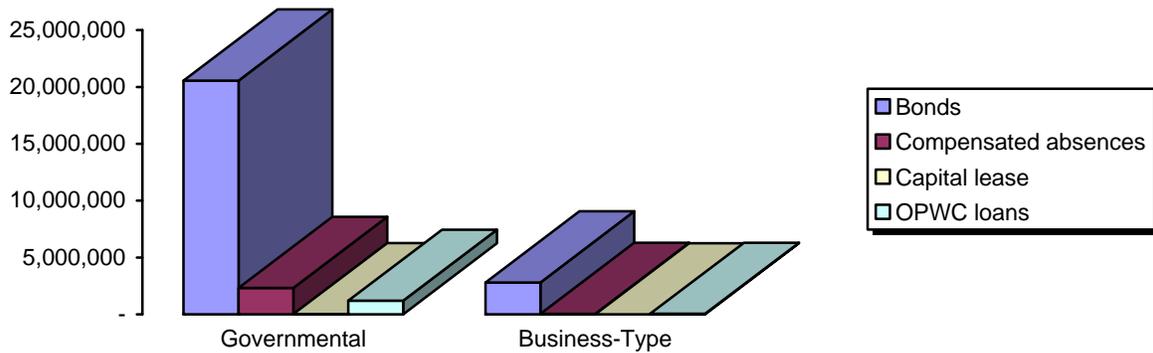
The City had the following long-term obligations outstanding at December 31, 2009 and 2008:

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
Compensated absences	\$ 2,313,432	\$ 2,082,768
General obligation bonds	20,563,110	21,237,196
OPWC loans	1,196,024	813,566
Capital lease	<u>18,330</u>	<u>45,502</u>
Total long-term obligations	<u>\$ 24,090,896</u>	<u>\$ 24,179,032</u>
	Business-type Activities	
	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 2,799,162	\$ 2,902,313
OPWC loans	46,926	57,675
Compensated absences	<u>36,756</u>	<u>34,669</u>
Total long-term obligations	<u>\$ 2,882,844</u>	<u>\$ 2,994,657</u>

CITY OF GAHANNA, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

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



See Note 15 for detail on the City's long-term obligations.

Economic Conditions and Outlook

Like most other municipal entities, the City of Gahanna's financial condition has been impacted by the overall economic decline. The City's main sources of revenue – the Income Tax, Local Government Fund, and Investment Earnings - are all highly influenced by economic conditions and have been negatively impacted by the downturn in the economy.

In 2010, the City is projecting neither growth nor decline in our income tax revenue. Despite finishing 2009 with collections 7% lower than 2008, we hope that measures put in place will mitigate any future erosion of our income tax base. Such measures include the contracting of our municipal income tax collection beginning January 1, 2010 to the Regional Income Tax Agency or RITA. We believe this partnership will not only assist us in our residential and business compliance efforts thus resulting in additional revenue, but also provide a reduction in the cost of the processing of our municipal income tax by capturing RITAs economies of scale. Information concerning tax year 2009 which was payable April 15th will not be completely known with any certainty until late summer 2010 making it difficult to predict how 2010 will end up.

The performance of the Local Government Fund has declined in the past few years as the State of Ohio's general revenue fund tax revenues have declined. However, recent reports from the State indicate growth in monthly distributions over last year and modest growth in distributions in 2011.

Investment earnings have been lagging behind as well. Yields earned on the City's assets at Star Ohio are minimal although current purchases of investments at other institutions are now improving slightly.

The Administration and Council are working together to contain costs in all areas while exploring options for increased revenue. Fortunately, the conservative financial management over the years has provided reserve balances that have assisted the City through this downturn. However, it is recognized that continual reliance on reserve balances to stabilize future budgets is not appropriate.

Contacting the City's Financial Management

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

CITY OF GAHANNA, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 31,064,533	\$ 20,381,712	\$ 51,446,245
Cash with fiscal agent	650,894	-	650,894
Receivables (net of allowances for uncollectibles):			
Income taxes	3,324,349	-	3,324,349
Property taxes	2,129,865	-	2,129,865
Other local taxes	154,889	-	154,889
Revenue in lieu of taxes	1,307,988	-	1,307,988
Accounts	572,996	3,121,492	3,694,488
Accrued interest	161,806	-	161,806
Capital leases	273,905	-	273,905
Due from other governments	4,441,493	-	4,441,493
Prepayments	102,522	5,291	107,813
Materials and supplies inventory	280,877	22,299	303,176
Deferred bond issuance costs	182,911	25,306	208,217
Capital assets:			
Land and construction-in-progress	25,410,687	1,873,130	27,283,817
Depreciable capital assets, net	57,170,637	50,202,935	107,373,572
Total capital assets	82,581,324	52,076,065	134,657,389
Total assets	127,230,352	75,632,165	202,862,517
Liabilities:			
Accounts payable	525,504	59,187	584,691
Contracts payable	412,709	23,247	435,956
Accrued wages and benefits	239,637	14,636	254,273
Due to other governments	726,426	44,145	770,571
Compensatory time payable	149,822	10,898	160,720
Accrued interest payable	76,393	11,484	87,877
Unearned revenue	2,282,432	-	2,282,432
Long-term liabilities:			
Due within one year	1,482,013	159,202	1,641,215
Due in more than one year	22,608,883	2,723,642	25,332,525
Total liabilities	28,503,819	3,046,441	31,550,260
Net assets:			
Invested in capital assets, net of related debt	61,259,010	49,292,971	110,551,981
Restricted for:			
Capital projects	6,377,637	-	6,377,637
Debt service	1,107,593	-	1,107,593
Community environment	3,354,976	-	3,354,976
Security of persons and property	1,334,486	-	1,334,486
Transportation	1,278,270	-	1,278,270
Leisure time activities	10,796	-	10,796
Other purposes	2,006,472	-	2,006,472
Unrestricted	21,997,293	23,292,753	45,290,046
Total net assets	\$ 98,726,533	\$ 72,585,724	\$ 171,312,257

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF GAHANNA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 4,006,381	\$ 553,735	\$ 14,583	\$ -
Security of persons and property	9,082,898	545,423	98,587	31,281
Public health and welfare	195,382	-	-	-
Transportation	4,198,845	362,326	1,772,304	-
Community environment	5,168,287	242,223	10,407	1,526,335
Leisure time activity	3,238,751	1,031,125	2,496	-
Utility services	2,295,336	1,867,026	-	-
Interest and fiscal charges	925,503	-	-	-
Total governmental activities	29,111,383	4,601,858	1,898,377	1,557,616
Business-type Activities:				
Water	5,080,513	4,274,932	-	-
Sewer	6,343,851	6,774,106	-	-
Storm water	611,248	923,661	-	-
Total business-type activities	12,035,612	11,972,699	-	-
Total primary government	\$ 41,146,995	\$ 16,574,557	\$ 1,898,377	\$ 1,557,616

General Revenues:

Income taxes levied for:	
General purposes	
Property taxes levied for:	
General purposes	
Debt service	
Police	
Revenue in lieu of taxes	
Other local taxes	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Increase in fair value of investments	
Gain on sale of capital assets	
Miscellaneous	
Total general revenues	
Transfers	
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 Revenue (Expense) and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,438,063)	\$ -	\$ (3,438,063)
(8,407,607)	-	(8,407,607)
(195,382)	-	(195,382)
(2,064,215)	-	(2,064,215)
(3,389,322)	-	(3,389,322)
(2,205,130)	-	(2,205,130)
(428,310)	-	(428,310)
(925,503)	-	(925,503)
<u>(21,053,532)</u>	<u>-</u>	<u>(21,053,532)</u>
-	(805,581)	(805,581)
-	430,255	430,255
-	312,413	312,413
<u>-</u>	<u>(62,913)</u>	<u>(62,913)</u>
<u>(21,053,532)</u>	<u>(62,913)</u>	<u>(21,116,445)</u>
13,037,720	-	13,037,720
1,586,545	-	1,586,545
251,693	-	251,693
254,996	-	254,996
1,375,873	-	1,375,873
842,211	-	842,211
3,395,583	-	3,395,583
1,098,874	2,383	1,101,257
346,999	-	346,999
95,995	-	95,995
339,393	218,983	558,376
<u>22,625,882</u>	<u>221,366</u>	<u>22,847,248</u>
<u>(44,726)</u>	<u>44,726</u>	<u>-</u>
1,527,624	203,179	1,730,803
<u>97,198,909</u>	<u>72,382,545</u>	<u>169,581,454</u>
<u>\$ 98,726,533</u>	<u>\$ 72,585,724</u>	<u>\$ 171,312,257</u>

