

City of Piqua, Ohio

*Financial Statements and Single Audit
Reports for the Year Ended December 31,
2002 and Independent Auditors' Report*



**Auditor of State
Betty Montgomery**

Honorable Mayor David A. Martin
City Commission Members, Citizens
City of Piqua
Piqua, Ohio

We have reviewed the Independent Auditor's Report of the City of Piqua, Miami County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 3, 2003

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CITY OF PIQUA, OHIO

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor David A. Martin, City Commission Members,
Citizens of the City of Piqua, Ohio and Betty Montgomery, Auditor of State of Ohio

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

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

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the respective statement of net assets or financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piqua, Ohio, as of December 31, 2002, and the respective changes in financial position (and respective cash flows, where applicable) thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, in fiscal year 2002, the City adopted Governmental Accounting Standards Board ("GASB") No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB No. 38, *Certain Financial Statement Note Disclosures*.

The Management's Discussion and Analysis and the budgetary information on pages 2-10 and pages 34-40, respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. The information is the responsibility of the City of Piqua, Ohio's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Piqua, Ohio, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the City of Piqua, Ohio. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003 on our consideration of the City of Piqua's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

June 20, 2003



City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The discussion and analysis of the City of Piqua's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2002. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Piqua's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major 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 dollars remain 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 of Piqua as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and asks the question, "How did we do financially during 2002?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities**—Most of the City's programs and services are reported here, including general government, public safety, street and maintenance, parks and recreation, and community development. 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 fee basis to recover all of the expenses of the goods or services provided. The City's electric, water and sewer are reported here.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

Reporting the City of Piqua's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 3. The fund financial statements begin on page 43 and provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Funds are established to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Piqua's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. On the government-wide statements, these funds are reported using the accrual method of accounting. The governmental fund statements, using a modified accrual system of accounting, provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The City of Piqua as a Whole

The City implemented GASB Statement #34 this year. We did not present net asset measurements in prior years since they were not required by generally accepted accounting principles. Therefore, our analysis of comparative balances and changes therein is limited to the current year's operations. In future years, we will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities for 2002.

Table 1—Net Assets

	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current and other assets	\$18,010,403	\$13,465,553	\$ 31,475,956
Capital assets	<u>37,389,824</u>	<u>60,153,220</u>	<u>97,543,044</u>
Total assets	55,400,227	73,618,773	129,019,000
Long-term debt outstanding	3,650,081	10,255,593	13,905,674
Other liabilities	<u>7,838,439</u>	<u>3,898,227</u>	<u>11,736,666</u>
Total liabilities	11,488,520	14,153,820	25,642,340
Net assets:			
Invested in capital assets, net of debt	33,775,146	48,765,023	82,540,169
Restricted	853,240	173,379	1,026,619
Unrestricted	<u>9,283,321</u>	<u>10,526,551</u>	<u>19,809,872</u>
Total net assets	<u>\$43,911,707</u>	<u>\$ 59,464,953</u>	<u>\$ 103,376,660</u>

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The amount by which the City's assets exceed its liabilities is called net assets. At year-end, the City's net assets were \$103 million. Of that amount, approximately \$82.5 million (79.8%) was invested in capital assets, net of debt related to those assets. Another \$1.0 million (1.0%) was subject to external restrictions upon its use. The remaining \$19.8 million (19.2%) was unrestricted and available for future use.

Table 2—Changes in Net Assets

	Govern- mental Activities	Business- Type Activities	Total Primary Government
REVENUES:			
Program revenues:			
Charges for services	\$ 633,697	\$ 25,228,793	\$ 25,862,490
Operating grants and contributions	759,557		759,557
Capital grants and contributions	2,367,605		2,367,605
General revenues:			
Property taxes	1,516,613		1,516,613
Income taxes	6,913,931		6,913,931
Other taxes	3,525,275		3,525,275
Investment earnings	<u>529,466</u>	<u>559,412</u>	<u>1,088,878</u>
Total revenues	<u>16,246,144</u>	<u>27,788,205</u>	<u>42,034,349</u>
PROGRAM EXPENSES:			
General government	2,217,319		2,217,319
Public safety	6,539,055		6,539,055
Street and maintenance	2,824,036		2,824,036
Parks and recreation	593,878		593,878
Community development	667,877		667,877
Interest on long-term debt	288,383		288,383
Electric		16,947,814	16,947,814
Wastewater		2,737,680	2,737,680
Water		2,503,948	2,503,948
Non-major other		<u>2,826,716</u>	<u>2,826,716</u>
Total expenses	<u>13,130,548</u>	<u>25,016,158</u>	<u>38,146,706</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS AND PROCEEDS	3,115,596	772,047	3,887,643
TRANSFERS	(51,281)	51,281	
BOND ISSUANCE PROCEEDS	<u>44,720</u>		<u>44,720</u>
INCREASE IN NET ASSETS	<u>\$ 3,109,035</u>	<u>\$ 823,328</u>	<u>\$ 3,932,363</u>

Governmental Activities

Governmental activities increased the City's net assets by \$3,109,035, thereby accounting for 79.1 percent of the growth in total net assets.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The income tax revenue for 2002 was \$6,913,931. This accounts for 42.6 percent of total governmental activities revenues. The City's income tax rate was 1.75 percent for 2002, the same as the prior year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.75 percent for those who pay income tax to another city.

General revenues from Other Taxes, such as KW Hour tax and Local Government Funds, are also revenue generators. With the combination of property tax, income tax, intergovernmental funding and investment earnings, all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations.

For the most part, increases in expenses closely parallel inflation and growth in the demand for services. The largest program function for the City relates to Public Safety, which accounts for 49.8 percent of governmental activities total program expenses. Street and Maintenance accounts for 21.5 percent of total program expenses, while General Government accounts for 16.9 percent.

The Statement of Activities reports the expenses of each of the governmental activities programs and the related program revenue that offsets the cost of each program. The amount by which the cost of a particular program exceeds its program revenue represents the extent to which that program must be subsidized by general revenues. The following table summarizes the net cost of each program:

	Table 3—Government Activities		
	Total Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 2,217,319	\$ 329,632	\$ 1,887,687
Public safety	6,539,055	302,503	6,236,552
Street and maintenance	2,824,036	2,483,565	340,471
Parks and recreation	593,878	93,457	500,421
Community development	667,877	551,702	116,175
Interest and long-term debt	288,383		288,383
 Total	 \$13,130,548	 \$3,760,859	 \$9,369,689

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

Business-Type Activities

The following table summarizes the business-type activities:

Table 4— Business-Type Activities

	Total Cost of Services	Program Revenues	Net Revenue from Operations
Electric	\$ 16,947,814	\$ 16,907,822	\$ (39,992)
Wastewater	2,737,680	3,113,672	375,992
Water	2,503,948	2,953,493	449,545
Non-major other	<u>2,826,716</u>	<u>2,253,806</u>	<u>(572,910)</u>
 Total	 <u>\$25,016,158</u>	 <u>\$25,228,793</u>	 <u>\$ 212,635</u>

The Wastewater and Water utilities had operating revenues in excess of expenditures, while the Electric utility had operating expenditures in excess of generated revenues. The non-major Business-type activity funds had expenditures in excess of revenues of \$572,910.

The City's Funds

Information about the City's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16.2 million and expenditures of \$16.5 million. The most significant fund is our general fund, which had an unreserved fund balance at year end of \$5.7 million. The General fund accounts for such activities as Police and Fire protection, and parks and recreation along with city administration. Within the General fund, revenues exceeded expenditures by \$741,000. This amount was transferred to other funds. The funds are monitored consistently with adjustments made to the budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 25. These funds are accounted for on an accrual basis. All proprietary funds had operating revenues of \$24.1 million and operating expenses of \$24.1 million. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

General Fund Budgetary Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant governmental budgeted fund is the General Fund. The Commission is provided with a detailed line item budget for all departments and after a discussion at a regularly held commission meeting, which is open to the public, the budget is adopted at an object level by City commission. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. Commission must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of fiscal 2002, the City amended its general fund budget once at the end of the fiscal year.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

For the general fund, original budgeted revenues were \$9.5 million. The final budgeted revenue amount was \$9.3 million. Actual revenues collected were \$9.7 million. The increase in actual revenues over budget was due to increased collections in municipal income tax.

Original general fund appropriations were budgeted at \$8.4 million. Final budgeted appropriations were \$8.8 million. This increase was primarily due to the increased costs of building the Linear Park Phase IV.

Capital Asset and Debt Administration

Capital Assets

Table 5—Capital Assets at December 31
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2002	2001	2002	2001
Land and land improvements	\$ 3,143,866	\$ 2,668,003	\$ 2,053,713	\$ 2,041,873
Infrastructure land	836,280	773,348		
Construction in progress	227,719	2,066,489	557,606	571,556
Buildings and improvements	10,420,979	10,450,517	16,564,565	16,666,886
Furniture, fixtures and equipment	3,312,078	2,592,395	37,977,957	37,744,939
Infrastructure	19,448,902	15,528,597		
Intangible assets	<u> </u>	<u> </u>	<u>2,999,379</u>	<u>3,038,157</u>
Total capital assets	<u>\$ 37,389,824</u>	<u>\$ 34,079,349</u>	<u>\$ 60,153,220</u>	<u>\$ 60,063,411</u>

Total Capital Assets for the City of Piqua for the year ended December 31, 2002 were \$97,543,044, \$3,400,284 more than in 2001. The most significant increases in our capital assets came in Infrastructure. In 2002, the City completed the Covington Avenue project, as well as the Streetscaping project. The increase in Land and land improvements was due to a park donation and the City's completion of Phase IV of the Linear Park Bike Path.

Additional infrastructure asset additions added in 2002 were due to the development of residential housing sub-divisions. It is important to realize that the City expended no resources for these infrastructure assets. Per the City's sub-division regulations, the developer places all infrastructure improvements within the sub-division and upon completion of the improvement the asset reverts to the City for future maintenance and repair.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

Debt

At December 31, 2002, the City of Piqua had \$15.4 million in debt outstanding.

Table 6—Outstanding Debt at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2002	2001	2002	2001
General obligation bonds	\$ 3,434,107	\$ 3,764,594	\$ 6,080,893	\$ 6,725,406
Pension bonds	435,000	450,000		
Special assessment bonds	180,571	171,664		
OWDA loans	<u> </u>	<u> </u>	<u>5,307,304</u>	<u>5,794,594</u>
Total	<u>\$ 4,049,678</u>	<u>\$ 4,386,258</u>	<u>\$ 11,388,197</u>	<u>\$ 12,520,000</u>

The General Obligation Bonds in Governmental Activities are primarily for the construction of the municipal government complex in 2001. This general obligation bond issue is paid through the General Obligation Bond Retirement Debt Service Fund with property tax revenues and transfers from various funds. The Pension Bonds are paid with property tax revenues.

The General Obligation Bonds in Business-type Activities are comprised of various obligations in the City's Enterprise funds including Electric system, Water, Wastewater and Golf Course improvements. They are paid from the operating revenues generated in each enterprise.

The Special Assessment Bonds are paid from the collection of special assessments by the County Auditor from the specific property owners who primarily benefited from the projects.

The OWDA Loans are paid semi-annually from Wastewater revenues.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5 percent of total assessed valuation. The City's overall legal debt margin was \$32,730,282 on December 31, 2002.

Additional information concerning the City's debt can be found in the notes to the financial statements.

Current Financial Related Activities

The City of Piqua is financially strong. In addition, the City of Piqua's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future.

The City anticipates the following significant events to take place in 2003:

- Construction of a replacement water tower at an estimated cost of \$1.8 million to be financed by OWDA.
- Completion of Phase V (final Phase) of the Linear Park. The Linear Park is a 13.1 mile bicycle/walking path that was funded in part by Ohio Dept. of Natural Resources.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

- Refinancing of \$5.2 million of General Obligation Bonds related to the Electric system and the Golf Course. The refinancing will result in significantly lower interest rates for both issuances.

- Continued redevelopment of the City's downtown area. This redevelopment includes improved signage, sidewalks, brick pavers, traffic signals, and streetlights.

The City of Piqua has committed itself to financial excellence. We are reporting under GASB Statement 34 earlier than required. The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence for the twelfth consecutive year.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact John P. Kenny, CPA, Director of Finance, City of Piqua, 201 West Water Street, Piqua, Ohio 45356, (937) 778-2065.

CITY OF PIQUA, OHIO

STATEMENT OF NET ASSETS DECEMBER 31, 2002

ASSETS	Government Activities	Business Activities	Total
Unrestricted assets:			
Equity in pooled cash and equivalents	\$ 4,105,083	\$ 2,936,126	\$ 7,041,209
Equity in pooled investments	6,836,902	6,839,903	13,676,805
Receivables, primarily municipal income taxes, state shares taxes, property taxes and utility charges	5,438,149	3,025,744	8,463,893
Allowance for uncollectible accounts		(402,687)	(402,687)
Notes receivable	1,069,154		1,069,154
Prepaid items and other assets	31,622	100,250	131,872
Inventory	13,865	792,838	806,703
Capital assets not being depreciated	4,207,865	557,606	4,765,471
Capital assets being depreciated, net	<u>33,181,959</u>	<u>59,595,614</u>	<u>92,777,573</u>
Total unrestricted assets	<u>54,884,599</u>	<u>73,445,394</u>	<u>128,329,993</u>
Restricted assets:			
Equity in pooled cash and cash equivalents	115,582	173,379	288,961
Interest receivable	649		649
Property tax receivable	226,353		226,353
City bonds and notes	<u>173,044</u>		<u>173,044</u>
Total restricted assets	<u>515,628</u>	<u>173,379</u>	<u>689,007</u>
Total assets	<u>55,400,227</u>	<u>73,618,773</u>	<u>129,019,000</u>
LIABILITIES			
Accounts payable	1,162,609	1,375,529	2,538,138
Salary and benefits payable	1,845,433	1,051,800	2,897,233
Accrued expenses	775,543	336,189	1,111,732
Restricted deposits	193,673		193,673
Homeowners advances	1,069,580		1,069,580
Deferred revenue	2,392,004	2,105	2,394,109
Long-term debt:			
Due within one year	399,597	1,132,604	1,532,201
Due in more than one year	<u>3,650,081</u>	<u>10,255,593</u>	<u>13,905,674</u>
Total liabilities	<u>11,488,520</u>	<u>14,153,820</u>	<u>25,642,340</u>
NET ASSETS			
Invested in capital assets, net of related debt	33,775,146	48,765,023	82,540,169
Restricted for:			
Debt service	363,161	173,379	536,540
Community development block grant	38,940		38,940
Other purposes	451,139		451,139
Unrestricted	<u>9,283,321</u>	<u>10,526,551</u>	<u>19,809,872</u>
Total net assets	<u>\$ 43,911,707</u>	<u>\$ 59,464,953</u>	<u>\$ 103,376,660</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Government Activities	Business Activities	
Primary government activities:							
General government	\$ 2,217,319	\$ 323,247	\$ 6,385	\$ -	\$ (1,887,687)	\$ -	\$ (1,887,687)
Public safety	6,539,055	238,819	62,884	800	(6,236,552)		(6,236,552)
Street repairs and maintenance	2,824,036	26,050	163,537	2,293,978	(340,471)		(340,471)
Parks and recreation	593,878	20,557	75	72,825	(500,421)		(500,421)
Community development	667,877	25,024	526,676	2	(116,175)		(116,175)
Interest on long-term debt	288,383				(288,383)		(288,383)
Total government activities	<u>13,130,548</u>	<u>633,697</u>	<u>759,557</u>	<u>2,367,605</u>	<u>(9,369,689)</u>		<u>(9,369,689)</u>
Business activities:							
Electric	16,947,814	16,907,822				(39,992)	(39,992)
Wastewater	2,737,680	3,113,672				375,992	375,992
Water	2,503,948	2,953,493				449,545	449,545
Non-major other	<u>2,826,716</u>	<u>2,253,806</u>				<u>(572,910)</u>	<u>(572,910)</u>
Total business activities	25,016,158	25,228,793				212,635	212,635
Total	<u>\$ 38,146,706</u>	<u>\$ 25,862,490</u>	<u>\$ 759,557</u>	<u>\$ 2,367,605</u>	<u>(9,369,689)</u>	<u>212,635</u>	<u>(9,157,054)</u>
General revenues:							
Property taxes					1,516,613		1,516,613
State shared taxes					2,441,040		2,441,040
Income taxes					6,913,931		6,913,931
KWH tax					1,084,235		1,084,235
Investment earnings					<u>529,466</u>	<u>559,412</u>	<u>1,088,878</u>
Total general revenues					12,485,285	559,412	13,044,697
Transfers					(51,281)	51,281	
Bond issuance proceeds					<u>44,720</u>		<u>44,720</u>
Change in net assets					3,109,035	823,328	3,932,363
Net assets:							
Beginning					<u>40,802,672</u>	<u>58,641,625</u>	<u>99,444,297</u>
Ending					\$43,911,707	\$ 59,464,953	\$ 103,376,660