CITY OF GAHANNA, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Street Maintenance and Repair	Tax Increment Equivalent	Bond Retirement
Assets:				
Equity in pooled cash and investments	\$ 18,287,357	\$ 923,261	\$ 2,288,059	\$ 1,153,618
Cash with fiscal agent	-	-	-	-
Receivables (net of allowance for uncollectibles):				
Income taxes	3,324,349	-	-	-
Property taxes	1,616,446	-	-	252,358
Other local taxes	154,889	-	-	-
Revenue in lieu of taxes	-	-	1,307,988	-
Accounts	571,365	1,631	-	-
Accrued interest	161,806	-	-	-
Capital leases	-	-	-	-
Due from other governments	2,728,909	627,239	1,999	15,969
Prepayments	98,577	3,945	-	-
Materials and supplies inventory	280,877	-	-	-
Total assets	<u>\$ 27,224,575</u>	<u>\$ 1,556,076</u>	<u>\$ 3,598,046</u>	<u>\$ 1,421,945</u>
Liabilities:				
Accounts payable	\$ 276,871	\$ 7,036	\$ 241,090	\$ -
Contracts payable	358,847	32,030	1,980	-
Accrued wages and benefits	222,437	13,375	-	-
Due to other governments	434,642	19,688	-	-
Deferred revenue	5,487,234	524,183	1,309,987	30,346
Unearned revenue	1,524,358	-	-	237,981
Total liabilities	<u>8,304,389</u>	<u>596,312</u>	<u>1,553,057</u>	<u>268,327</u>
Fund balances:				
Reserved for encumbrances	6,092,012	582,028	234,697	-
Reserved for debt service	-	-	-	1,153,618
Unreserved:				
Designated for sick/vacation leave	1,772,514	-	-	-
Designated for budget reserve	5,962,027	-	-	-
Undesignated, reported in:				
General fund	5,093,633	-	-	-
Special revenue funds	-	377,736	1,810,292	-
Capital projects funds	-	-	-	-
Total fund balances	<u>18,920,186</u>	<u>959,764</u>	<u>2,044,989</u>	<u>1,153,618</u>
Total liabilities and fund balances	<u>\$ 27,224,575</u>	<u>\$ 1,556,076</u>	<u>\$ 3,598,046</u>	<u>\$ 1,421,945</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,187,267	\$ 3,224,971	\$ 31,064,533
-	650,894	650,894
-	-	3,324,349
-	261,061	2,129,865
-	-	154,889
-	-	1,307,988
-	-	572,996
-	-	161,806
-	273,905	273,905
1,000,000	67,377	4,441,493
-	-	102,522
-	-	280,877
<u>\$ 6,187,267</u>	<u>\$ 4,478,208</u>	<u>\$ 44,466,117</u>
\$ -	\$ 507	\$ 525,504
5,693	14,159	412,709
-	3,825	239,637
-	272,096	726,426
1,000,000	73,894	8,425,644
-	520,093	2,282,432
<u>1,005,693</u>	<u>884,574</u>	<u>12,612,352</u>
1,098,154	189,280	8,196,171
-	22	1,153,640
-	-	1,772,514
-	-	5,962,027
-	-	5,093,633
-	3,231,428	5,419,456
4,083,420	172,904	4,256,324
<u>5,181,574</u>	<u>3,593,634</u>	<u>31,853,765</u>
<u>\$ 6,187,267</u>	<u>\$ 4,478,208</u>	<u>\$ 44,466,117</u>

CITY OF GAHANNA, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental fund balances		\$ 31,853,765
<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.		82,581,324
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Income tax receivable	\$ 2,668,741	
Property taxes receivable	121,338	
Other local taxes receivable	121,753	
Revenue in lieu of taxes receivable	1,307,988	
Intergovernmental receivable	4,039,553	
Accrued interest receivable	86,106	
Accounts receivable	80,165	
Total		8,425,644
Unamortized balances of bond related transactions are not recorded in the funds.		
Unamortized premiums on bonds issued	(467,512)	
Unamortized deferred bond issuance costs	182,911	
Total		(284,601)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. The amount of accrued interest payable at year-end was:		(76,393)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds	(20,095,598)	
OPWC loans	(1,196,024)	
Capital leases payable	(18,330)	
Compensatory time payable	(149,822)	
Compensated absences	(2,313,432)	
Total		(23,773,206)
Net assets of governmental activities		\$ 98,726,533

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF GAHANNA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Tax Increment Equivalent</u>	<u>Bond Retirement</u>
Revenues:				
Income taxes	\$ 12,973,103	\$ -	\$ -	\$ -
Property taxes	1,606,045	-	-	254,522
Other local taxes	841,659	-	-	-
Revenue in lieu of taxes.	-	-	1,342,299	-
Charges for services	3,288,629	1,631	-	-
Licenses, permits and fees	285,831	-	-	-
Fines and forfeitures	408,090	-	-	-
Intergovernmental	3,361,024	1,507,713	9,502	32,478
Investment income	1,210,249	1,918	-	-
Rental income	37,183	-	-	-
Contributions and donations	60	-	-	-
Increase in fair value of investments.	346,999	-	-	-
Other	362,468	2,476	-	-
Total revenues.	<u>24,721,340</u>	<u>1,513,738</u>	<u>1,351,801</u>	<u>287,000</u>
Expenditures:				
Current:				
General government	3,758,322	-	14,263	3,556
Security of persons and property.	7,389,607	-	74,883	-
Public health and welfare	195,382	-	-	-
Transportation	1,054,665	940,846	-	-
Community environment	4,206,970	-	289,538	-
Leisure time activity	2,957,090	-	-	-
Utility services	1,970,557	-	324,779	-
Capital outlay.	5,264,500	715,024	-	-
Debt service:				
Principal retirement	27,172	-	-	745,692
Interest and fiscal charges	2,009	-	-	940,065
Total expenditures	<u>26,826,274</u>	<u>1,655,870</u>	<u>703,463</u>	<u>1,689,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,104,934)</u>	<u>(142,132)</u>	<u>648,338</u>	<u>(1,402,313)</u>
Other financing sources (uses):				
Transfers in	39,963	50,127	-	1,402,314
Transfers out	(3,529,092)	(431,250)	(224,688)	-
Issuance of OPWC loans.	-	-	-	-
Sale of capital assets.	119,265	4,640	-	-
Total other financing sources (uses)	<u>(3,369,864)</u>	<u>(376,483)</u>	<u>(224,688)</u>	<u>1,402,314</u>
Net change in fund balances	(5,474,798)	(518,615)	423,650	1
Fund balances at beginning of year.	<u>24,394,984</u>	<u>1,478,379</u>	<u>1,621,339</u>	<u>1,153,617</u>
Fund balances at end of year	<u>\$ 18,920,186</u>	<u>\$ 959,764</u>	<u>\$ 2,044,989</u>	<u>\$ 1,153,618</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 12,973,103
-	257,922	2,118,489
-	-	841,659
-	-	1,342,299
-	-	3,290,260
-	23,000	308,831
-	473,065	881,155
468,036	388,009	5,766,762
-	-	1,212,167
-	84,429	121,612
-	1,500	1,560
-	-	346,999
-	-	364,944
<u>468,036</u>	<u>1,227,925</u>	<u>29,569,840</u>
-	11,024	3,787,165
-	963,085	8,427,575
-	-	195,382
-	34,494	2,030,005
-	8,796	4,505,304
-	-	2,957,090
-	-	2,295,336
1,580,304	50,411	7,610,239
-	-	772,864
-	-	942,074
<u>1,580,304</u>	<u>1,067,810</u>	<u>33,523,034</u>
<u>(1,112,268)</u>	<u>160,115</u>	<u>(3,953,194)</u>
2,085,307	768,767	4,346,478
-	(206,174)	(4,391,204)
478,172	-	478,172
-	-	123,905
<u>2,563,479</u>	<u>562,593</u>	<u>557,351</u>
1,451,211	722,708	(3,395,843)
<u>3,730,363</u>	<u>2,870,926</u>	<u>35,249,608</u>
<u>\$ 5,181,574</u>	<u>\$ 3,593,634</u>	<u>\$ 31,853,765</u>