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

**BALANCE SHEET—GOVERNMENTAL FUNDS
DECEMBER 31, 2002**

ASSETS	General Fund	Major Special Revenue Funds		Debt Service Funds	Capital Projects	Non-Major Special Revenue	Totals
		Street Maintenance	Street Levv				
UNRESTRICTED:							
Equity in pooled cash and equivalents	\$2,118,119	\$ 32,038	\$ 90,719	\$ -	\$ -	\$1,864,207	\$ 4,105,083
Equity in pooled investments	2,969,644	51,711				3,815,547	6,836,902
Receivables, primary municipal income taxes, state shared taxes, property taxes and utility charges	3,478,937	1,005,520	240,110			713,582	5,438,149
Notes receivable						1,069,154	1,069,154
Prepaid items and other assets	10,301					21,321	31,622
Inventory	<u>13,865</u>						<u>13,865</u>
Total unrestricted assets	8,590,866	1,089,269	330,829			7,483,811	17,494,775
RESTRICTED:							
Equity in pooled cash and cash equivalents				115,582			115,582
Interest receivable				649			649
Property tax receivable				226,353			226,353
City bonds and notes				<u>173,044</u>			<u>173,044</u>
Total restricted assets				<u>515,628</u>			<u>515,628</u>
TOTAL ASSETS	<u>\$8,590,866</u>	<u>\$1,089,269</u>	<u>\$330,829</u>	<u>\$515,628</u>	<u>\$ -</u>	<u>\$7,483,811</u>	<u>\$18,010,403</u>

(Continued)

CITY OF PIQUA, OHIO

BALANCE SHEET—GOVERNMENTAL FUNDS

DECEMBER 31, 2002

LIABILITIES AND FUND BALANCE	General Fund	Major Special Revenue Funds		Debt Service Funds	Capital Projects	Non-Major Special Revenue	Totals
		Street Maintenance	Street Levy				
CURRENT LIABILITIES:							
Accounts payable	\$ 162,828	\$ 464,261	\$ 218,949	\$ -	\$-	\$ 316,571	\$ 1,162,609
Accrued expenses	568,743	59,226	112			127,387	755,468
Compensated absences	<u>549,069</u>	<u>63,649</u>				<u>22,487</u>	<u>635,205</u>
Total current liabilities	1,280,640	587,136	219,061			466,445	2,553,282
LONG-TERM LIABILITIES:							
Restricted deposits						193,673	193,673
Deferred revenue	1,648,322	255,651		226,353		261,678	2,392,004
Homeowners advances						<u>1,069,580</u>	<u>1,069,580</u>
Total long-term liabilities	<u>1,648,322</u>	<u>255,651</u>		<u>226,353</u>		<u>1,524,931</u>	<u>3,655,257</u>
TOTAL LIABILITIES	2,928,962	842,787	219,061	226,353		1,991,376	6,208,539
FUND BALANCES:							
Reserved for encumbrances	127,429	19,066	431,625			132,504	710,624
Reserve for inventory and prepaid	24,166						24,166
Equity insurance and equipment reserves	815,544	211,853	7,196			24,652	1,059,245
Unreserved	<u>4,694,765</u>	<u>15,563</u>	<u>(327,053)</u>	<u>289,275</u>		<u>5,335,279</u>	<u>10,007,829</u>
Total fund balances	<u>5,661,904</u>	<u>246,482</u>	<u>111,768</u>	<u>289,275</u>		<u>5,492,435</u>	<u>\$11,801,864</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$8,590,866</u>	<u>\$1,089,269</u>	<u>\$ 330,829</u>	<u>\$515,628</u>	<u>\$-</u>	<u>\$7,483,811</u>	

Amounts reported for governmental activities in the Statement of Net Assets (page 3) are different because Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds \$37,389,824

The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

- Bonds and notes payable (4,049,678)
- Vacation and sick leave benefits (1,210,228)
- Accrued interest on bonds payable (20,075)

Net assets of Governmental Activities \$43,911,707

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Major Special Revenue Funds</u>						Total Governmental Funds
	General Fund	Street Maintenance	Street Levy Construction	Debt Service	Capital Projects	Non-Major Other Special Revenue	
REVENUES:							
Municipal income tax	\$ 4,925,442	\$ 1,000,577	\$ 987,912	\$ -	\$ -	\$ -	\$ 6,913,931
Property taxes	1,132,221			54,096		278,011	1,464,328
State shared revenues	1,680,429	673,227				75,001	2,428,657
KWH tax	1,084,235						1,084,235
Licenses and permits	346,615					4,853	351,468
Grants—federal	15,432						15,432
Grants—state	53,569	2,092,396	365,119			526,676	3,037,760
Interest income	186,393	2,835	22,636	20,398		226,420	458,682
Increase (decrease) in fair value of investments	15,282	234	(6,777)			62,045	70,784
Donations:							
Capital	73,625					2	73,627
Operating	343						343
Other	<u>137,613</u>	<u>8,616</u>	<u>17,434</u>	<u>44,720</u>		<u>118,566</u>	<u>326,949</u>
Total revenues	<u>9,651,199</u>	<u>3,777,885</u>	<u>1,386,324</u>	<u>119,214</u>		<u>1,291,574</u>	<u>16,226,196</u>
EXPENDITURES:							
General government administration	1,288,269						1,288,269
Public safety	6,183,956						6,183,956
Health department	273,225						273,225
Street repairs and maintenance		1,710,950	515,535			16,659	2,243,144
Parks and recreation	519,258						519,258
Payments on unfunded liability							
Community planning and development	37,280					604,515	641,795
Capital costs	608,026	2,443,746	1,465,716		(1,185)	3,002	4,519,305
Debt principal payment				381,299			381,299
Debt interest payment				268,308			268,308
Other				15,569		210,191	225,760
Total expenditures	<u>8,910,014</u>	<u>4,154,696</u>	<u>1,981,251</u>	<u>665,176</u>	<u>(1,185)</u>	<u>834,367</u>	<u>16,544,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	741,185	(376,811)	(594,927)	(545,962)	1,185	457,207	(318,123)
Transfers, out	(4,567,780)	(14,319)	(1,190)	(57,547)	(1,185)	(341,104)	(4,983,125)
Transfers, in	3,791,068	345,757	108,097	588,169		98,753	4,931,844
Net change in fund balance	(35,527)	(45,373)	(488,020)	(15,340)		214,856	(369,404)
FUND BALANCE—Beginning of year	5,697,431	291,855	599,788	304,615		5,277,579	12,171,268
FUND BALANCE—End of year	<u>\$ 5,661,904</u>	<u>\$ 246,482</u>	<u>\$ 111,768</u>	<u>\$ 289,275</u>	<u>\$ -</u>	<u>\$ 5,492,435</u>	<u>\$ 11,801,864</u>
Net change in Fund Balance—Governmental Funds							
							\$ (369,404)
Amounts reported for governmental activities in the Statement of Activities (page 4) are different because:							
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceed depreciation.							3,318,804
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:							
Real estate receivable							38,836
Tangible personal property							13,449
State levied taxes							12,383
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets							381,299
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:							
Vacation and sick leave benefits							(266,257)
Interest payable							<u>(20,075)</u>
Change in Net Assets of Governmental Activities on the Statement of Activities							<u>\$ 3,109,035</u>

CITY OF PIQUA, OHIO

BALANCE SHEET—PROPRIETARY FUNDS

DECEMBER 31, 2002

ASSETS	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
CURRENT:									
Equity in pooled cash and cash equivalents	\$ 1,952,372	\$ -	\$ 483,809	\$ 10,655	\$ 193,972	\$ -	\$ -	\$ 295,318	\$ 2,936,126
Equity in pooled investments	6,301,870		269,148		108,587			160,298	6,839,903
Accounts receivable	2,114,916	48,823	346,947	25	171,469	21,515		322,049	3,025,744
Allowance for uncollectible accounts	(273,046)		(51,478)		(25,494)			(52,669)	(402,687)
Inventories	640,562							152,276	792,838
Prepays and miscellaneous other assets	15,190		6,335	2,401		105	250	1,182	25,463
Total current assets	<u>10,751,864</u>	<u>48,823</u>	<u>1,054,761</u>	<u>13,081</u>	<u>448,534</u>	<u>21,620</u>	<u>250</u>	<u>878,454</u>	<u>13,217,387</u>
RESTRICTED—									
Equity in pooled cash and cash equivalents	74,025		25,684	20,780		5,572	42,694	4,624	173,379
NON-CURRENT:									
Other assets	11,094		34,725	24,187		835	1,194	2,752	74,787
Property and equipment	61,456,719	1,232,569	28,037,229	3,153,678	515,797	1,410,534	1,096,754	15,076,993	111,980,273
Construction in progress	543,882							13,724	557,606
Accumulated depreciation	(29,287,105)	(636,458)	(13,868,253)	(987,438)	(222,357)	(701,927)	(555,308)	(6,125,813)	(52,384,659)
Property and equipment, net	<u>32,713,496</u>	<u>596,111</u>	<u>14,168,976</u>	<u>2,166,240</u>	<u>293,440</u>	<u>708,607</u>	<u>541,446</u>	<u>8,964,904</u>	<u>60,153,220</u>
Total non-current assets	32,724,590	596,111	14,203,701	2,190,427	293,440	709,442	542,640	8,967,656	60,228,007
TOTAL ASSETS	<u>\$ 43,550,479</u>	<u>\$ 644,934</u>	<u>\$ 15,284,146</u>	<u>\$ 2,224,288</u>	<u>\$ 741,974</u>	<u>\$ 736,634</u>	<u>\$ 585,584</u>	<u>\$ 9,850,734</u>	<u>\$ 73,618,773</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

BALANCE SHEET—PROPRIETARY FUNDS

DECEMBER 31, 2002

LIABILITIES AND FUND BALANCE	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
CURRENT LIABILITIES:									
Accounts payable	\$ 1,060,630	\$ 172,486	\$ 42,472	\$ 3,733	\$ 55,157	\$ 2,458	\$ 277	\$ 38,316	\$ 1,375,529
Current portion of long-term debt	232,500		713,091	125,820		17,500	6,000	37,693	1,132,604
Compensated absences	137,412		50,510	6,044	20,713			130,859	345,538
Accrued expenses	<u>173,114</u>	<u>836</u>	<u>56,692</u>	<u>15,987</u>	<u>24,613</u>	<u>1,739</u>	<u>426</u>	<u>62,782</u>	<u>336,189</u>
Total current liabilities	<u>1,603,656</u>	<u>173,322</u>	<u>862,765</u>	<u>151,584</u>	<u>100,483</u>	<u>21,697</u>	<u>6,703</u>	<u>269,650</u>	<u>3,189,860</u>
LONG-TERM LIABILITIES:									
Deferred income				1,955			150		2,105
Compensated absences—long-term	435,946		78,835	13,195	40,055			138,231	706,262
Long-term debt	<u>2,576,100</u>	<u></u>	<u>5,419,213</u>	<u>1,802,340</u>	<u></u>	<u>193,900</u>	<u>89,280</u>	<u>174,760</u>	<u>10,255,593</u>
Total long-term liabilities	<u>3,012,046</u>	<u></u>	<u>5,498,048</u>	<u>1,817,490</u>	<u>40,055</u>	<u>193,900</u>	<u>89,430</u>	<u>312,991</u>	<u>10,963,960</u>
TOTAL LIABILITIES	<u>4,615,702</u>	<u>173,322</u>	<u>6,360,813</u>	<u>1,969,074</u>	<u>140,538</u>	<u>215,597</u>	<u>96,133</u>	<u>582,641</u>	<u>14,153,820</u>
NET ASSETS:									
Invested in capital assets, net of related debt	29,904,896	596,111	8,036,672	238,080	293,440	497,207	446,166	8,752,451	48,765,023
Restricted for debt service	74,025		25,684	20,780		5,572	42,694	4,624	173,379
Unrestricted	<u>8,955,856</u>	<u>(124,499)</u>	<u>860,977</u>	<u>(3,646)</u>	<u>307,996</u>	<u>18,258</u>	<u>591</u>	<u>511,018</u>	<u>10,526,551</u>
Total net assets	<u>\$ 38,934,777</u>	<u>\$ 471,612</u>	<u>\$ 8,923,333</u>	<u>\$ 255,214</u>	<u>\$ 601,436</u>	<u>\$ 521,037</u>	<u>\$ 489,451</u>	<u>\$ 9,268,093</u>	<u>\$ 59,464,953</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS—PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
OPERATING REVENUES:									
Customer services	\$ 16,604,977	\$ 363,764	\$ 2,609,419	\$ 501,279	\$ 1,204,262	\$ 73,638	\$ 90,855	\$ 2,486,993	\$ 23,935,187
Penalty charges	<u>106,908</u>	<u>187</u>	<u>32,494</u>		<u>16,870</u>			<u>29,837</u>	<u>186,296</u>
Total operating revenues	<u>16,711,885</u>	<u>363,951</u>	<u>2,641,913</u>	<u>501,279</u>	<u>1,221,132</u>	<u>73,638</u>	<u>90,855</u>	<u>2,516,830</u>	<u>24,121,483</u>
OPERATING EXPENSES:									
Fuel oil	43,931	544,701							588,632
Purchased power	11,598,794								11,598,794
Salaries and employee benefits	1,380,822	13,447	762,479	181,671	392,716	1,100	68,336	1,042,714	3,843,285
Depreciation	1,572,358	40,881	921,469	119,458	45,950	41,513	37,711	292,345	3,071,685
Materials and supplies	242,958	16,756	55,426	48,972	18,883	5,337	19,464	267,578	675,374
Utilities	141,149	51	90,037	37,211	2,169		12,365	157,889	440,871
Outside services	934,659	44,394	259,652	55,251	734,319	2,896	3,313	350,016	2,384,500
Billing costs	339,722		177,723		70,834			174,405	762,684
Chemicals	5,372	22,347	3,327	42,772		3,835	5,840	114,988	198,481
Allocation of steam and hot water expenses		(87,300)				87,300			
Other	<u>368,807</u>	<u>43</u>	<u>59,451</u>	<u>24,602</u>	<u>28,697</u>		<u>6,965</u>	<u>85,640</u>	<u>574,205</u>
Total operating expenses	<u>16,628,572</u>	<u>595,320</u>	<u>2,329,564</u>	<u>509,937</u>	<u>1,293,568</u>	<u>141,981</u>	<u>153,994</u>	<u>2,485,575</u>	<u>24,138,511</u>
OPERATING INCOME (LOSS)	83,313	(231,369)	312,349	(8,658)	(72,436)	(68,343)	(63,139)	31,255	(17,028)
NON-OPERATING REVENUES (EXPENSES):									
Interest on debt	(196,761)		(408,116)	(109,690)		(14,810)	(5,396)	(18,373)	(753,146)
Interest income	356,749	86	26,917	3,474	8,722	329	817	12,377	409,471
Net increase in fair value of investments	141,463		4,244		1,875			2,359	149,941
Other, net	73,456		471,759	(1,952)	1,416	1,535	(68)	436,663	982,809
KWH tax billed	1,206,717								1,206,717
KWH tax to State of Ohio	(122,481)								(122,481)
KWH tax to general fund	<u>(1,084,236)</u>								<u>(1,084,236)</u>
NET NON-OPERATING REVENUES	374,907	86	94,804	(108,168)	12,013	(12,946)	(4,647)	433,026	789,075
CHANGE IN NET ASSETS BEFORE TRANSFERS	458,220	(231,283)	407,153	(116,826)	(60,423)	(81,289)	(67,786)	464,281	772,047
Transfers, out	(744,563)	(23,816)	(1,046,343)	(329,050)		(50,832)	(10,994)	(252,468)	(2,458,066)
Transfers, in	605,455	124,500	1,046,343	344,178		89,257	47,146	252,468	2,509,347
TOTAL NET ASSETS—BEGINNING OF YEAR	<u>38,615,665</u>	<u>602,211</u>	<u>8,516,180</u>	<u>356,912</u>	<u>661,859</u>	<u>563,901</u>	<u>521,085</u>	<u>8,803,812</u>	<u>58,641,625</u>
TOTAL NET ASSETS—END OF YEAR	<u>\$ 38,934,777</u>	<u>\$ 471,612</u>	<u>\$ 8,923,333</u>	<u>\$ 255,214</u>	<u>\$ 601,436</u>	<u>\$ 521,037</u>	<u>\$ 489,451</u>	<u>\$ 9,268,093</u>	<u>\$ 59,464,953</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

**STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2002
INCREASE (DECREASE) IN CASH**

	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:									
Cash received for services	\$ 17,002,126	\$ 367,773	\$ 2,669,628	\$ 500,680	\$ 1,218,792	\$ 64,758	\$ 91,046	\$ 2,612,504	\$ 24,527,307
Cash paid to suppliers for goods or services	(13,377,188)	(562,328)	(663,216)	(204,569)	(868,520)	(99,367)	(47,848)	(1,242,426)	(17,065,462)
Cash paid to employees for services	(1,388,989)	(12,727)	(762,386)	(182,728)	(394,346)	(1,100)	(68,336)	(1,052,926)	(3,863,538)
Net cash provided by (used in) operating activities	2,235,949	(207,282)	1,244,026	113,383	(44,074)	(35,709)	(25,138)	317,152	3,598,307
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Operating transfers, out	(744,563)	(23,816)	(1,046,343)	(329,050)		(50,832)	(10,994)	(252,468)	(2,458,066)
Operating transfers, in	605,455	124,500	1,046,343	344,178		89,257	47,146	252,468	2,509,347
Net cash provided by (used in) noncapital financing activities	(139,108)	100,684		15,128		38,425	36,152		51,281
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Principal paid on bonds and notes	(218,550)		(652,290)	(121,060)		(16,450)	(5,760)	(117,693)	(1,131,803)
Interest paid on bonds and notes	(199,089)		(409,113)	(110,221)		(14,986)	(5,422)	(18,886)	(757,717)
Acquisition and construction of capital assets	(2,037,947)	(3,598)	(182,406)					(245,867)	(2,469,818)
Disposals of capital assets	89,036		53		301			85,282	174,672
Net cash provided by (used in) capital and related financing activities	(2,366,550)	(3,598)	(1,243,756)	(231,281)	301	(31,436)	(11,182)	(297,164)	(4,184,666)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchases of investment securities	(1,820,813)		(208,616)		(104,180)			(104,180)	(2,237,789)
Proceeds from sale or maturity of investment securities	1,293,162		200,195		100,051			100,144	1,693,552
Interest received	366,890	86	30,379	3,474	10,623	329	817	13,941	426,539
Net cash provided by (used in) investing activities	(160,761)	86	21,958	3,474	6,494	329	817	9,905	(117,698)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS									
	(430,470)	(110,110)	22,228	(99,296)	(37,279)	(28,391)	649	29,893	(652,776)
CASH AND CASH EQUIVALENTS—Beginning of year	2,456,867	26,009	487,265	130,731	231,251	31,505	42,045	270,049	3,675,722
CASH AND CASH EQUIVALENTS—End of year	\$ 2,026,397	\$ (84,101)	\$ 509,493	\$ 31,435	\$ 193,972	\$ 3,114	\$ 42,694	\$ 299,942	\$ 3,022,946
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:									
Operating income (loss)	\$ 83,313	\$ (231,369)	\$ 312,349	\$ (8,658)	\$ (72,436)	\$ (68,343)	\$ (63,139)	\$ 31,255	\$ (17,028)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:									
Depreciation	1,572,358	40,881	921,469	119,458	45,950	41,513	37,711	292,345	3,071,685
(Increase) decrease in receivables	189,078	3,822	29,074	1	(1,553)	(10,520)		26,997	236,899
(Increase) decrease in inventories	46,724							(30,009)	16,715
Increase (decrease) in accounts payable	289,580	(21,336)	13,378	(1,118)	6,151		(964)	(83,061)	202,630
Net (increase) decrease in other operating net assets	54,896	720	(32,244)	3,700	(22,186)	1,641	1,254	79,625	87,406
Net cash provided (used) in operating activities	\$ 2,235,949	\$ (207,282)	\$ 1,244,026	\$ 113,383	\$ (44,074)	\$ (35,709)	\$ (25,138)	\$ 317,152	\$ 3,598,307

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The City of Piqua, Ohio, (the “City”) was incorporated in 1823 and operates under a Commission-Manager form of government. The following services are provided by the City: public safety (police and fire), highways and streets, electricity, steam, hot water, water, wastewater, sanitation, parks and recreation, public improvements, planning and zoning and general governmental administrative services.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financial accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

B. BASIS OF PRESENTATION

Government-Wide Statements—The statement of net assets and the statement of activities display information about the primary government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. The City also has business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or a function and, therefore, are clearly identifiable to a particular function. Programs revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements—The fund financial statements provide information about the City’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources traditionally associated with government, which are not required to be accounted for in another fund.

Street Maintenance Fund—This fund accounts for the portion of gasoline tax and motor vehicle license fees restricted for maintenance of streets.

Special Revenue Funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by City ordinances or by federal and state statutes or grant provisions.

Debt Service Funds are used to account for the resources received and used to pay principal and interest on long-term general obligation debt of governmental funds. Revenues and financing resources are derived primarily from property taxes.

Capital Projects Funds are used to account for the acquisition or construction of capital assets other than those financed by enterprise operations. Revenues and financing resources are derived primarily from the issuance of bonds and receipt of grants.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting—Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

Government-wide and proprietary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurements focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to use to pay liabilities of the current period which, for the City’s purposes, is considered to be 60 days after year end. Revenues considered susceptible to accrual are community development block grants, delinquent property taxes, income taxes and interest on investments. Property taxes levied before year-end are not recognized as revenue until the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when payment is due. Inventory and prepaid expenditures are recognized when used. A portion of the fund balance is reserved in governmental funds for the amount of inventory and prepaid expenditures.

Private-Sector standards of accounting and reporting issued on or before November 30, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Budgets and Budgetary Accounting—The City follows procedures prescribed by State law in establishing the budgetary data shown in the financial statements, as follows:

- The City must submit a budget of estimated revenues and expenditures for all governmental funds to the County Budget Commission by July 20 of each year for the following calendar year.
- The County Budget Commission certifies its actions by September 1, and issues a “Certificate of Resources” limiting the maximum amount the City may expend from a given fund during the year.
- On approximately January 1, this Certificate is amended to include any unencumbered balances from the preceding year. The City must prepare its appropriations so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Resources.
- Before the first Commission meeting in January, a permanent appropriation measure must be passed for the period January 1 through December 31. The permanent appropriation may not exceed estimated resources certified by the County Budget Commission.
- Unused appropriations lapse at year-end and are reappropriated in the following year’s budget.
- All funds have annual budgets, which are prepared in accordance with generally accepted accounting principles and are legally adopted by the City Commission.

The City Manager acts as budget officer for the City and submits a proposed operating budget to the City Commission on an annual basis. Public hearings are held to obtain taxpayer comments. The Commission enacts the budget through passage of an appropriations ordinance. The appropriations ordinance controls expenditures in the general fund by object at the level of personal services, operating expenditures and capital outlay. In all other funds the appropriations ordinance controls expenditures by fund at the level of functional expenditures. Amendments to object or functional totals of appropriations require Commission approval. In 2002, amendments to the appropriations ordinance were not material in relation to the original appropriations. The City Manager has the authority to allocate and amend appropriations at the account level, provided that fund totals appropriated by ordinance are not adjusted. Earnings of the Power (Electric, Steam and Hot Water) and the Water and Wastewater systems may not be appropriated for other City uses.

The budget process is controlled by both the State of Ohio Revised Code and the City Charter and is prepared based on anticipated revenues and appropriated expenditures.

The City’s financial position, results of operations and changes in fund balances, as well as the budgetary basis as provided by law, are reported on the basis of GAAP.

Encumbrances—The City utilizes encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures, which are not yet complete, are recorded as encumbrances. Encumbrances outstanding at year-end are reported as a reservation of fund balances since they do not constitute expenditures or liabilities.

Cash and Cash Equivalents and Investments—City funds are pooled and invested to improve cash management. Each fund type’s portion of the pool is shown on the Statement of Net Assets as “cash and cash equivalents” and “investments”. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City’s investment policy authorizes the City to invest in obligations of the United States Government, or other investments where the principal and interest are collateralized by the full faith and credit of the United States Government, and bonds of other states, cities and political subdivisions.

Inventory—Inventory is valued at average cost. The proprietary fund inventories are capitalized or expensed when used. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories for governmental funds are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” and are not available for appropriation.

Prepaid Expenses—Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items.

Fixed Assets—Fixed assets are recorded based on historical cost, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	34 – 50 years
Land improvements other than buildings	25 – 75 years
Machinery and equipment	10 – 30 years
Vehicles	7 – 10 years
Computer equipment	5 years
Public domain infrastructure	45 years
Rolling stock	5 years
Sewer and water lines and underground piping	34 – 50 years

Reserves and Designations—Reserves are portions of fund equity not appropriable for expenditures/expenses or are legally segregated for a specific future use, or both. Designations are tentative plans for financial resource use in a future period. Such plans or intent are subject to change. They may never be legally authorized or result in expenditures/expense.

Use of Estimates—The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Homeowners’ Advances—These advances represent amounts funded to homeowners upon satisfaction of specific grant requirements.

Deferred Revenue pertains to the City’s adoption of Bulletin 96-013 from the Auditor of State which deals with the recognition of entitlements and state shared revenues, as well as estate taxes.

Grants and Other Intergovernmental Revenues—Federal grants, assistance awards made on the basis of entitlement periods, are recorded as intergovernmental receivables and revenues when entitlement occurs and other reimbursement-type grants are recorded as intergovernmental receivables and revenues when eligible expenditures/expenses are incurred.

Compensated Absences—It is the City’s policy to permit employees to accumulate earned but unused vacation and vested and non-vested sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation pay is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accounting Pronouncements—The Governmental Accounting Standards Board (“GASB”) has recently issued GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. The City implemented Statement No. 34 in 2002. The new standard is designed to provide financial information that responds to the needs of primary users of general-purpose financial statements. The adoption of Statement No. 34 had a material effect on the City’s combined financial statements. Among other things, net assets (currently referred to as fund balances) are reduced due to the requirement of this statement to recognize depreciation on all capital assets. Additionally, the content and presentation of the basic combined financial statements are significantly revised under this statement, including the adoption of management’s discussion and analysis as required supplementary information. In conjunction with the implementation of GASB No. 34, the City implemented GASB No. 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus* and GASB No. 38, *Certain Financial Statement Note Disclosures*.

C. POOLED CASH DEPOSITS AND INVESTMENTS

Risk Categorization—For purposes of defining risk, City funds are classified as either deposits or investments. Deposits consist of demand deposits and investments with financial institutions subject to FDIC coverage, while investments include all other City funds. Because these categorizations are different than those used to prepare the general purpose financial statements (“GPFS”), the amounts listed below do not agree individually to the GPFS; however, they do agree in aggregate.

Cash Deposits—At December 31, 2002, the carrying amount of the City’s cash deposits was \$928,245 while the balance as shown by the bank statements was \$1,130,997. Of the bank balance, \$100,000 was classified in the “Level 1” risk category since this amount was fully covered by federal depository insurance. “Level 1” risk category includes deposits that are insured or collateralized with securities held by the City or its agent in the City’s name. The remaining \$1,030,997 was classified in the “Level 3” uncollateralized risk category. “Level 3” risk category includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City’s name.

Investments—Investments are carried at fair value. The City’s investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City’s name. STAR Ohio is not registered with the Securities Exchange Commission as an investment company but does operate in a manner similar to rule 2a7 of the Investment Company Act of 1940. Deposits in pooled funds, such as STAR Ohio, are not required to be categorized under GASB 3. The \$6,401,925 on deposit at STAR Ohio is valued at the pool’s share price, which is the price for which the investment could be sold on December 31, 2002. A summary of the fair/carrying value of investments held at December 31, 2002, and an indication of the related credit risk is as follows:

	Fair/Carrying Value	Risk Category
City of Piqua Bonds and Notes	\$ 615,572	1
U.S. Government Securities	<u>13,234,277</u>	1
	13,849,849	
STAR Ohio Investment Pool	<u>6,401,925</u>	
	\$20,251,774	
Total investments	<u>\$20,251,774</u>	

D. PROPERTY TAXES

Property tax revenues include amounts collected for all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each January 1 on the assessed value listed as of the prior January 1. Assessed values are established by the County Auditor for real and public utility property at 35% of appraised market value, and for tangible property at 25% of appraised market value (excluding the first \$10,000 of value). Property values are required to be updated every three years and revalued every six years. A revaluation was completed in 2001.

The property tax calendar is as follows:

Levy date	January 1, 2001
Lien date	January 1, 2002
Tax bill mailed	January 20, 2002
First installment payment due 2002	February 20,
Second installment payment due	July 20, 2002

The assessed values for the City at January 1, 2002 were as follows:

Real estate	\$270,749,680
Tangible personal property	<u>73,192,390</u>
Total	<u>\$343,942,070</u>

The County Treasurer collects property taxes on behalf of taxing districts, including the City of Piqua. The County Auditor periodically remits to the City its portion of taxes collected. Property taxes may be paid on either an annual or semiannual basis. Although total property tax collections for the next fiscal year are measurable, amounts to be received are not available at December 31, 2002, nor are they intended to finance 2002 operations. Therefore, the City has recorded property taxes receivable with a corresponding amount as deferred revenue.

Ohio law prohibits taxation of property in excess of \$10 per \$1,000 (10.0 mills) of assessed value without a vote of the citizens. The City's share is currently \$3.70 (3.7 mills) of assessed value. In 2002, the City also received an additional 0.60 mills to fund the Pension Refunding Bonds, and 0.15 mills for costs of the Miami Conservancy District.