CITY OF GAHANNA, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds \$ (3,395,843)

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

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

Capital asset additions	\$ 7,555,141	
Current year depreciation	(3,696,925)	
Total		3,858,216

The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and impairments) is to decrease net assets. (27,910)

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

Income taxes	64,617	
Property taxes	(25,255)	
Other local taxes	552	
Revenue in lieu of taxes	33,574	
Intergovernmental	1,047,579	
Interest income	(111,375)	
Other	8,206	
Total		1,017,898

Proceeds of OPWC loans are reported as an other financing source in the governmental funds; however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets. (478,172)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. The following principal payments were made during the year:

Bonds	649,978	
OPWC loans	95,714	
Capital leases	27,172	
Total		772,864

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

Decrease in accrued interest payable	1,978	
Amortization of bond premiums	24,108	
Amortization of bond issue costs	(9,515)	
Total		16,571

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consisted of:

Increase in compensated absences payable	(230,664)	
Increase in compensatory time payable	(5,336)	
Total		(236,000)

Change in net assets of governmental activities \$ 1,527,624

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 14,742,740	\$ 13,478,791	\$ 13,276,054	\$ (202,737)
Property taxes	1,783,475	1,630,571	1,606,045	(24,526)
Other local taxes	940,018	859,427	846,500	(12,927)
Charges for services	3,622,277	3,311,725	3,261,913	(49,812)
Licenses, permits and fees	317,409	290,196	285,831	(4,365)
Fines and forfeitures	456,801	417,638	411,356	(6,282)
Intergovernmental	3,721,756	3,402,676	3,351,496	(51,180)
Investment income	1,332,227	1,218,010	1,199,690	(18,320)
Rental income	41,291	37,751	37,183	(568)
Contributions and donations	67	61	60	(1)
Other	408,128	373,137	367,525	(5,612)
Total revenues.	<u>27,366,189</u>	<u>25,019,983</u>	<u>24,643,653</u>	<u>(376,330)</u>
Expenditures:				
Current:				
General government	4,652,872	4,834,617	4,290,710	543,907
Security of persons and property.	8,039,661	8,153,434	7,807,983	345,451
Public health and welfare	202,482	202,482	195,382	7,100
Transportation	1,598,996	1,601,471	1,477,429	124,042
Community environment	5,879,152	6,224,391	4,762,270	1,462,121
Leisure time activity	3,471,407	3,523,395	3,289,975	233,420
Utility services	2,295,887	2,336,125	2,161,324	174,801
Capital outlay	9,988,462	11,345,448	10,460,123	885,325
Total expenditures	<u>36,128,919</u>	<u>38,221,363</u>	<u>34,445,196</u>	<u>3,776,167</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(8,762,730)</u>	<u>(13,201,380)</u>	<u>(9,801,543)</u>	<u>3,399,837</u>
Other financing sources (uses):				
Sale of capital assets.	132,441	121,086	119,265	(1,821)
Transfers in.	44,378	40,573	39,963	(610)
Transfers out	<u>(1,504,370)</u>	<u>(3,549,556)</u>	<u>(3,529,092)</u>	<u>20,464</u>
Total other financing sources (uses)	<u>(1,327,551)</u>	<u>(3,387,897)</u>	<u>(3,369,864)</u>	<u>18,033</u>
Net change in fund balance.	(10,090,281)	(16,589,277)	(13,171,407)	3,417,870
Fund balance at beginning of year.	14,054,484	14,054,484	14,054,484	-
Prior year encumbrances appropriated	<u>10,926,627</u>	<u>10,926,627</u>	<u>10,926,627</u>	<u>-</u>
Fund balance at end of year	<u>\$ 14,890,830</u>	<u>\$ 8,391,834</u>	<u>\$ 11,809,704</u>	<u>\$ 3,417,870</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET MAINTENANCE AND REPAIR FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,527,000	\$ 1,511,116	\$ 1,511,199	\$ 83
Investment earnings.	-	1,918	1,918	-
Other	5,000	48,927	48,933	6
Total revenues.	<u>1,532,000</u>	<u>1,561,961</u>	<u>1,562,050</u>	<u>89</u>
Expenditures:				
Current:				
Transportation	1,302,305	1,303,703	1,262,874	40,829
Capital outlay	<u>1,382,554</u>	<u>1,388,371</u>	<u>1,377,836</u>	<u>10,535</u>
Total expenditures	<u>2,684,859</u>	<u>2,692,074</u>	<u>2,640,710</u>	<u>51,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,152,859)</u>	<u>(1,130,113)</u>	<u>(1,078,660)</u>	<u>51,453</u>
Other financing sources (uses):				
Sale of capital assets.	-	4,640	4,640	-
Transfers in	-	50,127	50,127	-
Transfers out	<u>(431,250)</u>	<u>(431,250)</u>	<u>(431,250)</u>	<u>-</u>
Total other financing sources (uses)	<u>(431,250)</u>	<u>(376,483)</u>	<u>(376,483)</u>	<u>-</u>
Net change in fund balance.	(1,584,109)	(1,506,596)	(1,455,143)	51,453
Fund balance at beginning of year	161,597	161,597	161,597	-
Prior year encumbrances appropriated	<u>1,595,780</u>	<u>1,595,780</u>	<u>1,595,780</u>	<u>-</u>
Fund balance at end of year	<u>\$ 173,268</u>	<u>\$ 250,781</u>	<u>\$ 302,234</u>	<u>\$ 51,453</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 TAX INCREMENT EQUIVALENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue in lieu of taxes	\$ 1,862,000	\$ 1,342,299	\$ 1,342,299	\$ -
Intergovernmental	9,000	9,502	9,502	-
Total revenues.	<u>1,871,000</u>	<u>1,351,801</u>	<u>1,351,801</u>	<u>-</u>
Expenditures:				
Current:				
General government	37,916	40,986	34,656	6,330
Security of persons and property.	98,254	98,254	98,000	254
Community environment	734,624	779,879	265,209	514,670
Utility services	556,400	553,330	547,330	6,000
Total expenditures	<u>1,427,194</u>	<u>1,472,449</u>	<u>945,195</u>	<u>527,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>443,806</u>	<u>(120,648)</u>	<u>406,606</u>	<u>527,254</u>
Other financing uses:				
Transfers out	(292,495)	(292,495)	(224,688)	67,807
Total other financing uses	<u>(292,495)</u>	<u>(292,495)</u>	<u>(224,688)</u>	<u>67,807</u>
Net change in fund balance	151,311	(413,143)	181,918	595,061
Fund balance at beginning of year	1,701,635	1,701,635	1,701,635	-
Prior year encumbrances appropriated	<u>141,489</u>	<u>141,489</u>	<u>141,489</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 1,994,435</u>	<u>\$ 1,429,981</u>	<u>\$ 2,025,042</u>	<u>\$ 595,061</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 4,786,891	\$ 13,910,761	\$ 1,684,060	\$ 20,381,712
Receivables (net of allowance for uncollectibles):				
Accounts	1,088,201	1,790,052	243,239	3,121,492
Prepayments	2,452	2,839	-	5,291
Materials and supplies inventory	11,150	11,149	-	22,299
Total current assets	<u>5,888,694</u>	<u>15,714,801</u>	<u>1,927,299</u>	<u>23,530,794</u>
Noncurrent assets:				
Deferred bond issuance costs	3,281	3,281	18,744	25,306
Capital assets:				
Land and construction-in-progress	872,575	746,064	254,491	1,873,130
Depreciable capital assets, net	24,098,340	15,651,390	10,453,205	50,202,935
Total capital assets	<u>24,970,915</u>	<u>16,397,454</u>	<u>10,707,696</u>	<u>52,076,065</u>
Total noncurrent assets	<u>24,974,196</u>	<u>16,400,735</u>	<u>10,726,440</u>	<u>52,101,371</u>
Total assets	<u>30,862,890</u>	<u>32,115,536</u>	<u>12,653,739</u>	<u>75,632,165</u>
Liabilities:				
Current liabilities:				
Accounts payable	49,388	5,118	4,681	59,187
Contracts payable	9,470	12,289	1,488	23,247
Accrued wages and benefits	5,798	5,801	3,037	14,636
Due to other governments	13,987	22,374	7,784	44,145
Compensatory time payable	4,866	4,866	1,166	10,898
Accrued interest payable	1,253	2,074	8,157	11,484
Current portion of compensated absences	14,523	14,523	7,710	36,756
Current portion of general obligation bonds payable	11,949	11,949	81,710	105,608
Current portion of OPWC loans payable	-	16,838	-	16,838
Total current liabilities	<u>111,234</u>	<u>95,832</u>	<u>115,733</u>	<u>322,799</u>
Long-term liabilities:				
General obligation bonds payable	316,891	316,891	2,059,772	2,693,554
OPWC loans payable	-	30,088	-	30,088
Total long-term liabilities	<u>316,891</u>	<u>346,979</u>	<u>2,059,772</u>	<u>2,723,642</u>
Total liabilities	<u>428,125</u>	<u>442,811</u>	<u>2,175,505</u>	<u>3,046,441</u>
Net assets:				
Invested in capital assets, net of related debt	24,642,075	16,021,688	8,629,208	49,292,971
Unrestricted	5,792,690	15,651,037	1,849,026	23,292,753
Total net assets	<u>\$ 30,434,765</u>	<u>\$ 31,672,725</u>	<u>\$ 10,478,234</u>	<u>\$ 72,585,724</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues:				
Charges for services.	\$ 4,274,932	\$ 6,774,106	\$ 923,661	\$ 11,972,699
Other.	121,748	88,461	8,774	218,983
Total operating revenues	<u>4,396,680</u>	<u>6,862,567</u>	<u>932,435</u>	<u>12,191,682</u>
Operating expenses:				
Personal services	466,273	469,515	259,274	1,195,062
Contractual services.	3,717,530	5,284,624	14,297	9,016,451
Materials and supplies	70,857	16,847	2,699	90,403
Depreciation	706,750	473,647	228,528	1,408,925
Other	103,628	82,006	6,945	192,579
Total operating expenses.	<u>5,065,038</u>	<u>6,326,639</u>	<u>511,743</u>	<u>11,903,420</u>
Operating income (loss)	<u>(668,358)</u>	<u>535,928</u>	<u>420,692</u>	<u>288,262</u>
Nonoperating revenues (expenses):				
Interest revenue.	587	587	1,209	2,383
Interest and fiscal charges	<u>(15,475)</u>	<u>(17,212)</u>	<u>(99,505)</u>	<u>(132,192)</u>
Total nonoperating expenses	<u>(14,888)</u>	<u>(16,625)</u>	<u>(98,296)</u>	<u>(129,809)</u>
Net income (loss) before transfers	<u>(683,246)</u>	<u>519,303</u>	<u>322,396</u>	<u>158,453</u>
Transfers in.	4,863	4,863	60,000	69,726
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(5,000)</u>	<u>(25,000)</u>
Changes in net assets	<u>(688,383)</u>	<u>514,166</u>	<u>377,396</u>	<u>203,179</u>
Net assets at beginning of year	<u>31,123,148</u>	<u>31,158,559</u>	<u>10,100,838</u>	<u>72,382,545</u>
Net assets at end of year	<u><u>\$ 30,434,765</u></u>	<u><u>\$ 31,672,725</u></u>	<u><u>\$ 10,478,234</u></u>	<u><u>\$ 72,585,724</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Cash received from charges for services	\$ 4,278,926	\$ 7,048,986	\$ 928,148	\$ 12,256,060
Cash received from other operations	121,748	88,461	8,774	218,983
Cash payments for personal services	(473,516)	(473,845)	(263,575)	(1,210,936)
Cash payments for contractual services	(4,650,477)	(6,517,386)	(14,651)	(11,182,514)
Cash payments for materials and supplies.	(75,172)	(18,207)	(2,617)	(95,996)
Cash payments for other expenses	(108,418)	(83,574)	(8,238)	(200,230)
Net cash provided by (used in) operating activities . . .	(906,909)	44,435	647,841	(214,633)
Cash flows from noncapital financing activities:				
Cash received from transfers in.	4,863	4,863	60,000	69,726
Cash payments for transfers out.	(10,000)	(10,000)	(5,000)	(25,000)
Net cash provided by (used in) noncapital financing activities	(5,137)	(5,137)	55,000	44,726
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets. . . .	(695,355)	(571,209)	(947,340)	(2,213,904)
Principal payments on OPWC loan	-	(10,749)	-	(10,749)
Interest payments on OPWC loan	-	(1,925)	-	(1,925)
Principal payments on bonds.	(11,949)	(11,949)	(76,124)	(100,022)
Interest payments on bonds.	(15,734)	(15,734)	(101,016)	(132,484)
Net cash used in capital and related financing activities.	(723,038)	(611,566)	(1,124,480)	(2,459,084)
Cash flows from investing activities:				
Cash received from interest earned.	587	587	1,209	2,383
Net cash provided by investing activities	587	587	1,209	2,383
Net decrease in cash and cash equivalents	(1,634,497)	(571,681)	(420,430)	(2,626,608)
Cash and cash equivalents at beginning of year	6,421,388	14,482,442	2,104,490	23,008,320
Cash and cash equivalents at end of year.	\$ 4,786,891	\$ 13,910,761	\$ 1,684,060	\$ 20,381,712