E. INCOME TAXES

The City levies a 1.75% income tax on all income earned within the City. Income tax in excess of 1% is voter approved. Income tax is allocated by fund in accordance with voter and commission authorizations. In addition, City residents pay City tax on income earned outside the City; however, a credit is allowed for income taxes paid to other municipalities.

Employers within the City withhold income tax on employee compensation and remit payments at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration. Additional KWH tax revenues in 2002 are recognized based upon sales of electrical services by the City.

F. OTHER TAXES

The caption "State Shared Taxes" on the Statement of Activities is comprised of taxes levied by the State or the County and distributed to the City. The components of the number are as follows:

Estate taxes	\$ 435,547
Sales taxes	1,065,267
Gasoline taxes	422,125
Vehicle license taxes	327,044
Miscellaneous other taxes	<u>191,057</u>
	<u>\$ 2,441,040</u>

G. FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Beginning Balance	Increases	Decreases	Construction In Process Placed in Service	Ending Balance
Capital assets not being depreciated:					
Land	\$ 2,668,003	\$ 84,631	\$ -	\$ 391,232	\$ 3,143,866
Infrastructure land	773,348	62,932			836,280
Construction in progress	<u>2,066,489</u>	<u>3,084,329</u>		<u>(4,923,099)</u>	<u>227,719</u>
Assets not depreciated	5,507,840	3,231,892		(4,531,867)	4,207,865
Capital assets being depreciated:					
Buildings and improvements	11,041,386	21,057	(979)	186,323	11,247,787
Furniture, fixtures and equipment	7,408,041	199,626	(208,001)	1,112,176	8,511,842
Infrastructure	<u>18,168,133</u>	<u>1,103,707</u>		<u>3,233,368</u>	<u>22,505,208</u>
Depreciated capital assets	<u>36,617,560</u>	<u>1,324,390</u>	<u>(208,980)</u>	<u>4,531,867</u>	<u>42,264,837</u>
Accumulated depreciation:					
Buildings and improvements	(590,869)	(236,918)	979		(826,808)
Furniture, fixtures and equipment	(4,815,646)	(546,814)	162,696		(5,199,764)
Infrastructure	<u>(2,639,537)</u>	<u>(416,769)</u>			<u>(3,056,306)</u>
Total accumulated depreciation	<u>(8,046,052)</u>	<u>(1,200,501)</u>	<u>163,675</u>		<u>(9,082,878)</u>
Net capital assets being depreciated	28,571,508	123,889	(45,305)	4,531,867	33,181,959
Net capital assets	<u>\$34,079,348</u>	<u>\$3,355,781</u>	<u>\$ (45,305)</u>	<u>\$ -</u>	<u>\$37,389,824</u>

* Depreciation expense was charged to governmental functions as follows:

General governmental	\$ 268,414
Public safety	273,402
Street repairs and maintenance	575,465
Community development	10,417
Parks	<u>72,803</u>
Total depreciation expense	<u>\$ 1,200,501</u>

A summary of proprietary fund-type fixed assets at December 31, 2002 follows:

Enterprise Funds					
	Electric	Steam	Wastewater	Golf Course	Garbage
Land and land improvements	\$ 68,661	\$ -	\$ 33,775	\$ 365,022	\$ 17,949
Buildings	3,384,612		23,788,143	2,315,984	78,498
Furniture, fixtures and equipment	55,004,067	1,232,569	4,215,311	472,672	419,350
Intangible assets	<u>2,999,379</u>				
Total fixed assets	61,456,719	1,232,569	28,037,229	3,153,678	515,797
Less accumulated depreciation	<u>(29,287,105)</u>	<u>(636,458)</u>	<u>(13,868,253)</u>	<u>(987,438)</u>	<u>(222,357)</u>
Net fixed assets	32,169,614	596,111	14,168,976	2,166,240	293,440
Construction in progress	<u>543,882</u>				
Total fixed assets net	<u>\$32,713,496</u>	<u>\$ 596,111</u>	<u>\$ 14,168,976</u>	<u>\$ 2,166,240</u>	<u>\$ 293,440</u>

Enterprise Funds (Continued)				
	Hot Water	Municipal Pool	Water	Total
Land and land improvements	\$ -	\$ -	\$ 1,568,306	\$ 2,053,713
Buildings		1,053,660	1,868,604	32,489,501
Furniture, fixtures and equipment	1,410,534	43,094	11,640,083	74,437,680
Intangible assets				<u>2,999,379</u>
Total fixed assets	1,410,534	1,096,754	15,076,993	111,980,273
Less accumulated depreciation	<u>(701,927)</u>	<u>(555,308)</u>	<u>(6,125,813)</u>	<u>(52,384,659)</u>
Net fixed assets	708,607	541,446	8,951,180	59,595,614
Construction in progress			<u>13,724</u>	<u>557,606</u>
Total fixed assets net	<u>\$ 708,607</u>	<u>\$ 541,446</u>	<u>\$ 8,964,904</u>	<u>\$60,153,220</u>

H. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2002 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds:					
Electric and hot water general obligation bonds, 6.5%-6.6%	\$ 3,255,000	\$ -	\$ 235,000	\$ 3,020,000	\$ 250,000
Public improvement bonds, 3.0%-6.2%	365,000		55,000	310,000	55,000
Utility improvement bonds, 5.0%	80,000		80,000		
Improvement bonds, 7.25%	990,000		165,000	825,000	165,000
Ohio Water Development Authority	1,044,716		230,544	814,172	249,864
Loan—1995, 4.56%	4,749,878		256,746	4,493,132	298,227
Recreational facility bonds, 4.5%-5.5%	2,105,000		120,000	1,985,000	125,000
Building facility bonds, 5.97%	<u>3,695,000</u>		<u>320,000</u>	<u>3,375,000</u>	<u>340,000</u>
Total general obligation bonds	16,284,594		1,462,290	14,822,304	1,483,091
Special assessment bonds, 9%	171,664	44,719	35,812	180,571	34,110
Other—pension refunding bonds, 6.25%	450,000		15,000	435,000	15,000
Total long-term liabilities	<u>\$ 16,906,258</u>	<u>\$ 44,719</u>	<u>\$ 1,513,102</u>	<u>\$ 15,437,875</u>	<u>\$ 1,532,201</u>

The terms of the various bonds include certain covenants, which provide for, among other things, minimum debt coverage ratios, maintenance of insurance and restrictions regarding disposal of property.

The full faith and credit of the City are pledged as collateral for all General Obligation Bonds.

Ohio Water Development Authority (“OWDA”) Wastewater Sewer Project Notes are issued under a cooperative agreement for construction, maintenance and operation of a state sewer project. Payments to the OWDA will be made from the utility’s revenues.

The Special Assessment Bonds are held for investment by other City funds. In the event of delinquencies related to special assessment debt, the City is required to use other resources to satisfy debt service requirements.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2002 are as follows:

Year Ending December 31	General Obligation Bonds		Pension Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 1,483,091	\$ 878,234	\$ 15,000	\$ 27,188	\$ 34,110	\$ 16,252
2004	1,562,784	786,394	15,000	26,250	37,476	13,182
2005	1,659,857	689,436	15,000	25,313	36,628	9,809
2006	1,431,423	585,989	15,000	24,375	25,929	6,512
2007	1,502,170	490,129	20,000	23,438	13,735	4,179
2008—2012	5,907,998	1,238,720	105,000	98,438	31,849	6,488
2013—2017	1,274,981	116,951	140,000	61,563	844	76
2018—2022			<u>110,000</u>	<u>14,062</u>		
Total	<u>\$ 14,822,304</u>	<u>\$ 4,785,853</u>	<u>\$ 435,000</u>	<u>\$ 300,627</u>	<u>\$ 180,571</u>	<u>\$ 56,498</u>

I. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Current portion of long-term interfund loans are classified as “interfund receivables/payables.”

J. PENSION PLAN OBLIGATIONS

Substantially all City employees are covered by one of two defined benefit cost-sharing multiple-employer public employee retirement systems, namely, the Ohio Police and Fire Pension Fund (“P&F”) or the Ohio Public Employees Retirement System (“OPERS”). The systems provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Police and Fire Disability Pension Fund Plan—Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The P&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to P&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The contribution requirements for the years ended December 31, 2002, 2001, and 2000 were \$1,126,680, \$1,109,667 and \$1,092,791, which consisted of \$766,291, \$758,649 and \$747,068 from the City and \$360,406, \$351,018, and \$345,723 from the employees, respectively, equal to the required contributions for each year.

Public Employees Retirement System—All employees are required to be members of the OPERS. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City’s contributions to the plan for the years ending December 31, 2000, 2001 and 2002 were \$1,220,072, \$1,438,203 and \$1,499,130, respectively, equal to the required contributions for the year.

K. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Both the OPERS and the P&F provide postretirement health care coverage commonly referred to as OPEB. For both systems, the Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions.

Police and Firemen’s Disability Pension Fund OPEB—The fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18, whether or not the child is attending school, or under the age of 22, if attending full-time or on a 2/3 basis.

Health care funding and accounting is on a pay-as-you-go basis. The Ohio Revised Code provides that health care costs paid shall be included in the employer's contribution rate. The 2002 contribution rate was 7.75% of covered payroll which resulted in a contribution of \$146,140 for police and \$132,860 for firemen to pay postemployment benefits.

The number of participants eligible to receive health care benefits statewide as of December 31, 2002, the date of the last actuarial valuation available, was 13,174 for police and 10,239 for firemen. P&F's total health care expense for the year ending December 31, 2002 was \$122,298,771, which was net of member contributions of \$6,874,699.

Public Employees Retirement System OPEB—OPERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to OPERS (5.0% of the total 13.55% contribution—See Note J) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post-retirement health care through their contributions to OPERS.

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

As of December 31, 2002 the unaudited estimated net assets available for future OPEB payments is \$11.6 million. The number of benefits recipients eligible for OPEB at December 31, 2002 was 402,041.

L. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

M. CONTINGENCIES

Certain claims and suits have been filed or are pending against the City. Management believes that the liability, if any, which may result would not have a material adverse effect on the financial position of the City.

The City participates in several federally assisted programs, which are subject to program compliance audits by the grantors or their representatives. A single financial and compliance audit of the City has been completed with no findings for recovery. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies. Management believes such reimbursements, if any, would not be material.

N. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. In 2002, the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (“MVRMA”) with other local cities. The pool has been operational since December 1988, and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public officials liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad-based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a seventeen-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an executive director, who is assisted by a claims manager, a full-time loss control manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The City pays an annual premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500. During 2002, the City’s per-occurrence retention limit for property was \$250,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a pre-occurrence retention limit of \$500,000. After the retention limits are reached, excess insurance will cover up to the limits stated below:

General Liability (including law enforcement)	\$10,500,000 per occurrence
Automobile Liability	\$10,500,000 per occurrence
Public Officials Liability	\$500,000 excess \$500,000 (\$500,000 aggregate)
	\$10,000,000 excess \$1,000,000 (\$10,000,000 aggregate per city)
Boiler and Machinery	\$100,000,000 per occurrence
Property	\$100,000,000 per occurrence
Flood and Earthquake	\$25,000,000 annual aggregate
Employment Practices Liability	\$500,000 aggregate
	\$10,000,000 excess \$1,000,000 (\$10,000,000 aggregate per city)

The City joined a workers’ compensation group rating plan, which allows local governments to group the experience of employers for workers’ compensation rating purposes. The City pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries.

The City is self-insured for medical benefits and claims, subject to certain stop-loss limits, which are insured by a thirty party. S&S Healthcare, located in Cincinnati, Ohio, reviews all claims, which the City then pays. The City purchases stop-loss coverage for claims over \$60,000 per employee per year.

O. COMMITMENTS

Cinergy (Public Service Company of Indiana) Power Contract

On May 17, 1993, the City of Piqua and the Public Service Company of Indiana (Cinergy) signed an agreement for the City to purchase 15 MW of limited term power for a period of 20 years. This agreement expires December 31, 2013.

The purchase was made to provide the City an economical alternative to the construction of the cooling tower for its generating facilities.

The contract defines and includes an escape clause for the City in the event energy costs unreasonably exceed estimates or the supply source becomes unreliable.

Future year demand obligations of the City, based on 15 MW purchase levels:

Year	Amount	
2003	\$ -	* See Below (A)
2004		* See Below (A)
2005		* See Below (A)
2006		* See Below (A)
2007	2,196,000	
2008	2,196,000	
2009	2,520,000	
2010	2,520,000	
2011	2,700,000	
2012	2,880,000	
2013	<u>2,880,000</u>	
	<u>\$ 17,892,000</u>	

(A) On October 18, 2000, the City and Cinergy agreed to suspend and supercede this agreement for the period of January 1, 2002 through December 31, 2006. Under the new agreement, dated October 31, 2000, the city agreed to purchase from Cinergy all energy requirements in excess of those supplied by the New York Power Authority (NYPA) for the duration of the agreement. The new contract results in a “take and pay” arrangement with no minimum obligations to the City. The original agreement, dated May 17, 1993, will remain effective from January 1, 2007 through December 31, 2013.