-- (Continued)

CITY OF GAHANNA, OHIO

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (668,358)	\$ 535,928	\$ 420,692	\$ 288,262
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	706,750	473,647	228,528	1,408,925
Changes in assets and liabilities:				
Decrease in accounts receivable.	3,994	274,880	4,487	283,361
(Increase) in materials and supplies inventory	(102)	(101)	-	(203)
(Increase) decrease in prepayments	(44)	101	-	57
Decrease in accounts payable	(1,635)	(2,398)	(2,174)	(6,207)
Increase in contracts payable	4,370	9,477	623	14,470
Decrease in accrued wages and benefits	(9,628)	(9,627)	(5,261)	(24,516)
Increase (decrease) in due to other governments.	(942,137)	(1,237,318)	1,083	(2,178,372)
Increase in compensated absences payable.	726	726	635	2,087
Decrease in compensatory time payable.	(845)	(880)	(772)	(2,497)
Net cash provided by (used) operating activities	<u>\$ (906,909)</u>	<u>\$ 44,435</u>	<u>\$ 647,841</u>	<u>\$ (214,633)</u>

Non-cash Transactions

At December 31, 2009 and 2008, the Water fund purchased \$43,680 and \$113,569, respectively, in capital assets on account.
 At December 31, 2009 and 2008, the Sewer fund purchased \$4,999 and \$29,157, respectively, in capital assets on account.
 At December 31, 2009 and 2008, the Storm Water fund purchased \$865 and \$260,250, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2009**

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 1,071,962
Cash in segregated accounts	<u>18,680</u>
Total assets	<u>\$ 1,090,642</u>
Liabilities:	
Undistributed assets.	\$ 680,379
Deposits held and due to others.	<u>410,263</u>
Total liabilities	<u>\$ 1,090,642</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the City and the organization is such that exclusion by the City would render the City’s financial statements incomplete or misleading. Based upon these criteria, the City has no component units.