* * * * *

**REQUIRED
SUPPLEMENTAL INFORMATION**

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		Actual	Variance
	Original	Final		with Final Budget
FUND BALANCE—January 1	\$ 5,697,431	\$ 5,697,431	\$ 5,697,431	\$ -
Revenues:				
Municipal income tax	5,038,416	4,706,469	4,925,442	218,973
Property taxes	1,134,544	1,132,221	1,132,221	
State shared revenues	1,624,974	1,676,340	1,680,429	4,089
KWH tax	980,582	1,054,791	1,084,235	29,444
Licenses and permits	348,726	353,219	346,615	(6,604)
Grants—federal	15,000	15,000	15,432	432
Grants—state	27,508	57,732	53,569	(4,163)
Interest income	248,648	193,645	186,393	(7,252)
Increase in fair value of investments			15,282	15,282
Donations:				
Capital			73,625	73,625
Operating			343	343
Other	<u>110,425</u>	<u>95,580</u>	<u>137,613</u>	<u>42,033</u>
Total Revenues	9,528,823	9,284,997	9,651,199	366,202
GENERAL GOVERNMENT ADMINISTRATION:				
City Commission:				
Personal Services	33,593	33,531	32,996	535
Operating Expenditures	18,104	29,000	28,625	375
Capital outlay	<u>10,000</u>	<u> </u>	<u> </u>	<u> </u>
Total City Commission	<u>61,697</u>	<u>62,531</u>	<u>61,621</u>	<u>910</u>
Office of City Manager:				
Personal Services	88,574	93,788	85,540	8,248
Operating Expenditures	5,624	8,032	7,277	755
Capital outlay	<u>601</u>	<u>1,425</u>	<u>8,778</u>	<u>(7,353)</u>
Total Office of City Manager	<u>94,799</u>	<u>103,245</u>	<u>101,595</u>	<u>1,650</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
GENERAL GOVERNMENT ADMINISTRATION (Continued):				
Purchasing Department:				
Personal Services	\$ 2,270	\$ 2,263	\$ 3,437	\$ (1,174)
Operating Expenditures	<u>173</u>	<u>166</u>	<u>216</u>	<u>(50)</u>
Total Purchasing Department	<u>2,443</u>	<u>2,429</u>	<u>3,653</u>	<u>(1,224)</u>
Law Department:				
Personal Services	22,548	23,327	23,273	54
Operating Expenditures	<u>1,815</u>	<u>2,998</u>	<u>4,008</u>	<u>(1,010)</u>
Total Law Department	<u>24,363</u>	<u>26,325</u>	<u>27,281</u>	<u>(956)</u>
Finance Department:				
Personal Services	136,575	184,596	186,327	(1,731)
Operating Expenditures	<u>8,771</u>	<u>9,698</u>	<u>9,616</u>	<u>82</u>
Total Finance Department	<u>145,346</u>	<u>194,294</u>	<u>195,943</u>	<u>(1,649)</u>
Personnel Department:				
Personal Services	10,940	11,258	11,822	(564)
Operating Expenditures	<u>2,750</u>	<u>1,819</u>	<u>1,283</u>	<u>536</u>
Total Personnel Department	<u>13,690</u>	<u>13,077</u>	<u>13,105</u>	<u>(28)</u>
Engineering Department:				
Personal Services	91,251	96,442	98,108	(1,666)
Operating Expenditures	<u>11,499</u>	<u>9,726</u>	<u>10,093</u>	<u>(367)</u>
Total Engineering Department	102,750	106,168	108,201	(2,033)
Income Tax Department:				
Personal Services	147,207	139,521	136,897	2,624
Operating Expenditures	129,692	134,106	152,724	(18,618)
Capital outlay		<u>647</u>	<u>647</u>	
Total Income Tax Department	<u>276,899</u>	<u>274,274</u>	<u>290,268</u>	<u>(15,994)</u>
General Government:				
Operating Expenditures	327,845	383,776	400,295	(16,519)
Capital outlay			<u>8,667</u>	<u>(8,667)</u>
Total General Government	<u>327,845</u>	<u>383,776</u>	<u>408,962</u>	<u>(25,186)</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
GENERAL GOVERNMENT ADMINISTRATION (Continued):				
Miscellaneous:				
Operating Expenditures	\$ 142,142	\$ 136,667	\$ 133,012	\$ 3,655
Capital outlay	<u>5,277</u>	<u>15,849</u>	<u>22,133</u>	<u>(6,284)</u>
Total Miscellaneous	<u>147,419</u>	<u>152,516</u>	<u>155,145</u>	<u>(2,629)</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>\$1,197,251</u>	<u>\$1,318,635</u>	<u>\$1,365,774</u>	<u>\$(47,139)</u>
PUBLIC SAFETY:				
Fire Department:				
Personal Services	\$ 2,471,033	\$ 2,458,205	\$ 2,521,247	\$(63,042)
Operating Expenditures	225,953	240,852	226,151	14,701
Capital outlay	<u>7,662</u>	<u>7,662</u>	<u>7,662</u>	<u>—</u>
Total Fire Department	<u>2,696,986</u>	<u>2,706,719</u>	<u>2,755,060</u>	<u>(48,341)</u>
Police Department:				
Personal Services	3,112,510	2,960,077	2,993,881	(33,804)
Operating Expenditures	436,674	479,628	442,677	36,951
Capital outlay	<u>79,496</u>	<u>79,496</u>	<u>78,972</u>	<u>524</u>
Total Police Department	<u>3,549,184</u>	<u>3,519,201</u>	<u>3,515,530</u>	<u>3,671</u>
TOTAL PUBLIC SAFETY	<u>\$6,246,170</u>	<u>\$6,225,920</u>	<u>\$6,270,590</u>	<u>\$(44,670)</u>
HEALTH DEPARTMENT:				
Personal Services	\$ 282,474	\$ 240,594	\$ 230,263	\$ 10,331
Operating Expenditures	<u>39,154</u>	<u>43,932</u>	<u>42,962</u>	<u>970</u>
TOTAL HEALTH DEPARTMENT	<u>\$ 321,628</u>	<u>\$ 284,526</u>	<u>\$ 273,225</u>	<u>\$ 11,301</u>
PARKS AND RECREATIONS:				
Personal Services	\$ 371,555	\$ 369,412	\$ 371,208	\$ (1,796)
Operating Expenditures	153,481	202,590	148,050	54,540
Capital outlay	<u>92,685</u>	<u>429,210</u>	<u>481,167</u>	<u>(51,957)</u>
TOTAL PARKS AND RECREATIONS	<u>\$ 617,721</u>	<u>\$1,001,212</u>	<u>\$1,000,425</u>	<u>\$ 787</u>
CHARGES TO APPROPRIATIONS	<u>\$8,382,770</u>	<u>\$8,830,293</u>	<u>\$8,910,014</u>	<u>\$(79,721)</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
NET CHANGE IN FUND BALANCE	<u>\$ 1,146,053</u>	<u>\$ 454,704</u>	<u>\$ 741,185</u>	<u>\$ 286,481</u>
Transfers, out	(4,136,472)	(4,276,651)	(4,567,780)	(291,129)
Transfers, in	<u>3,890,699</u>	<u>4,295,060</u>	<u>3,791,068</u>	<u>(503,992)</u>
FUND BALANCE—December 31	<u>\$ 6,597,711</u>	<u>\$ 6,170,544</u>	<u>\$ 5,661,904</u>	<u>\$ (508,640)</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—STREET MAINTENANCE FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE—January 1	\$ 291,855	\$ 291,855	\$ 291,855	\$ -
Revenues:				
Municipal income tax	1,156,611	1,076,236	1,000,577	(75,659)
State shared revenues	663,588	663,750	673,227	9,477
Grants	1,046,497	1,137,000	2,092,396	955,396
Interest income	35,000	3,000	2,835	(165)
Increase in fair value of investments			234	234
Other	<u>9,625</u>	<u>7,601</u>	<u>8,616</u>	<u>1,015</u>
Total revenues	<u>2,911,321</u>	<u>2,887,587</u>	<u>3,777,885</u>	<u>890,298</u>
Charges to appropriations (outflows):				
Street repairs and maintenance	1,707,433	1,432,322	1,710,950	(278,628)
Capital costs	<u>1,375,000</u>	<u>1,453,064</u>	<u>2,443,746</u>	<u>(990,682)</u>
Total charges to appropriations	3,082,433	2,885,386	4,154,696	(1,269,310)
NET CHANGE IN FUND BALANCE	(171,112)	2,201	(376,811)	(379,012)
Transfers, out	(14,579)	(14,579)	(14,319)	260
Transfers, in	<u>64,275</u>	<u>50,275</u>	<u>345,757</u>	<u>295,482</u>
FUND BALANCE—December 31	<u>\$ 170,439</u>	<u>\$ 329,752</u>	<u>\$ 246,482</u>	<u>\$ (83,270)</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—STREET LEVY CONSTRUCTION FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
FUND BALANCE—January 1	\$ 599,788	\$ 599,788	\$ 599,788	\$ -
Revenues:				
Municipal income tax	1,033,002	961,219	987,912	26,693
Interest income	50,000	28,000	22,636	(5,364)
Grants	392,000	350,000	365,119	15,119
Decrease fair value of investments			(6,777)	(6,777)
Other	<u>126,000</u>	<u>120,000</u>	<u>17,434</u>	<u>(102,566)</u>
Total revenues	1,601,002	1,459,219	1,386,324	(72,895)
Charges to appropriations (outflows)				
Street repairs and maintenance	752,633	499,526	515,535	(16,009)
Capital costs	1,202,000	1,491,000	1,465,716	25,284
Total charges to appropriations	<u>1,954,633</u>	<u>1,990,526</u>	<u>1,981,251</u>	<u>9,275</u>
NET CHANGES IN FUNDS BALANCE	(353,631)	(531,307)	(594,927)	(63,620)
Transfers, out		(1,190)	(1,190)	
Transfers, in	<u>206,373</u>	<u>88,097</u>	<u>108,097</u>	<u>20,000</u>
FUND BALANCE—December 31	\$ <u>452,530</u>	\$ <u>155,388</u>	\$ <u>111,768</u>	\$ <u>(43,620)</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grant or Pass-Through Grant or Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)—			
Community Development Block Grant/States Loan Program:			
2001 Formula Allocation Program	14.228	A-F-01-165-1	\$ 54,225
2002 Formula Allocation Program	14.228	A-F-02-165-1	77
2001 Community Housing Improvement Program	14.228	A-C-01-165-1	87,661
2001 Community Housing Improvement Program	14.239	1-C-01-165-2	108,639
2000 Downtown Revitalization Program	14.228	A-T-00-1650-1	<u>315,956</u>
Total HUD/Community Development Block Grant/States Loan Program			566,558
U.S. DEPARTMENT OF JUSTICE—			
COPS Universal Hiring	16.710	96-UM-WX-0633	<u>15,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$581,558</u>

BASIS OF PRESENTATION – The accompanying Schedule of Expenditures of Federal Awards reflects the expenditures of the City of Piqua, Ohio under programs financed by the U.S. government for the year ended December 31, 2002 and is prepared on the accrual basis of accounting. Because the schedule presents only a selected portion of the operations included in the City’s general purpose financial statements, it is not intended to, and does not, present the statement of net assets or activities of the government activities and business-type activities. For the purposes of the Schedule, Federal Awards includes:

- Pass-through funds received from Ohio Department of Development
- Direct Federal Awards.

FEDERAL LOAN PROGRAMS – The City administers the Community Development Block Grant/States Loan Program. At December 31, 2002 outstanding homeowner advances related to this program were approximately \$1,023,395.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor David A. Martin, City Commission Members,
Citizens of the City of Piqua, Ohio and Betty Montgomery, Auditor of State of Ohio

We have audited the financial statements of the City of Piqua, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003, which includes an explanatory paragraph relating to the change in accounting principle described in Note B to the financial statements. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of Piqua, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we have communicated other observations involving the internal control over financial reporting to the management of the City in a separate letter dated June 20, 2003.

This report is intended solely for the information and use of the Mayor and City Commission members, management, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

June 20, 2003



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Honorable Mayor David A. Martin, City Commission Members,
Citizens of the City of Piqua, Ohio and Betty Montgomery, Auditor of State of Ohio

Compliance

We have audited the compliance of the City of Piqua, Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The City of Piqua, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Piqua, Ohio's management. Our responsibility is to express an opinion on the City of Piqua, Ohio's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Piqua, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Piqua, Ohio's compliance with those requirements.

In our opinion, the City of Piqua, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the City of Piqua, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Piqua, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the City of Piqua, Ohio's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City of Piqua, Ohio, as of and for the year ended December 31, 2002, and have issued our report there on dated June 20, 2003, which includes an explanatory paragraph relating to the change in accounting principle described in Note B to the general purpose financial statements. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. This schedule is the responsibility of the management of the City. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor and City Commission members, management, federal awarding agencies, state funding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

June 20, 2003

CITY OF PIQUA, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2002

PART I - SUMMARY OF AUDITOR'S RESULTS

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No reportable conditions considered to be material weaknesses in internal control over financial reporting were identified.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No reportable conditions considered to be material weaknesses in internal control over compliance with requirements applicable to major federal awards programs were identified.
5. The independent auditors' report on compliance with requirements applicable to the major federal award program expressed an unqualified opinion.
6. The audit did not disclose any findings required to be reported by OMB Circular A-133.
7. The City of Piqua, Ohio major program was:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development (HUD)— Community Development Block Grant; 2000 Downtown Revitalization Program	14.228

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Organization did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

PART II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable matters

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COST SECTION

No reportable matters

CITY OF PIQUA, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING FOR THE YEAR ENDED DECEMBER 31, 2002

Issue 01-01

Condition: The City did not use a sampling and testing program for the Bike Path Project that would ensure materials and workmanship generally conform to approved plans and specifications.

Criteria: All sampling and testing standards required by 23 CFR are to be specifically incorporated in construction contracts.

Status: Corrective action was taken to correct this finding for 2002.

CITY OF PIQUA, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2002

Prepared by:

**Department of Finance
John P. Kenny, Director**

CITY OF PIQUA, OHIO

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CITY OF PIQUA, OHIO

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(Concluded)

INTRODUCTORY SECTION

May 15, 2003

Honorable Mayor David A. Martin, City Commission Members
and Citizens of the City of Piqua, Ohio:

This Comprehensive Annual Financial Report is for the year ended December 31, 2002. We believe this report, prepared by the Department of Finance, presents financial and operating information about the City's activities during the year that should be useful to citizens, taxpayers and investors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

The Comprehensive Annual Financial Report is presented in three sections as follows:

1. The Introductory Section, which contains the table of contents, this transmittal letter, Certificate of Achievement, a listing of City officials and the organizational structure.
2. The Financial Section, which consists of the Independent Auditors' Report, Management's Discussion and Analysis, General Purpose Financial Statements, Notes to the Combined Financial Statements and more detailed combining and individual fund and account groups financial statements and schedules.
3. The Statistical Section, which contains pertinent financial and general information indicating trends for comparative fiscal periods.

Reporting Entity

This report includes all funds of the City. The City provides a full range of services including police and fire protection, parks, recreation facilities, street maintenance, health programs and general administrative services. In addition, the City owns and operates enterprise activities, with the major ones consisting of a power system, a sewer system, a water system and a waste disposal system.

Piqua operates and is governed by the laws of the State of Ohio and its own charter which was adopted by the electorate in 1929. The Charter provides for a commission-manager form of government. Legislative authority is vested in a five-member commission. All members are elected from wards for four-year terms and serve in a part-time capacity. The Commission determines compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriations and borrowings, licensing and regulating of businesses and trades, and other municipal purposes. The City's Chief Executive and Administrative Officer is the City Manager who is appointed by the City Commission.

Local Economic Conditions and Outlook

The City of Piqua is a community (2000 Census 20,738) in Miami County, located on Interstate 75, twenty-five miles north of Dayton.

The City does not depend on one firm for local employment; as many as seven corporations employ in excess of 200 people each, lending to the City's diversification. The City has four industrial parks with plenty of room for expansion.

Major Initiatives

Current Year Projects: During 2002 the City continued efforts to enhance and expand services provided to local residents.

The City continued supporting the Future Piqua Strategic Plan recommendations, including public access television and a quarterly community newsletter (financial support is shared between the City and the Chamber of Commerce).

The City is continuing its commitment to provide assistance to low and moderate income property owners. Federal and state grants totaling \$190,000 provided local housing rehabilitation to fifteen qualified low and moderate income property owners.

The City continued with various phases of the LOOP construction project by adding 3 ½ miles of pathway, expanding the area of downtown streetscaping, and a computerized traffic light system. Also, the City added an access ramp to the LOOP construction project.

Federal grants totaling \$280,000 were awarded for the Urban Redevelopment Project for the City's downtown.

The City was granted a second round application in the amount of \$340,000 which will continue the goal of downtown revitalization.

Elements of the strategic planning process "Future Piqua II" were updated. This is a planning process designed to provide a 10-year local plan for the community and the city government.

During 2002 the Piqua Municipal Power System saved the community more than \$3.3 million by providing low cost electric service.

The Information Technology department automated payroll banking transaction processes allowing employees to do their banking with any financial institution. The department also incorporated access to the City Charter and Ordinances via the City's web site.

The Police Department received its third consecutive renewal of the C.A.L.E.A. certification for excellence.

Future Projects: With adoption of "Future Piqua II" the City continues to implement its stated goals and objectives.

The Fort Piqua Hotel restoration and reuse project continues which includes the seeking of financing sources, such as grant funding and combined public/private participation.

Piqua's community development department will apply for federal assistance for low and moderate income homeowners and tenants.

Phase V of the *LOOP* construction project to beautify and improve the community will be undertaken. This phase will add the final 3 ½ miles of path along the river corridor.

The City is enhancing the safety services of the city by purchasing a new ambulance and eight new police cruisers. In 2003, a study for a second fire station to better serve the industrial section of the City will also be attempted.

An elevated water tank will be constructed at a cost of \$1.8 million to improve the city's water storage system. Financing will be through the state's OWDA Loan program.