The City is a member of the Central Ohio Health Care Consortium (the “Pool”), a risk sharing pool which provides health insurance. The Pool, which commenced business on January 1, 1992, has eight members consisting of various cities, villages and townships. The members originally entered into an irrevocable agreement to remain members of the Pool for a minimum of three years. This agreement was renewed for an additional three years on January 1, 2004, January 1, 2007 and again on January 1, 2010. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The City has no explicit and measurable equity interest in the Pool. The City has no ongoing financial responsibility other than the three year minimum membership. See Note 19.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City participates in a joint operation with the Gahanna Jefferson Public School District. These organizations jointly operate a maintenance facility and fueling station. See Note 20.

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: weed assessments, court fines, income taxes, interest on investments, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance), and grants.

Unearned and Deferred Revenues

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue in the governmental funds. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2009, are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures

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

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

E. Budgets And Budgetary Accounting

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

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

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

F. Cash And Cash Equivalents

To improve cash management, cash received by the City is pooled. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. The City has permissive motor vehicle license monies which are held by the Franklin County Engineer and are distributed to the City for approved projects. The balance in this account is presented as "cash with fiscal agent". The Mayor's Court has its own checking account for the collection and distribution of court fines and forfeitures and is presented on the statement of assets and liabilities – agency funds as "cash in segregated accounts".

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

During the year, investments were limited to Federal Home Loan Mortgage Corporation (FHLMC) multicall mortgage guaranteed partnership certificates, FHLMC multicall guaranteed partnership certificates, Federal National Mortgage Association (FNMA) guaranteed REMIC pass thru certificates, Federal National Reserve (FNR) Series 1989-27 Class Y GTD Pass Thru Certificate, FHLMC bonds, FHLMC notes, Federal Home Loan Bank (FHLB) bonds, FNMA bonds, FNMA notes, Federal Farm Credit Bank (FFCB) bonds, Government National Mortgage Association (GNMA) bonds, Eaton Vance Prime Mutual Fund, U.S. government money market mutual funds, negotiable certificates of deposit, and STAR Ohio. All investments are reported at fair value which is based on quoted market prices. Mutual funds are reported at fair value which is determined by the mutual fund's current share price.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on December 31, 2009.

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2009 amounted to \$1,210,249, which includes \$742,722 assigned from other funds.

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

G. Materials And Supplies Inventory

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

I. Capital Assets

General capital assets are capital assets that are associated with governmental activities. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type Activities column of the government-wide statement of net assets and in the respective funds.

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

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

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

J. Compensated Absences

Vacation benefits and compensatory time are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time and compensatory time when earned for all employees after one year of service.

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

Compensatory time is accumulated by employees at the applicable overtime rate for each hour of overtime worked. The City will record the liability "compensatory time payable" for the balance carried over at year end. City employees must use their compensatory time balance that has been carried forward by the following year end.

K. Accrued Liabilities And Long-Term Obligations

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

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

L. Unamortized Bond Premiums And Bond Issuance Costs

Premiums and issuance costs for government-wide statements and enterprise fund statements are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an increase to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

M. Reserves of Fund Balance

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

N. Fund Balance Designations

Fund balance designations are established to indicate tentative planned expenditures of financial resources. A designation reflects the City's intentions and is subject to change. Fund balance designations are reported as part of unreserved fund balance. Fund balance designations have been presented for monies set aside for the payment of accumulated vacation/sick leave balances upon separation from the City and for a budget reserve equal to 25% of planned general fund revenues as passed by motion resolution of City Council.

O. Internal Activity

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

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

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

P. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivable" and "interfund payable." Interfund balances are eliminated on the government-wide statement of net assets except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances." The City had no interfund balances or internal balances at December 31, 2009.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

Q. Net Assets

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

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

The government-wide statement of net assets reports \$15,470,230 of restricted net assets, none of which is restricted by enabling legislation.

R. Operating Revenues And Expenses

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

S. Estimates

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principle

For 2009, the City has implemented GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, GASB Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, and GASB Statement No. 57 “Other Postemployment Benefit (OPEB) Measurements by Agent Employers and Agent Multiple-Employers”.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the City.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the City.

GASB Statement No. 56 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the City.

GASB Statement No. 57 establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the City.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for the general fund and major special revenue funds.

	Net Change in Fund Balance		
	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Tax Increment Equivalent</u>
Budget basis	\$ (13,171,407)	\$ (1,455,143)	\$ 181,918
Net adjustment for revenue accruals	77,687	(48,312)	-
Net adjustment for expenditure accruals	992,848	363,813	(21,285)
Adjustment for encumbrances	<u>6,626,074</u>	<u>621,027</u>	<u>263,017</u>
GAAP basis	<u>\$ (5,474,798)</u>	<u>\$ (518,615)</u>	<u>\$ 423,650</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

CITY OF GAHANNA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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

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

Cash with Fiscal Agent: At year end, the City had \$650,894 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2009. This amount is not included in the City's depository balance below.

Cash in Segregated Accounts: At year end, the City had \$18,680 deposited with a financial institution for monies related to the Mayor's Court agency fund. This amount is included in the City's depository balance below.

Deposits with Financial Institutions

At December 31, 2009, the carrying amount of all City deposits was \$551,930 and the bank balance of all City deposits was \$1,884,912. Of the bank balance, \$1,338,619 was exposed to custodial risk as discussed below and \$546,293 was covered by the Federal Deposit Insurance Corporation.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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

Investments

As of December 31, 2009, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>1 Year or Less</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	<u>Greater Than 3 Years</u>
FHLMC multicall mortgage guaranteed partnership certificates	\$ 2,174,255	\$ -	\$ -	\$ -	\$ 2,174,255
FHLMC multicall guaranteed partnership certificates	864,627	-	-	-	864,627
FNMA guaranteed REMIC pass thru certificates	1,788,625	-	-	-	1,788,625
FNR series 1898-27 class Y guaranteed pass thru certificate	10,207	-	-	-	10,207
FHLB bonds	4,818,793	166,090	408,343	1,361,986	2,882,374
FNMA bonds	4,376,809	368,452	-	1,004,692	3,003,665
FNMA notes	4,845,836	-	752,348	-	4,093,488
FHLMC notes	2,556,542	-	-	1,001,213	1,555,329
FHLMC bonds	2,435,119	86,448	-	501,727	1,846,944
FFCB bonds	500,470	-	-	-	500,470
GNMA bond	1,932,522	-	-	-	1,932,522
U.S government money market mutual funds	5,309,700	5,309,700	-	-	-
Eaton Vance mutual fund	1,205,092	1,205,092	-	-	-
Negotiable certificates of deposit STAR Ohio	7,494,656	3,442,611	3,028,462	405,476	618,107
	<u>11,671,704</u>	<u>11,671,704</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,984,957</u>	<u>\$ 22,250,097</u>	<u>\$ 4,189,153</u>	<u>\$ 4,275,094</u>	<u>\$ 21,270,613</u>

The weighted average length to maturity of the investments is 5.5 years.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

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

Credit Risk: The City's investments in FHLB bonds, FNMA bonds and notes, FHLMC bonds and notes, FFCB bonds and GNMA bonds carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The FNR Series 1989-27 class Y guaranteed pass thru certificate, the FHLMC multicall mortgage guaranteed partnership certificates, the FHLMC multicall guaranteed partnership certificates and the FNMA guaranteed REMIC pass thru certificates carry a rating of AAA by Standard and Poor's. The Eaton Vance Prime Mutual Fund carries a rating of AA by Standard and Poor's. STAROhio and the U.S. government money market mutual funds carry a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency bonds and notes and the FNR Series 1989-27 class Y guaranteed pass thru certificate, the FHLMC multicall mortgage guaranteed partnership certificates, the FHLMC multicall guaranteed partnership certificates the FNMA guaranteed REMIC pass thru certificates and the GNMA bond are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

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

CITY OF GAHANNA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 – DEPOSITS AND INVESTMENTS *(continued)*