Financial Information

Management of the City is responsible for an internal control system designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit: The City receives enough federal funds to require an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." City management is responsible for ensuring that an internal control structure is in place to reasonably assure compliance with applicable federal program laws and regulations. The City's single audit includes tests to determine the adequacy of accounting and administrative controls related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. Results of the City's single audit for the fiscal year ended December 31, 2002, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary System: Detailed provisions regulating the City's budget, tax levies and appropriations are set forth in the City Charter and in the Ohio Revised Code. The City Manager is required to submit to the City Commission annually, an appropriation measure, which must be adopted by the first Commission meeting in January. The Miami County Auditor must certify that the City's appropriation measure does not exceed the amounts set forth in the County Budget Commission's Certificate of Estimated Resources.

The City maintains legal budgetary control utilizing GAAP at an object level for the general fund (personnel, operation and maintenance, debt service and capital expenditures) and at a functional level for all other funds. Lower levels within each object or functional level are accounted for and reported internally. Such lower levels are referred to as the suffix level. All purchases are properly approved through the legislative process or issuance of a purchase order.

Expenditures are controlled at the suffix level throughout the year and any budgetary adjustments (at the object or functional level), if necessary, are with the approval of the City Commission.

Accounting System: The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds to be used are in accordance with GAAP and the number of individual funds established is determined by legal requirements and sound financial administration.

The City's records are maintained on modified accrual basis for all governmental and similar fiduciary fund types. Accordingly, revenues are recognized when susceptible to accrual (i.e. both measurable and available). Expenditures, other than interest on long-term debt, are recorded as liabilities when incurred. Proprietary funds utilize the accrual basis of accounting and the electric system employs the Federal Energy Commission's system of accounts. A more detailed explanation of the basis of accounting for the various funds is included in the Notes to the Combined Financial Statements, located in the Financial Section of this report.

Financial Reporting: This is the first year the City has prepared financial statements following GASB Statement 34, "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments." As part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the City. This discussion follows the Report of Independent Accountants, providing an assessment of the City's finances for 2002.

General Government

General Fund Revenues: The 2002 municipal income tax revenue remained relatively stable as compared to 2001, while the Kwh tax revenues increased by approximately \$433,000. Interest revenue declined due to falling interest rates. Municipal income tax revenue has increased by approximately 4% through May 2003, as compared to the same period in 2002.

General Fund Expenditures: The 2002 General Fund expenditures and other financing uses decreased 23.0% compared with 2001. General fund expenditures decreased due to completion in 2001 of the new municipal complex.

General Fund Balances: Current year activity remained relatively unchanged in the undesignated fund balance from 2001.

Special Revenue Funds: Fund revenues and other financing sources increased 28.8% from 2001 because of a large state grant for the computerized downtown traffic light system. Expenditures and other financing uses increased 24.3% as the City utilized the state grant. Undesignated fund balance decreased 5.2%.

Proprietary Funds

The City's utility operations, consisting of a power system (including electric, steam and hot water), a water system and a wastewater system, account for over half of the total City revenues. The City also operates smaller enterprises such as the solid refuse department, a golf course and a swimming pool.

Power System: Kilowatt hours of sales increased 4.3% and total customer revenues were \$16.7 million.

The system supplies electricity to more than 10,950 accounts within its service area. The power system, established in the 1930's, uses fuel oil as its principal fuel, when generating, and operates with a maximum capacity of 83.5 megawatts. Presently, the United States E.P.A. Clean Air Standards are met by emission control equipment which became operational in 1984. The system is responsible for purchasing and generating power, transmitting and distributing electricity and providing all related services. The power system furnishes steam and hot water services for heating and processing uses, primarily to industrial customers located near the generating facility.

Two long-term contracts from Cinergy Corporation will ensure an economical and reliable supply source through the end of years 2006 and 2013, respectively. An additional 2 megawatts of Power is available from the New York Power Authority (NYPA). A twenty-year transmission agreement with the Dayton Power & Light Company guarantees supply access.

Water System: Customer revenues increased 1.7% and gallons sold increased 3.1%. Operating expenses increased 12.2%. Net income of \$464,281 was a 53.0% increase from the prior year. More than 8,500 accounts are serviced by Piqua's municipal water system.

Wastewater System: System revenues have increased \$26,000 compared with the previous year. Operating expenses rose 3.9% and the net income was \$407,000.

Cash Management

Currently, the City's policy is to minimize market and credit risks while maintaining a competitive yield on its portfolio. The market risk is minimized by utilizing a computerized cash projection system that assists the planning for future cash needs. The credit risk is minimized by investments with large and liquid financial institutions or in guaranteed U.S. Treasury obligations. Accordingly, deposits are insured by federal depository insurance or collateralized with U.S. Treasury obligations at 110% and held by City agents.

During 2002, the City's return on average investment balances equaled 4.3%, a 0.7% decrease from 2001.

Risk Management

In 2002, the City entered into a joint insurance pool with other local cities to protect the City's assets. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public officials liability coverage.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Employee life insurance and numerous small specialty policies are insured through commercial carriers.

The City health care program is self-funded, subject to certain limits which are provided through commercial stop-loss insurance. A professional third-party administrator is responsible for the program's operation. Oversight responsibilities belong to the City's Human Resources Director.

The Independent Audit

Piqua's City Charter requires an annual audit of the financial statements of the City by an independent auditor. The 2002 audit was completed by Deloitte & Touche LLP and represents the twenty-third consecutive year that an independent firm has performed the City's financial audit. Their report is included in the financial section of this report. All State of Ohio compliance and federal grant audit requirements are included as part of the independent annual engagement.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded for the eleventh consecutive year a Certificate of Achievement for Excellence in Financial Reporting to the City of Piqua, Ohio, for its comprehensive annual financial report for the fiscal year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. The City of Piqua, Ohio has received a certificate of Achievement for eleven consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

Preparation of this report on a timely basis was accomplished by the conscientious efforts and contributions of the entire Finance Department working jointly with the engagement team representing the independent public accounting firm of Deloitte & Touche LLP.

John P. Kenny

Director of Finance

Department of Finance Staff

Judith A. Painter	— Accounting Manager
Michael J. Fischbach	— Accountant
Kimberly A. Maniaci	— Staff
Candace L. Etter	— Staff
Marilyn S. Helman	— Staff

CITY OF PIQUA, OHIO

CITY OFFICIALS

David A. Martin, Mayor
Lloyd E. Shoemaker, Commissioner
Robert L. DeBrosse, Commissioner
James F. Garrity, Commissioner
Frank H. Barhorst, Commissioner

CITY MANAGER

R. Mark Rohr

INDEPENDENT AUDITORS

Deloitte & Touche LLP

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Piqua,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

FINANCIAL SECTION

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The discussion and analysis of the City of Piqua's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2002. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Piqua's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major 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 dollars remain 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 of Piqua as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and asks the question, "How did we do financially during 2002?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities**—Most of the City's programs and services are reported here, including general government, public safety, street and maintenance, parks and recreation, and community development. 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 fee basis to recover all of the expenses of the goods or services provided. The City's electric, water and sewer are reported here.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

Reporting the City of Piqua's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 3. The fund financial statements begin on page 43 and provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Funds are established to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Piqua's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental funds*—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. On the government-wide statements, these funds are reported using the accrual method of accounting. The governmental fund statements, using a modified accrual system of accounting, provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The City of Piqua as a Whole

The City implemented GASB Statement #34 this year. We did not present net asset measurements in prior years since they were not required by generally accepted accounting principles. Therefore, our analysis of comparative balances and changes therein is limited to the current year's operations. In future years, we will present both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities for 2002.

Table 1—Net Assets

	Govern- mental Activities	Business- Type Activities	Total Primary Government
Current and other assets	\$18,010,403	\$13,465,553	\$ 31,475,956
Capital assets	<u>37,389,824</u>	<u>60,153,220</u>	<u>97,543,044</u>
Total assets	55,400,227	73,618,773	129,019,000
Long-term debt outstanding	3,650,081	10,255,593	13,905,674
Other liabilities	<u>7,838,439</u>	<u>3,898,227</u>	<u>11,736,666</u>
Total liabilities	11,488,520	14,153,820	25,642,340
Net assets:			
Invested in capital assets, net of debt	33,775,146	48,765,023	82,540,169
Restricted	853,240	173,379	1,026,619
Unrestricted	<u>9,283,321</u>	<u>10,526,551</u>	<u>19,809,872</u>
Total net assets	<u>\$43,911,707</u>	<u>\$ 59,464,953</u>	<u>\$ 103,376,660</u>

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The amount by which the City's assets exceed its liabilities is called net assets. At year-end, the City's net assets were \$103 million. Of that amount, approximately \$82.5 million (79.8%) was invested in capital assets, net of debt related to those assets. Another \$1.0 million (1.0%) was subject to external restrictions upon its use. The remaining \$19.8 million (19.2%) was unrestricted and available for future use.

Table 2—Changes in Net Assets

	Govern- mental Activities	Business- Type Activities	Total Primary Government
REVENUES:			
Program revenues:			
Charges for services	\$ 633,697	\$ 25,228,793	\$ 25,862,490
Operating grants and contributions	759,557		759,557
Capital grants and contributions	2,367,605		2,367,605
General revenues:			
Property taxes	1,516,613		1,516,613
Income taxes	6,913,931		6,913,931
Other taxes	3,525,275		3,525,275
Investment earnings	<u>529,466</u>	<u>559,412</u>	<u>1,088,878</u>
Total revenues	<u>16,246,144</u>	<u>27,788,205</u>	<u>42,034,349</u>
PROGRAM EXPENSES:			
General government	2,217,319		2,217,319
Public safety	6,539,055		6,539,055
Street and maintenance	2,824,036		2,824,036
Parks and recreation	593,878		593,878
Community development	667,877		667,877
Interest on long-term debt	288,383		288,383
Electric		16,947,814	16,947,814
Wastewater		2,737,680	2,737,680
Water		2,503,948	2,503,948
Non-major other		<u>2,826,716</u>	<u>2,826,716</u>
Total expenses	<u>13,130,548</u>	<u>25,016,158</u>	<u>38,146,706</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS AND PROCEEDS	3,115,596	772,047	3,887,643
TRANSFERS	(51,281)	51,281	
BOND ISSUANCE PROCEEDS	<u>44,720</u>		<u>44,720</u>
INCREASE IN NET ASSETS	<u>\$ 3,109,035</u>	<u>\$ 823,328</u>	<u>\$ 3,932,363</u>

Governmental Activities

Governmental activities increased the City's net assets by \$3,109,035, thereby accounting for 79.1 percent of the growth in total net assets.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

The income tax revenue for 2002 was \$6,913,931. This accounts for 42.6 percent of total governmental activities revenues. The City's income tax rate was 1.75 percent for 2002, the same as the prior year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.75 percent for those who pay income tax to another city.

General revenues from Other Taxes, such as KW Hour tax and Local Government Funds, are also revenue generators. With the combination of property tax, income tax, intergovernmental funding and investment earnings, all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations.

For the most part, increases in expenses closely parallel inflation and growth in the demand for services. The largest program function for the City relates to Public Safety, which accounts for 49.8 percent of governmental activities total program expenses. Street and Maintenance accounts for 21.5 percent of total program expenses, while General Government accounts for 16.9 percent.

The Statement of Activities reports the expenses of each of the governmental activities programs and the related program revenue that offsets the cost of each program. The amount by which the cost of a particular program exceeds its program revenue represents the extent to which that program must be subsidized by general revenues. The following table summarizes the net cost of each program:

	Table 3—Government Activities		
	Total Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 2,217,319	\$ 329,632	\$ 1,887,687
Public safety	6,539,055	302,503	6,236,552
Street and maintenance	2,824,036	2,483,565	340,471
Parks and recreation	593,878	93,457	500,421
Community development	667,877	551,702	116,175
Interest and long-term debt	288,383		288,383
 Total	 \$13,130,548	 \$3,760,859	 \$9,369,689

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

Business-Type Activities

The following table summarizes the business-type activities:

	Table 4— Business-Type Activities		
	Total Cost of Services	Program Revenues	Net Revenue from Operations
Electric	\$ 16,947,814	\$ 16,907,822	\$ (39,992)
Wastewater	2,737,680	3,113,672	375,992
Water	2,503,948	2,953,493	449,545
Non-major other	2,826,716	2,253,806	(572,910)
 Total	 \$25,016,158	 \$25,228,793	 \$ 212,635

The Wastewater and Water utilities had operating revenues in excess of expenditures, while the Electric utility had operating expenditures in excess of generated revenues. The non-major Business-type activity funds had expenditures in excess of revenues of \$572,910.

The City's Funds

Information about the City's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$16.2 million and expenditures of \$16.5 million. The most significant fund is our general fund, which had an unreserved fund balance at year end of \$5.7 million. The General fund accounts for such activities as Police and Fire protection, and parks and recreation along with city administration. Within the General fund, revenues exceeded expenditures by \$741,000. This amount was transferred to other funds. The funds are monitored consistently with adjustments made to the budgets to accommodate yearly revenues.

Information about the proprietary funds starts on page 25. These funds are accounted for on an accrual basis. All proprietary funds had operating revenues of \$24.1 million and operating expenses of \$24.1 million. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

General Fund Budgetary Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant governmental budgeted fund is the General Fund. The Commission is provided with a detailed line item budget for all departments and after a discussion at a regularly held commission meeting, which is open to the public, the budget is adopted at an object level by City commission. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. Commission must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of fiscal 2002, the City amended its general fund budget once at the end of the fiscal year.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

For the general fund, original budgeted revenues were \$9.5 million. The final budgeted revenue amount was \$9.3 million. Actual revenues collected were \$9.7 million. The increase in actual revenues over budget was due to increased collections in municipal income tax.

Original general fund appropriations were budgeted at \$8.4 million. Final budgeted appropriations were \$8.8 million. This increase was primarily due to the increased costs of building the Linear Park Phase IV.

Capital Asset and Debt Administration

Capital Assets

Table 5—Capital Assets at December 31
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2002	2001	2002	2001
Land and land improvements	\$ 3,143,866	\$ 2,668,003	\$ 2,053,713	\$ 2,041,873
Infrastructure land	836,280	773,348		
Construction in progress	227,719	2,066,489	557,606	571,556
Buildings and improvements	10,420,979	10,450,517	16,564,565	16,666,886
Furniture, fixtures and equipment	3,312,078	2,592,395	37,977,957	37,744,939
Infrastructure	19,448,902	15,528,597		
Intangible assets	<u> </u>	<u> </u>	<u>2,999,379</u>	<u>3,038,157</u>
Total capital assets	<u>\$ 37,389,824</u>	<u>\$ 34,079,349</u>	<u>\$ 60,153,220</u>	<u>\$ 60,063,411</u>

Total Capital Assets for the City of Piqua for the year ended December 31, 2002 were \$97,543,044, \$3,400,284 more than in 2001. The most significant increases in our capital assets came in Infrastructure. In 2002, the City completed the Covington Avenue project, as well as the Streetscaping project. The increase in Land and land improvements was due to a park donation and the City's completion of Phase IV of the Linear Park Bike Path.

Additional infrastructure asset additions added in 2002 were due to the development of residential housing sub-divisions. It is important to realize that the City expended no resources for these infrastructure assets. Per the City's sub-division regulations, the developer places all infrastructure improvements within the sub-division and upon completion of the improvement the asset reverts to the City for future maintenance and repair.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

Debt

At December 31, 2002, the City of Piqua had \$15.4 million in debt outstanding.

Table 6—Outstanding Debt at December 31

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	2002	2001	2002	2001
General obligation bonds	\$ 3,434,107	\$ 3,764,594	\$ 6,080,893	\$ 6,725,406
Pension bonds	435,000	450,000		
Special assessment bonds	180,571	171,664		
OWDA loans	<u> </u>	<u> </u>	<u>5,307,304</u>	<u>5,794,594</u>
Total	<u>\$ 4,049,678</u>	<u>\$ 4,386,258</u>	<u>\$ 11,388,197</u>	<u>\$ 12,520,000</u>

The General Obligation Bonds in Governmental Activities are primarily for the construction of the municipal government complex in 2001. This general obligation bond issue is paid through the General Obligation Bond Retirement Debt Service Fund with property tax revenues and transfers from various funds. The Pension Bonds are paid with property tax revenues.

The General Obligation Bonds in Business-type Activities are comprised of various obligations in the City's Enterprise funds including Electric system, Water, Wastewater and Golf Course improvements. They are paid from the operating revenues generated in each enterprise.

The Special Assessment Bonds are paid from the collection of special assessments by the County Auditor from the specific property owners who primarily benefited from the projects.

The OWDA Loans are paid semi-annually from Wastewater revenues.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5 percent of total assessed valuation. The City's overall legal debt margin was \$32,730,282 on December 31, 2002.

Additional information concerning the City's debt can be found in the notes to the financial statements.

Current Financial Related Activities

The City of Piqua is financially strong. In addition, the City of Piqua's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future.

The City anticipates the following significant events to take place in 2003:

- Construction of a replacement water tower at an estimated cost of \$1.8 million to be financed by OWDA.
- Completion of Phase V (final Phase) of the Linear Park. The Linear Park is a 13.1 mile bicycle/walking path that was funded in part by Ohio Dept. of Natural Resources.

City of Piqua, Ohio
Management's Discussion and Analysis
For The Year Ended December 31, 2002

- Refinancing of \$5.2 million of General Obligation Bonds related to the Electric system and the Golf Course. The refinancing will result in significantly lower interest rates for both issuances.
- Continued redevelopment of the City's downtown area. This redevelopment includes improved signage, sidewalks, brick pavers, traffic signals, and streetlights.

The City of Piqua has committed itself to financial excellence. We are reporting under GASB Statement 34 earlier than required. The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence for the twelfth consecutive year.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact John P. Kenny, CPA, Director of Finance, City of Piqua, 201 West Water Street, Piqua, Ohio 45356, (937) 778-2065.



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor David A. Martin,
City Commission Members, Citizens of the City of Piqua, Ohio,
and Betty Montgomery, Auditor of State of Ohio

We have audited the accompanying financial statements of the City of Piqua, Ohio (the "City"), as of December 31, 2002, and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the City, at December 31, 2002, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, in fiscal year 2002, the City adopted Governmental Accounting Standards Board ("GASB") No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB No. 38, *Certain Financial Statement Note Disclosures*.

The Management's Discussion and Analysis and the budgetary information on pages 11-19 and pages 45-50, respectively are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming an opinion on the basic financial statements of the City, taken as a whole. The accompanying supplemental data on pages 51-67 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the City. The supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to auditing procedures applied in the audit of the City's basic financial statements and, accordingly, we express no opinion on it.

DELOITTE & TOUCHE LLP

June 20, 2003

CITY OF PIQUA, OHIO

STATEMENT OF NET ASSETS DECEMBER 31, 2002

ASSETS	Government Activities	Business Activities	Total
Unrestricted assets:			
Equity in pooled cash and equivalents	\$ 4,105,083	\$ 2,936,126	\$ 7,041,209
Equity in pooled investments	6,836,902	6,839,903	13,676,805
Receivables, primarily municipal income taxes, state shares taxes, property taxes and utility charges	5,438,149	3,025,744	8,463,893
Allowance for uncollectible accounts		(402,687)	(402,687)
Notes receivable	1,069,154		1,069,154
Prepaid items and other assets	31,622	100,250	131,872
Inventory	13,865	792,838	806,703
Capital assets not being depreciated	4,207,865	557,606	4,765,471
Capital assets being depreciated, net	<u>33,181,959</u>	<u>59,595,614</u>	<u>92,777,573</u>
Total unrestricted assets	<u>54,884,599</u>	<u>73,445,394</u>	<u>128,329,993</u>
Restricted assets:			
Equity in pooled cash and cash equivalents	115,582	173,379	288,961
Interest receivable	649		649
Property tax receivable	226,353		226,353
City bonds and notes	<u>173,044</u>		<u>173,044</u>
Total restricted assets	<u>515,628</u>	<u>173,379</u>	<u>689,007</u>
Total assets	<u>55,400,227</u>	<u>73,618,773</u>	<u>129,019,000</u>
LIABILITIES			
Accounts payable	1,162,609	1,375,529	2,538,138
Salary and benefits payable	1,845,433	1,051,800	2,897,233
Accrued expenses	775,543	336,189	1,111,732
Restricted deposits	193,673		193,673
Homeowners advances	1,069,580		1,069,580
Deferred revenue	2,392,004	2,105	2,394,109
Long-term debt:			
Due within one year	399,597	1,132,604	1,532,201
Due in more than one year	<u>3,650,081</u>	<u>10,255,593</u>	<u>13,905,674</u>
Total liabilities	<u>11,488,520</u>	<u>14,153,820</u>	<u>25,642,340</u>
NET ASSETS			
Invested in capital assets, net of related debt	33,775,146	48,765,023	82,540,169
Restricted for:			
Debt service	363,161	173,379	536,540
Community development block grant	38,940		38,940
Other purposes	451,139		451,139
Unrestricted	<u>9,283,321</u>	<u>10,526,551</u>	<u>19,809,872</u>
Total net assets	<u>\$43,911,707</u>	<u>\$59,464,953</u>	<u>\$103,376,660</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Government Activities	Business Activities	
Primary government activities:							
General government	\$ 2,217,319	\$ 323,247	\$ 6,385	\$ -	\$ (1,887,687)	\$ -	\$ (1,887,687)
Public safety	6,539,055	238,819	62,884	800	(6,236,552)		(6,236,552)
Street repairs and maintenance	2,824,036	26,050	163,537	2,293,978	(340,471)		(340,471)
Parks and recreation	593,878	20,557	75	72,825	(500,421)		(500,421)
Community development	667,877	25,024	526,676	2	(116,175)		(116,175)
Interest on long-term debt	288,383				(288,383)		(288,383)
Total government activities	<u>13,130,548</u>	<u>633,697</u>	<u>759,557</u>	<u>2,367,605</u>	<u>(9,369,689)</u>		<u>(9,369,689)</u>
Business activities:							
Electric	16,947,814	16,907,822				(39,992)	(39,992)
Wastewater	2,737,680	3,113,672				375,992	375,992
Water	2,503,948	2,953,493				449,545	449,545
Non-major other	<u>2,826,716</u>	<u>2,253,806</u>				<u>(572,910)</u>	<u>(572,910)</u>
Total business activities	25,016,158	25,228,793				212,635	212,635
Total	<u>\$ 38,146,706</u>	<u>\$ 25,862,490</u>	<u>\$ 759,557</u>	<u>\$ 2,367,605</u>	<u>(9,369,689)</u>	<u>212,635</u>	<u>(9,157,054)</u>
General revenues:							
Property taxes					1,516,613		1,516,613
State shared taxes					2,441,040		2,441,040
Income taxes					6,913,931		6,913,931
KWH tax					1,084,235		1,084,235
Investment earnings					<u>529,466</u>	<u>559,412</u>	<u>1,088,878</u>
Total general revenues					12,485,285	559,412	13,044,697
Transfers					(51,281)	51,281	
Bond issuance proceeds					<u>44,720</u>		<u>44,720</u>
Change in net assets					3,109,035	823,328	3,932,363
Net assets:							
Beginning					<u>40,802,672</u>	<u>58,641,625</u>	<u>99,444,297</u>
Ending					\$43,911,707	\$ 59,464,953	\$ 103,376,660

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

BALANCE SHEET—GOVERNMENTAL FUNDS

DECEMBER 31, 2002

ASSETS	<u>Major Special Revenue Funds</u>					Totals	
	General Fund	Street Maintenance	Street Levy	Debt Service Funds	Capital Projects		Non-Major Special Revenue
UNRESTRICTED:							
Equity in pooled cash and equivalents	\$ 2,118,119	\$ 32,038	\$ 90,719	\$ -	\$ -	\$ 1,864,207	\$ 4,105,083
Equity in pooled investments	2,969,644	51,711				3,815,547	6,836,902
Receivables, primary municipal income taxes, state shared taxes, property taxes and utility charges	3,478,937	1,005,520	240,110			713,582	5,438,149
Notes receivable						1,069,154	1,069,154
Prepaid items and other assets	10,301					21,321	31,622
Inventory	<u>13,865</u>						<u>13,865</u>
Total unrestricted assets	8,590,866	1,089,269	330,829			7,483,811	17,494,775
RESTRICTED:							
Equity in pooled cash and cash equivalents				115,582			115,582
Interest receivable				649			649
Property tax receivable				226,353			226,353
City bonds and notes				<u>173,044</u>			<u>173,044</u>
Total restricted assets				<u>515,628</u>			<u>515,628</u>
TOTAL ASSETS	<u>\$ 8,590,866</u>	<u>\$ 1,089,269</u>	<u>\$ 330,829</u>	<u>\$ 515,628</u>	<u>\$ -</u>	<u>\$ 7,483,811</u>	<u>\$ 18,010,403</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

BALANCE SHEET—GOVERNMENTAL FUNDS

DECEMBER 31, 2002

LIABILITIES AND FUND BALANCE	<u>Major Special Revenue Funds</u>				Debt Service Funds	Capital Projects	Non-Major Special Revenue	Totals
	General Fund	Street Maintenance	Street Levy					
CURRENT LIABILITIES:								
Accounts payable	\$ 162,828	\$ 464,261	\$ 218,949		\$ -	\$ -	\$ 316,571	\$ 1,162,609
Accrued expenses	568,743	59,226	112				127,387	755,468
Compensated absences	549,069	63,649					22,487	635,205
Total current liabilities	1,280,640	587,136	219,061				466,445	2,553,282
LONG-TERM LIABILITIES:								
Restricted deposits							193,673	193,673
Deferred revenue	1,648,322	255,651		226,353			261,678	2,392,004
Homeowners advances							<u>1,069,580</u>	<u>1,069,580</u>
Total long-term liabilities	<u>1,648,322</u>	<u>255,651</u>		<u>226,353</u>			<u>1,524,931</u>	<u>3,655,257</u>
TOTAL LIABILITIES	2,928,962	842,787	219,061	226,353			1,991,376	6,208,539
FUND BALANCES:								
Reserved for encumbrances	127,429	19,066	431,625				132,504	710,624
Reserve for inventory and prepaid	24,166							24,166
Equity insurance and equipment reserves	815,544	211,853	7,196				24,652	1,059,245
Unreserved	<u>4,694,765</u>	<u>15,563</u>	<u>(327,053)</u>	<u>289,275</u>			<u>5,335,279</u>	<u>10,007,829</u>
Total fund balances	<u>5,661,904</u>	<u>246,482</u>	<u>111,768</u>	<u>289,275</u>			<u>5,492,435</u>	11,801,864
TOTAL LIABILITIES AND FUND BALANCES	<u>\$8,590,866</u>	<u>\$1,089,269</u>	<u>\$ 330,829</u>	<u>\$515,628</u>	<u>\$ -</u>		<u>\$7,483,811</u>	

Amounts reported for governmental activities in the Statement of Net Assets (page 3) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	37,389.824
The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(4,049.678)
Vacation and sick leave benefits	(1,210.228)
Accrued interest on bonds payable	<u>(20,075)</u>
Net assets of Governmental Activities	<u>\$43,911,707</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Major Special Revenue Funds</u>						Total Governmental Funds
	General Fund	Street Maintenance	Street Levy Construction	Debt Service	Capital Projects	Non-Major Other Special Revenue	
REVENUES:							
Municipal income tax	\$ 4,925,442	\$ 1,000,577	\$ 987,912	\$ -	\$ -	\$ -	\$ 6,913,931
Property taxes	1,132,221			54,096		278,011	1,464,328
State shared revenues	1,680,429	673,227				75,001	2,428,657
KWH tax	1,084,235						1,084,235
Licenses and permits	346,615					4,853	351,468
Grants—federal	15,432						15,432
Grants—state	53,569	2,092,396	365,119			526,676	3,037,760
Interest income	186,393	2,835	22,636	20,398		226,420	458,682
Increase (decrease) in fair value of investments	15,282	234	(6,777)			62,045	70,784
Donations:							
Capital	73,625					2	73,627
Operating	343						343
Other	<u>137,613</u>	<u>8,616</u>	<u>17,434</u>	<u>44,720</u>		<u>118,566</u>	<u>326,949</u>
Total revenues	<u>9,651,199</u>	<u>3,777,885</u>	<u>1,386,324</u>	<u>119,214</u>		<u>1,291,574</u>	<u>16,226,196</u>
EXPENDITURES:							
General government administration	1,288,269						1,288,269
Public safety	6,183,956						6,183,956
Health department	273,225						273,225
Street repairs and maintenance		1,710,950	515,535			16,659	2,243,144
Parks and recreation	519,258						519,258
Payments on unfunded liability							
Community planning and development	37,280					604,515	641,795
Capital costs	608,026	2,443,746	1,465,716		(1,185)	3,002	4,519,305
Debt principal payment				381,299			381,299
Debt interest payment				268,308			268,308
Other				15,569		210,191	225,760
Total expenditures	<u>8,910,014</u>	<u>4,154,696</u>	<u>1,981,251</u>	<u>665,176</u>	<u>(1,185)</u>	<u>834,367</u>	<u>16,544,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES							
	741,185	(376,811)	(594,927)	(545,962)	1,185	457,207	(318,123)
Transfers, out	(4,567,780)	(14,319)	(1,190)	(57,547)	(1,185)	(341,104)	(4,983,125)
Transfers, in	3,791,068	345,757	108,097	588,169		98,753	4,931,844
Net change in fund balance	(35,527)	(45,373)	(488,020)	(15,340)		214,856	(369,404)
FUND BALANCE—Beginning of year	5,697,431	291,855	599,788	304,615		5,277,579	12,171,268
FUND BALANCE—End of year	<u>\$ 5,661,904</u>	<u>\$ 246,482</u>	<u>\$ 111,768</u>	<u>\$ 289,275</u>	<u>\$ -</u>	<u>\$ 5,492,435</u>	<u>\$ 11,801,864</u>
Net change in Fund Balance—Governmental Funds							
							\$ (369,404)
Amounts reported for governmental activities in the Statement of Activities (page 4) are different because:							
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceed depreciation.							3,318,804
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:							
Real estate receivable							38,836
Tangible personal property							13,449
State levied taxes							12,383
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets							381,299
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:							
Vacation and sick leave benefits							(266,257)
Interest payable							(20,075)
Change in Net Assets of Governmental Activities on the Statement of Activities							<u>\$ 3,109,035</u>