The following table includes the percentage of each investment type held by the City at December 31, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC multcall mortgage guaranteed partnership certificates	\$ 2,174,255	4.18
FHLMC multcall guaranteed partnership certificates	864,627	1.66
FNMA guaranteed REMIC pass through certificates	1,788,625	3.44
FNR series guaranteed pass through certificates	10,207	0.02
FHLB bonds	4,818,793	9.27
FNMA bonds	4,376,809	8.42
FNMA notes	4,845,836	9.32
FHLMC notes	2,556,542	4.92
FHLMC bonds	2,435,119	4.68
FFCB bonds	500,470	0.96
GNMA bond	1,932,522	3.72
U.S government money market mutual funds	5,309,700	10.21
Eaton Vance mutual fund	1,205,092	2.32
Negotiable certificates of deposit	7,494,656	14.42
STAR Ohio	<u>11,671,704</u>	<u>22.46</u>
Total	<u>\$ 51,984,957</u>	<u>100.00</u>

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 551,930
Investments	51,984,957
Cash with fiscal agent	<u>650,894</u>
Total	<u>\$ 53,187,781</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 31,715,427
Business-type activities	20,381,712
Fiduciary funds	<u>1,090,642</u>
Total	<u>\$ 53,187,781</u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 – MUNICIPAL INCOME TAX

The City levies and collects an income tax of one and one-half percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of eighty-three and one-third percent of the tax paid to another municipality that has a tax rate of one and one-half percent or less, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All proceeds go to the general fund.

NOTE 7 – PROPERTY TAX

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2009 represent delinquent collections.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 – PROPERTY TAX *(continued)*

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 was 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 2009-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Gahanna. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2009 was \$2.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 777,438,590
Commercial/industrial/mineral	164,143,970
Tangible personal property	460,083
<u>Public utility</u>	
Real	96,630
Personal	<u>13,067,930</u>
Total assessed value	<u>\$ 955,207,203</u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 – RECEIVABLES

Receivables at December 31, 2009, consisted of property, other local, revenue in lieu of, and income taxes, accounts, interest on investments, and intergovernmental receivables arising from grants, entitlements or shared revenues. All receivables are considered fully collectible and will be received within one year with the exception of property taxes and income taxes. Water, sewer, and storm water charges receivable which, if delinquent, may be certified and collected as a special assessment, are subject to foreclosure for nonpayment. Property and income taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of amount due from other governments follows:

<u>Governmental activities:</u>	<u>Amount</u>
Clean Ohio Revitalization Grant	\$ 1,117,859
US Environmental Protection Agency Revolving Loan Grant	1,000,000
Local Government	700,504
Gas/Cents Per Gallon Tax	560,857
I-270 Ramp Modifications Grant	449,245
Homestead and Rollback	133,946
Ohio Department of Transportation Grant	124,786
Motor Vehicle License Tax	117,239
Recreation Trails Program Grant	92,381
Ohio Water Development Authority ARRA Grant	45,000
Estate Tax	34,273
Mayor's Court	31,480
Drug Abuse Resistance Education Grant	21,126
Department of Justice Bulletproof Vest Partnership Grant	11,505
GHSO Operation Safe Commute Grant	1,292
Total Due From Other Governments	<u>\$ 4,441,493</u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 16,148,773	\$ 1,964,228	\$ -	\$ 18,113,001
Construction in progress	6,877,779	3,340,814	(2,920,907)	7,297,686
Total capital assets, not being depreciated	<u>23,026,552</u>	<u>5,305,042</u>	<u>(2,920,907)</u>	<u>25,410,687</u>
Depreciable capital assets:				
Buildings	25,207,101	100,941	-	25,308,042
Improvements other than buildings	5,309,435	3,136,140	-	8,445,575
Machinery and equipment	6,187,309	630,989	(5,365)	6,812,933
Vehicles	3,213,289	423,927	(312,130)	3,325,086
Infrastructure	71,425,944	879,009	(18,754)	72,286,199
Total depreciable capital assets	<u>111,343,078</u>	<u>5,171,006</u>	<u>(336,249)</u>	<u>116,177,835</u>
Less: accumulated depreciation:				
Buildings	(2,868,856)	(496,302)	-	(3,365,158)
Improvements other than buildings	(2,900,390)	(224,927)	-	(3,125,317)
Machinery and equipment	(3,546,289)	(592,269)	4,144	(4,134,414)
Vehicles	(2,423,606)	(363,505)	285,441	(2,501,670)
Infrastructure:	(43,879,471)	(2,019,922)	18,754	(45,880,639)
Total accumulated depreciation	<u>(55,618,612)</u>	<u>(3,696,925)</u>	<u>308,339</u>	<u>(59,007,198)</u>
Depreciable capital assets, net	<u>55,724,466</u>	<u>1,474,081</u>	<u>(27,910)</u>	<u>57,170,637</u>
Governmental activities capital assets, net	<u>\$ 78,751,018</u>	<u>\$ 6,779,123</u>	<u>\$ (2,948,817)</u>	<u>\$ 82,581,324</u>

Depreciation expense was charged to governmental programs as follows:

Security of persons and property	\$ 393,435
Leisure time activities	271,112
Community environment	631,112
General government	262,157
Transportation	2,139,109
Total depreciation expense	<u>\$ 3,696,925</u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 – CAPITAL ASSETS *(continued)*

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 39,210	\$ 249,496	\$ -	\$ 288,706
Construction in progress	674,314	1,337,344	(427,234)	1,584,424
Total capital assets, not being				
Depreciated	713,524	1,586,840	(427,234)	1,873,130
Depreciable capital assets:				
Buildings	991,000	-	-	991,000
Improvements other than buildings	55,800	587,570	-	643,370
Machinery and equipment	793,596	8,500	-	802,096
Vehicles	656,282	25,794	-	682,076
Infrastructure:				
Storm sewer lines	13,466,569	-	-	13,466,569
Water lines and miscellaneous infrastructure	40,186,756	17,701	-	40,204,457
Sewer lines and miscellaneous infrastructure	24,537,095	61,301	-	24,598,396
Total depreciable capital assets	80,687,098	700,866	-	81,387,964
Less: accumulated depreciation:				
Buildings	(387,087)	(28,458)	-	(415,545)
Improvements other than buildings	(12,645)	(6,050)	-	(18,695)
Machinery and equipment	(306,650)	(68,170)	-	(374,820)
Vehicles	(159,150)	(83,244)	-	(242,394)
Infrastructure:				
Storm sewer lines	(3,472,914)	(206,691)	-	(3,679,605)
Water lines and miscellaneous infrastructure	(16,242,617)	(615,315)	-	(16,857,932)
Sewer lines and miscellaneous infrastructure	(9,195,041)	(400,997)	-	(9,596,038)
Total accumulated depreciation	(29,776,104)	(1,408,925)	-	(31,185,029)
Depreciable capital assets, net	50,910,994	(708,059)	-	50,202,935
Business-type activities capital assets, net	\$ 51,624,518	\$ 878,781	\$ (427,234)	\$ 52,076,065

Depreciation expense was charged to the enterprise funds as follows:

Water	\$ 706,750
Sewer	473,647
Storm Water	228,528
Total depreciation expense	\$ 1,408,925

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2009 member contribution rates were 10.00 percent for members in State and local classifications. Public safety and law enforcement members contributed 10.10 percent. The City's contribution rate for 2009 was 14.00 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll.

The City's contribution rate for pension benefits for 2009 was 7.00 percent from January 1 through March 31, 2009 and 8.50 percent from April 1 through December 31, 2009, except for those plan members in law enforcement and public safety. For those classifications, pension contributions were 10.63 percent from January 1 through March 31, 2009 and 12.13 percent from April 1 through December 31, 2009.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$607,489, \$474,000, and \$624,225, respectively; 92.64 percent has been contributed for 2009 and 100 percent has been contributed for 2008 and 2007.

B. Ohio Police And Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary, while the City is required to contribute 19.50 percent for police officers. The City has no firefighters. Contribution rates are established by State statute. For 2009, the portion of the City's contributions to fund pension obligations was 12.75 percent for police officers.

The City's required contributions for pension obligations to OP&F for police officers was \$578,573 for the year ended December 31, 2009, \$547,440 for the year ended December 31, 2008, and \$591,471 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 71.79 percent for police officers has been contributed for 2009.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14.00 percent of covered payroll (17.63 percent for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for 2009 was 7.00 percent from January 1 through March 31, 2009 and 5.50 percent from April 1 through December 31, 2009.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007, were \$433,055, \$474,000, and \$477,114, respectively; 92.64 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

B. Ohio Police And Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 – POSTEMPLOYMENT BENEFITS *(continued)*

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

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units. The City has no fire personnel. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to the OP&F which are allocated to fund post-employment health care benefits for police were \$306,303 for the year ended December 31, 2009, \$289,821 for the year ended December 31, 2008, and \$313,132 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. 71.79 percent has been contributed for police for 2009.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

B. Deferred Compensation Plan

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

C. Health Care Benefits

The City provides health care benefits through the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool that provided basic hospital, surgical and prescription drug coverage. See Note 19 for further information. Dental, vision, and life insurance coverage is provided by Delta Dental, Vision Service Plan, and Standard Insurance Company, respectively. For those employees covered under the labor contract with United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International (USW), the City provides health care, dental, and vision insurance coverage through the Steelworker Health and Welfare Plan. Life insurance for employees covered under the labor contract with USW is provided by the Standard Insurance Company.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 – CAPITAL LEASES - LESSEE DISCLOSURE

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

The copier equipment and mail machine have been capitalized at \$125,052. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2009 totaled \$27,172 in the governmental funds.

The assets acquired through capital leases as of December 31, 2009, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leased equipment	<u>\$125,052</u>	<u>\$111,070</u>	<u>\$13,982</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2009.

<u>Year Ending December 31,</u>	<u>Payments</u>
2010	<u>\$18,667</u>
Total	18,667
Less: Amount Representing Interest	(337)
Present Value of Minimum Lease Payments	<u>\$18,330</u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 – CAPITAL LEASE RECEIVABLE

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

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

The following is a schedule of the future long-term lease receivable as of December 31, 2009.

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$202,679
2011	30,188
2012	16,428
2013	9,089
2014	6,632
2015 - 2017	8,889
Total Lease Receivable	<u><u>\$273,905</u></u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

A. Bonded Debt And Other Long-Term Obligations

Bonded debt and other long-term obligations payable activity for fiscal year 2009 follows:

Types / Issues	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Due Within One Year
<u>Business-type activities:</u>					
<u>General obligation bonds</u>					
Water fund					
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	\$ 333,718	\$ -	\$ (11,949)	\$ 321,769	\$ 11,949
Premium on bonds issued	7,475	-	(404)	7,071	-
Sewer fund					
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	333,719	-	(11,949)	321,770	11,949
Premium on bonds issued	7,474	-	(404)	7,070	-
Storm water fund					
2005 - Creekside Phase II and Morrison Road					
Serial bonds 3.25% to 5.0%	266,987	-	(11,124)	255,863	11,710
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	1,910,000	-	(65,000)	1,845,000	70,000
Premium on bonds issued	42,940	-	(2,321)	40,619	-
Total general obligations bonds	<u>2,902,313</u>	<u>-</u>	<u>(103,151)</u>	<u>2,799,162</u>	<u>105,608</u>
<u>Other long-term obligations</u>					
1996 - OPWC Loan 3.5 %	57,675	-	(10,749)	46,926	16,838
Compensated absences payable	34,669	54,018	(51,931)	36,756	36,756
Total other long-term obligations	<u>92,344</u>	<u>54,018</u>	<u>(62,680)</u>	<u>83,682</u>	<u>53,594</u>
Total business-type activities	<u>\$ 2,994,657</u>	<u>\$ 54,018</u>	<u>\$ (165,831)</u>	<u>\$ 2,882,844</u>	<u>\$ 159,202</u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 – OUTSTANDING DEBT AND OTHER LONG-TERM OBLIGATIONS

(continued)

Types / Issues	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Due Within One Year
<u>Governmental activities:</u>					
<u>General obligation bonds</u>					
2005 - Creekside Phase II and Morrison Road					
Serial bonds 3.25% to 5.0%	\$ 9,138,013	\$ -	\$ (388,876)	\$ 8,749,137	\$ 393,290
Term bonds 4.25%	3,185,000	-	-	3,185,000	-
Premium on bonds issued	292,596	-	(13,350)	279,246	-
2007 - Various purpose					
Serial bonds 3.76% to 4.6%	8,422,563	-	(261,102)	8,161,461	266,102
Premium on bonds issued	199,024	-	(10,758)	188,266	-
Total general obligations bonds	<u>21,237,196</u>	<u>-</u>	<u>(674,086)</u>	<u>20,563,110</u>	<u>659,392</u>
<u>Other long-term obligations</u>					
2006 - OPWC Loan 0%	813,566	-	(95,714)	717,852	143,571
2009 - OPWC Loan 0%	-	478,172	-	478,172	-
Capital lease obligation	45,502	-	(27,172)	18,330	18,330
Compensated absences payable	2,082,768	1,126,617	(895,953)	2,313,432	660,720
Total other long-term obligations	<u>2,941,836</u>	<u>1,604,789</u>	<u>(1,018,839)</u>	<u>3,527,786</u>	<u>822,621</u>
Total governmental activities	<u>\$ 24,179,032</u>	<u>\$ 1,604,789</u>	<u>\$ (1,692,925)</u>	<u>\$ 24,090,896</u>	<u>\$ 1,482,013</u>

The City's overall legal debt margin (the ability to issue additional amounts of general obligation debt) was \$78,562,088, with an unvoted debt margin of \$52,511,092 at December 31, 2009.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

Year Ending December 31,	Business-Type Activities							
	Water General Obligation Bonds		Sewer General Obligation Bonds		Stormwater General Obligation Bonds		Sewer OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 11,949	\$ 15,032	\$ 11,949	\$ 15,032	\$ 81,710	\$ 97,891	\$ 16,838	\$ 2,172
2011	12,802	14,525	12,802	14,525	81,710	94,535	11,723	951
2012	12,802	13,980	12,802	13,980	87,295	91,151	12,137	537
2013	13,656	13,436	13,656	13,436	92,881	87,532	6,228	109
2014	14,509	12,856	14,509	12,856	93,466	83,682	-	-
2015 - 2019	81,081	54,667	81,082	54,667	540,530	354,317	-	-
2020 - 2024	101,568	34,097	101,568	34,097	676,021	216,655	-	-
2025 - 2027	73,402	7,468	73,402	7,468	447,250	44,363	-	-
Totals	<u>\$ 321,769</u>	<u>\$ 166,061</u>	<u>\$ 321,770</u>	<u>\$ 166,061</u>	<u>\$ 2,100,863</u>	<u>\$ 1,070,126</u>	<u>\$ 46,926</u>	<u>\$ 3,769</u>

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

Year Ending December 31,	Serial Bonds		Term Bonds		2006 OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2010	\$ 659,392	\$ 916,719	\$ -	\$ -	\$ 143,571
2011	727,685	892,629	-	-	95,713
2012	757,100	864,762	-	-	95,714
2013	789,807	835,757	-	-	95,713
2014	822,515	805,506	-	-	95,714
2015 - 2019	4,642,305	3,474,303	-	-	191,427
2020 - 2024	5,870,845	2,245,461	-	-	-
2025 - 2029	2,640,949	364,562	2,495,000	388,025	-
2030	-	-	690,000	29,325	-
Totals	<u>\$ 16,910,598</u>	<u>\$ 10,399,699</u>	<u>\$ 3,185,000</u>	<u>\$ 417,350</u>	<u>\$ 717,852</u>

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

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

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

B. General Obligation Bonds

During 2005, the City issued \$13,700,000 in general obligation bonds to provide funds for the infrastructure improvements of Morrison Road and the construction and improvements of Creekside. \$13,401,397 was issued as governmental activities general obligation bonds and \$298,603 was issued as enterprise obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. The City obtained a financial guarantee insurance policy from Ambac Assurance Corporation (Ambac) to insure the payment of the principal and interest on the bonds when due. These bonds are 20 year serial bonds with varying amounts of principal maturing each year and a 25 year term bond. Bond payments relating to the governmental activities general obligation bonds are paid with property taxes from the debt service fund as well as other non-income tax revenues. Bond payments relating to the enterprise general obligation bonds are paid from revenues from the operations of the storm water system. As of December 31, 2009, all of the governmental activities and enterprise bond proceeds have been spent toward the project.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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

During 2007, the City issued \$11,350,000 in general obligation bonds for various purposes including park improvements, street improvements, broadband strategic plan development, infrastructure improvements, and storm water system improvements. \$8,683,665 was issued as governmental activities general obligation bonds and \$2,666,335 was issued as enterprise obligation bonds. All are direct obligations and pledge the full faith and credit of the City for repayment. The City obtained a financial guarantee insurance policy from MBIA Insurance Corporation (MBIA) to insure the payment of the principal and interest on the bonds when due. These bonds are 20 year serial bonds with varying amounts of principal maturing each year. Bond payments relating to the governmental activities general obligation bonds are paid with property taxes from the debt service fund as well as other non-income tax revenues. Bond payments relating to the enterprise general obligation bonds are paid from revenues from the operations of the water, sewer, and storm water systems. As of December 31, 2009, \$8,228,515 of the governmental activities bond proceeds had been spent toward the project leaving \$455,150 in unspent proceeds at December 31, 2009. As of December 31, 2009, \$2,603,341 of the enterprise bond proceeds had been spent toward the project leaving \$62,994 in unspent proceeds in the storm water fund at December 31, 2009. There were no remaining unspent bond proceeds in the water and sewer enterprise funds at December 31, 2009.

C. Ohio Public Works Commission (OPWC) Loans

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

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

The 2009 OPWC Loan consists of \$478,172 borrowed from the Ohio Public Works Commission for U.S. Route 62 roadway improvements. As of December 31, 2009, this loan was not finalized as the final disbursements were not made. An amortization schedule will be presented once the loan is finalized and final disbursements are complete. Once finalized, the loan payments will be made using property taxes from the debt service fund.

D. Compensated Absences / Capital Leases

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 16 – CONSTRUCTION COMMITMENTS

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2009, the significant outstanding construction commitments were:

Project	Contract Amount	Amount Completed	Balance 12/31/2009
Tech Center Drive	\$3,477,432	\$3,287,001	\$190,431
I-270 Ramp Modifications	425,372	418,440	6,932
Hamilton Granville	330,284	302,626	27,658
Wireless Project	3,148,665	2,600,183	548,482
Foxwood/Rice Avenue	312,657	251,250	61,407
Big Walnut Restoration	5,000	2,017	2,983
Recreation Trails	436,543	426,572	9,971
Hannah Park	3,132,238	3,130,381	1,857
Gahanna Heights Storm Water Remediation	1,116,070	1,110,321	5,749
800 MHZ Radion System	397,095	338,109	58,986
US 62 (Johnstown Road Improvements)	1,648,426	833,461	814,965
US 62 and Stygler	335,947	310,905	25,042
Olde Ridenour	75,114	37,200	37,914
Sycamore Run Park Retention Basin	291,067	213,968	77,099
Pizzuro Park Playground	4,880	4,617	263
CMOM	539,000	77,305	461,695
West Gahanna Sanitary Sewer	1,202,769	694,995	507,774
OSU Signal	175,676	47,277	128,399
Revolving Loan	78,000	3,256	74,744
2009 Crack Seal/Slurry Seal Program	100,603	95,382	5,221
Swim Club Improvements	64,878	60,220	4,658
OHEC Improvements	8,907	8,385	522
Recreation Trails	1,327,560	1,317,152	10,408
Playground Improvements	820,764	816,517	4,247
Price Road Construction	49,370	36,894	12,476
2010 Building Modifications	22,500	3,267	19,233
Big Walnut Restoration - Section 7	30,000	750	29,250
Total	<u>\$ 19,556,817</u>	<u>\$ 16,428,451</u>	<u>\$ 3,128,366</u>

CITY OF GAHANNA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 17 – RISK MANAGEMENT

The City maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles, general liability insurance and police professional liability insurance. The City also carries public official's liability insurance. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

NOTE 18 – INTERFUND TRANSFERS

Transfers made during the year ended December 31, 2009, were as follows:

		Transfers To								
		General	Bond Retirement	Capital Improvement	Street Maintenance and Repair	Nonmajor Governmental	Water	Sewer	Storm Water	Total
Transfers From	General	\$ -	\$ 698,376	\$ 2,085,307	\$ -	\$ 685,409	\$ -	\$ -	\$ 60,000	\$ 3,529,092
	Street Maintenance and Repair	-	431,250	-	-	-	-	-	-	431,250
	Tax Increment Equivalent	-	224,688	-	-	-	-	-	-	224,688
	Nonmajor Governmental	14,963	48,000	-	50,127	83,358	4,863	4,863	-	206,174
	Water	10,000	-	-	-	-	-	-	-	10,000
	Sewer	10,000	-	-	-	-	-	-	-	10,000
	Storm Water	5,000	-	-	-	-	-	-	-	5,000
	Total	\$ 39,963	\$ 1,402,314	\$ 2,085,307	\$ 50,127	\$ 768,767	\$ 4,863	\$ 4,863	\$ 60,000	\$ 4,416,204

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfers from the water, sewer and storm water funds to the general fund were made for future severance payments. The transfers from the general, street maintenance and repair, tax increment equivalent and nonmajor governmental funds to the bond retirement fund were made to service annual debt payments. \$83,358 of the transfers from nonmajor governmental funds to nonmajor governmental funds was made to establish new funds for the same purpose as the transferring fund. \$74,816 of the transfers from the nonmajor governmental funds to the general, street maintenance and repair, water, sewer and nonmajor governmental funds was to move Federal Emergency Management Agency (FEMA) reimbursements to the funds which originally recorded the expenditures.

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 19 – SHARED RISK POOL

On January 1, 1992, the City joined the Central Ohio Health Care Consortium (the “Pool”), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the Pool. The Pool consists of eight political subdivisions who pool risk for basic hospital, surgical and prescription drug coverage. The City pays monthly contributions to the Consortium, which are used to cover claims and administrative costs, and to purchase excess loss insurance for the Pool. The Pool also entered into an agreement with an independent plan supervisor to oversee the day to day operations of the Pool, such as administration and approval of submitted claims, the payment of operating expenses incurred by the Pool and the preparation of a monthly activity report which is presented to the Board.

The City pays monthly contributions to the Pool, which are used to cover claims and administrative costs, to establish and maintain sufficient claim reserves and to purchase excess loss insurance for the Pool. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. The individual excess loss coverage has been structured to indemnify the Pool for medical claims paid for an individual in excess of \$175,000 with an individual lifetime maximum of \$2,000,000. The aggregate excess loss coverage has been structured to indemnify the Pool for aggregate claims paid in excess of \$6,626,627 to a maximum of \$1,000,000 annually. In the event that the losses of the Pool in any year exceeds amounts paid to the Pool, together with all stop-loss, reinsurance and other coverage then in effect, then the payment of all uncovered losses shall revert to and be the sole obligation of the political subdivision against which the claim was made. No such loss has occurred in the past four years. In the event that an entity should withdraw from the plan, the withdrawing member is required to either reimburse the Pool for claims paid on its behalf or the member must pay the claims directly.

NOTE 20 – UNDIVIDED INTEREST

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

CITY OF GAHANNA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 21 – CONTINGENT LIABILITIES

A. Litigation

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

B. Federal And State Grants

For the period January 1, 2009 to December 31, 2009, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Gahanna, Franklin County, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the City of Gahanna's basic financial statements and have issued our report thereon dated June 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Members of Council and Mayor
City of Gahanna

Compliance and Other Matters

As part of reasonably assuring whether the City of Gahanna's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 28, 2010

**CITY OF GAHANNA
FRANLIN COUNTY, OHIO**

STATUS OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-COG-001	Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.	Yes	N/A
2008-COG-002	Ohio Revised Section 5705.36 in part requires Finance Directors to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.	Yes	N/A