CITY OF PIQUA, OHIO

BALANCE SHEET—PROPRIETARY FUNDS

DECEMBER 31, 2002

ASSETS	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
CURRENT:									
Equity in pooled cash and cash equivalents	\$ 1,952,372	\$ -	\$ 483,809	\$ 10,655	\$ 193,972	\$ -	\$ -	\$ 295,318	\$ 2,936,126
Equity in pooled investments	6,301,870		269,148		108,587			160,298	6,839,903
Accounts receivable	2,114,916	48,823	346,947	25	171,469	21,515		322,049	3,025,744
Allowance for uncollectible accounts	(273,046)		(51,478)		(25,494)			(52,669)	(402,687)
Inventories	640,562							152,276	792,838
Prepays and miscellaneous other assets	15,190		6,335	2,401		105	250	1,182	25,463
Total current assets	<u>10,751,864</u>	<u>48,823</u>	<u>1,054,761</u>	<u>13,081</u>	<u>448,534</u>	<u>21,620</u>	<u>250</u>	<u>878,454</u>	<u>13,217,387</u>
RESTRICTED—									
Equity in pooled cash and cash equivalents	74,025		25,684	20,780		5,572	42,694	4,624	173,379
NON-CURRENT:									
Other assets	11,094		34,725	24,187		835	1,194	2,752	74,787
Property and equipment	61,456,719	1,232,569	28,037,229	3,153,678	515,797	1,410,534	1,096,754	15,076,993	111,980,273
Construction in progress	543,882							13,724	557,606
Accumulated depreciation	(29,287,105)	(636,458)	(13,868,253)	(987,438)	(222,357)	(701,927)	(555,308)	(6,125,813)	(52,384,659)
Property and equipment, net	<u>32,713,496</u>	<u>596,111</u>	<u>14,168,976</u>	<u>2,166,240</u>	<u>293,440</u>	<u>708,607</u>	<u>541,446</u>	<u>8,964,904</u>	<u>60,153,220</u>
Total non-current assets	32,724,590	596,111	14,203,701	2,190,427	293,440	709,442	542,640	8,967,656	60,228,007
TOTAL ASSETS	<u>\$ 43,550,479</u>	<u>\$ 644,934</u>	<u>\$ 15,284,146</u>	<u>\$ 2,224,288</u>	<u>\$ 741,974</u>	<u>\$ 736,634</u>	<u>\$ 585,584</u>	<u>\$ 9,850,734</u>	<u>\$ 73,618,773</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

BALANCE SHEET—PROPRIETARY FUNDS DECEMBER 31, 2002

LIABILITIES AND FUND BALANCE	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
CURRENT LIABILITIES:									
Accounts payable	\$ 1,060,630	\$ 172,486	\$ 42,472	\$ 3,733	\$ 55,157	\$ 2,458	\$ 277	\$ 38,316	\$ 1,375,529
Current portion of long-term debt	232,500		713,091	125,820		17,500	6,000	37,693	1,132,604
Compensated absences	137,412		50,510	6,044	20,713			130,859	345,538
Accrued expenses	<u>173,114</u>	<u>836</u>	<u>56,692</u>	<u>15,987</u>	<u>24,613</u>	<u>1,739</u>	<u>426</u>	<u>62,782</u>	<u>336,189</u>
Total current liabilities	<u>1,603,656</u>	<u>173,322</u>	<u>862,765</u>	<u>151,584</u>	<u>100,483</u>	<u>21,697</u>	<u>6,703</u>	<u>269,650</u>	<u>3,189,860</u>
LONG-TERM LIABILITIES:									
Deferred income				1,955			150		2,105
Compensated absences—long-term	435,946		78,835	13,195	40,055			138,231	706,262
Long-term debt	<u>2,576,100</u>	<u></u>	<u>5,419,213</u>	<u>1,802,340</u>	<u></u>	<u>193,900</u>	<u>89,280</u>	<u>174,760</u>	<u>10,255,593</u>
Total long-term liabilities	<u>3,012,046</u>	<u></u>	<u>5,498,048</u>	<u>1,817,490</u>	<u>40,055</u>	<u>193,900</u>	<u>89,430</u>	<u>312,991</u>	<u>10,963,960</u>
TOTAL LIABILITIES	<u>4,615,702</u>	<u>173,322</u>	<u>6,360,813</u>	<u>1,969,074</u>	<u>140,538</u>	<u>215,597</u>	<u>96,133</u>	<u>582,641</u>	<u>14,153,820</u>
NET ASSETS:									
Invested in capital assets, net of related debt	29,904,896	596,111	8,036,672	238,080	293,440	497,207	446,166	8,752,451	48,765,023
Restricted for debt service	74,025		25,684	20,780		5,572	42,694	4,624	173,379
Unrestricted	<u>8,955,856</u>	<u>(124,499)</u>	<u>860,977</u>	<u>(3,646)</u>	<u>307,996</u>	<u>18,258</u>	<u>591</u>	<u>511,018</u>	<u>10,526,551</u>
Total net assets	<u>\$ 38,934,777</u>	<u>\$ 471,612</u>	<u>\$ 8,923,333</u>	<u>\$ 255,214</u>	<u>\$ 601,436</u>	<u>\$ 521,037</u>	<u>\$ 489,451</u>	<u>\$ 9,268,093</u>	<u>\$ 59,464,953</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS—PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
OPERATING REVENUES:									
Customer services	\$ 16,604,977	\$ 363,764	\$ 2,609,419	\$ 501,279	\$ 1,204,262	\$ 73,638	\$ 90,855	\$ 2,486,993	\$ 23,935,187
Penalty charges	<u>106,908</u>	<u>187</u>	<u>32,494</u>		<u>16,870</u>			<u>29,837</u>	<u>186,296</u>
Total operating revenues	<u>16,711,885</u>	<u>363,951</u>	<u>2,641,913</u>	<u>501,279</u>	<u>1,221,132</u>	<u>73,638</u>	<u>90,855</u>	<u>2,516,830</u>	<u>24,121,483</u>
OPERATING EXPENSES:									
Fuel oil	43,931	544,701							588,632
Purchased power	11,598,794								11,598,794
Salaries and employee benefits	1,380,822	13,447	762,479	181,671	392,716	1,100	68,336	1,042,714	3,843,285
Depreciation	1,572,358	40,881	921,469	119,458	45,950	41,513	37,711	292,345	3,071,685
Materials and supplies	242,958	16,756	55,426	48,972	18,883	5,337	19,464	267,578	675,374
Utilities	141,149	51	90,037	37,211	2,169		12,365	157,889	440,871
Outside services	934,659	44,394	259,652	55,251	734,319	2,896	3,313	350,016	2,384,500
Billing costs	339,722		177,723		70,834			174,405	762,684
Chemicals	5,372	22,347	3,327	42,772		3,835	5,840	114,988	198,481
Allocation of steam and hot water expenses		(87,300)				87,300			
Other	<u>368,807</u>	<u>43</u>	<u>59,451</u>	<u>24,602</u>	<u>28,697</u>		<u>6,965</u>	<u>85,640</u>	<u>574,205</u>
Total operating expenses	<u>16,628,572</u>	<u>595,320</u>	<u>2,329,564</u>	<u>509,937</u>	<u>1,293,568</u>	<u>141,981</u>	<u>153,994</u>	<u>2,485,575</u>	<u>24,138,511</u>
OPERATING INCOME (LOSS)	83,313	(231,369)	312,349	(8,658)	(72,436)	(68,343)	(63,139)	31,255	(17,028)
NON-OPERATING REVENUES (EXPENSES):									
Interest on debt	(196,761)		(408,116)	(109,690)		(14,810)	(5,396)	(18,373)	(753,146)
Interest income	356,749	86	26,917	3,474	8,722	329	817	12,377	409,471
Net increase in fair value of investments	141,463		4,244		1,875			2,359	149,941
Other, net	73,456		471,759	(1,952)	1,416	1,535	(68)	436,663	982,809
KWH tax billed	1,206,717								1,206,717
KWH tax to State of Ohio	(122,481)								(122,481)
KWH tax to general fund	<u>(1,084,236)</u>								<u>(1,084,236)</u>
NET NON-OPERATING REVENUES	374,907	86	94,804	(108,168)	12,013	(12,946)	(4,647)	433,026	789,075
CHANGE IN NET ASSETS BEFORE TRANSFERS	458,220	(231,283)	407,153	(116,826)	(60,423)	(81,289)	(67,786)	464,281	772,047
Transfers, out	(744,563)	(23,816)	(1,046,343)	(329,050)		(50,832)	(10,994)	(252,468)	(2,458,066)
Transfers, in	605,455	124,500	1,046,343	344,178		89,257	47,146	252,468	2,509,347
TOTAL NET ASSETS—BEGINNING OF YEAR	<u>38,615,665</u>	<u>602,211</u>	<u>8,516,180</u>	<u>356,912</u>	<u>661,859</u>	<u>563,901</u>	<u>521,085</u>	<u>8,803,812</u>	<u>58,641,625</u>
TOTAL NET ASSETS—END OF YEAR	<u>\$ 38,934,777</u>	<u>\$ 471,612</u>	<u>\$ 8,923,333</u>	<u>\$ 255,214</u>	<u>\$ 601,436</u>	<u>\$ 521,037</u>	<u>\$ 489,451</u>	<u>\$ 9,268,093</u>	<u>\$ 59,464,953</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

**STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2002
INCREASE (DECREASE) IN CASH**

	Electric	Steam	Wastewater	Golf Course	Garbage	Hot Water	Municipal Pool	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:									
Cash received for services	\$ 17,002,126	\$ 367,773	\$ 2,669,628	\$ 500,680	\$ 1,218,792	\$ 64,758	\$ 91,046	\$ 2,612,504	\$ 24,527,307
Cash paid to suppliers for goods or services	(13,377,188)	(562,328)	(663,216)	(204,569)	(868,520)	(99,367)	(47,848)	(1,242,426)	(17,065,462)
Cash paid to employees for services	(1,388,989)	(12,727)	(762,386)	(182,728)	(394,346)	(1,100)	(68,336)	(1,052,926)	(3,863,538)
Net cash provided by (used in) operating activities	2,235,949	(207,282)	1,244,026	113,383	(44,074)	(35,709)	(25,138)	317,152	3,598,307
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Operating transfers, out	(744,563)	(23,816)	(1,046,343)	(329,050)		(50,832)	(10,994)	(252,468)	(2,458,066)
Operating transfers, in	605,455	124,500	1,046,343	344,178		89,257	47,146	252,468	2,509,347
Net cash provided by (used in) noncapital financing activities	(139,108)	100,684		15,128		38,425	36,152		51,281
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Principal paid on bonds and notes	(218,550)		(652,290)	(121,060)		(16,450)	(5,760)	(117,693)	(1,131,803)
Interest paid on bonds and notes	(199,089)		(409,113)	(110,221)		(14,986)	(5,422)	(18,886)	(757,717)
Acquisition and construction of capital assets	(2,037,947)	(3,598)	(182,406)					(245,867)	(2,469,818)
Disposals of capital assets	89,036		53		301			85,282	174,672
Net cash provided by (used in) capital and related financing activities	(2,366,550)	(3,598)	(1,243,756)	(231,281)	301	(31,436)	(11,182)	(297,164)	(4,184,666)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchases of investment securities	(1,820,813)		(208,616)		(104,180)			(104,180)	(2,237,789)
Proceeds from sale or maturity of investment securities	1,293,162		200,195		100,051			100,144	1,693,552
Interest received	366,890	86	30,379	3,474	10,623	329	817	13,941	426,539
Net cash provided by (used in) investing activities	(160,761)	86	21,958	3,474	6,494	329	817	9,905	(117,698)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS									
	(430,470)	(110,110)	22,228	(99,296)	(37,279)	(28,391)	649	29,893	(652,776)
CASH AND CASH EQUIVALENTS—Beginning of year	2,456,867	26,009	487,265	130,731	231,251	31,505	42,045	270,049	3,675,722
CASH AND CASH EQUIVALENTS—End of year	\$ 2,026,397	\$ (84,101)	\$ 509,493	\$ 31,435	\$ 193,972	\$ 3,114	\$ 42,694	\$ 299,942	\$ 3,022,946
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:									
Operating income (loss)	\$ 83,313	\$ (231,369)	\$ 312,349	\$ (8,658)	\$ (72,436)	\$ (68,343)	\$ (63,139)	\$ 31,255	\$ (17,028)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:									
Depreciation	1,572,358	40,881	921,469	119,458	45,950	41,513	37,711	292,345	3,071,685
(Increase) decrease in receivables	189,078	3,822	29,074	1	(1,553)	(10,520)		26,997	236,899
(Increase) decrease in inventories	46,724							(30,009)	16,715
Increase (decrease) in accounts payable	289,580	(21,336)	13,378	(1,118)	6,151		(964)	(83,061)	202,630
Net (increase) decrease in other operating net assets	54,896	720	(32,244)	3,700	(22,186)	1,641	1,254	79,625	87,406
Net cash provided (used) in operating activities	\$ 2,235,949	\$ (207,282)	\$ 1,244,026	\$ 113,383	\$ (44,074)	\$ (35,709)	\$ (25,138)	\$ 317,152	\$ 3,598,307

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The City of Piqua, Ohio, (the “City”) was incorporated in 1823 and operates under a Commission-Manager form of government. The following services are provided by the City: public safety (police and fire), highways and streets, electricity, steam, hot water, water, wastewater, sanitation, parks and recreation, public improvements, planning and zoning and general governmental administrative services.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financial accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

B. BASIS OF PRESENTATION

Government-Wide Statements—The statement of net assets and the statement of activities display information about the primary government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. The City also has business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or a function and, therefore, are clearly identifiable to a particular function. Programs revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements—The fund financial statements provide information about the City’s funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources traditionally associated with government, which are not required to be accounted for in another fund.

Street Maintenance Fund—This fund accounts for the portion of gasoline tax and motor vehicle license fees restricted for maintenance of streets.

Special Revenue Funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by City ordinances or by federal and state statutes or grant provisions.

Debt Service Funds are used to account for the resources received and used to pay principal and interest on long-term general obligation debt of governmental funds. Revenues and financing resources are derived primarily from property taxes.

Capital Projects Funds are used to account for the acquisition or construction of capital assets other than those financed by enterprise operations. Revenues and financing resources are derived primarily from the issuance of bonds and receipt of grants.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting—Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

Government-wide and proprietary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurements focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to use to pay liabilities of the current period which, for the City’s purposes, is considered to be 60 days after year end. Revenues considered susceptible to accrual are community development block grants, delinquent property taxes, income taxes and interest on investments. Property taxes levied before year-end are not recognized as revenue until the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when payment is due. Inventory and prepaid expenditures are recognized when used. A portion of the fund balance is reserved in governmental funds for the amount of inventory and prepaid expenditures.

Private-Sector standards of accounting and reporting issued on or before November 30, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Budgets and Budgetary Accounting—The City follows procedures prescribed by State law in establishing the budgetary data shown in the financial statements, as follows:

- The City must submit a budget of estimated revenues and expenditures for all governmental funds to the County Budget Commission by July 20 of each year for the following calendar year.
- The County Budget Commission certifies its actions by September 1, and issues a “Certificate of Resources” limiting the maximum amount the City may expend from a given fund during the year.
- On approximately January 1, this Certificate is amended to include any unencumbered balances from the preceding year. The City must prepare its appropriations so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Resources.
- Before the first Commission meeting in January, a permanent appropriation measure must be passed for the period January 1 through December 31. The permanent appropriation may not exceed estimated resources certified by the County Budget Commission.
- Unused appropriations lapse at year-end and are reappropriated in the following year’s budget.
- All funds have annual budgets, which are prepared in accordance with generally accepted accounting principles and are legally adopted by the City Commission.

The City Manager acts as budget officer for the City and submits a proposed operating budget to the City Commission on an annual basis. Public hearings are held to obtain taxpayer comments. The Commission enacts the budget through passage of an appropriations ordinance. The appropriations ordinance controls expenditures in the general fund by object at the level of personal services, operating expenditures and capital outlay. In all other funds the appropriations ordinance controls expenditures by fund at the level of functional expenditures. Amendments to object or functional totals of appropriations require Commission approval. In 2002, amendments to the appropriations ordinance were not material in relation to the original appropriations. The City Manager has the authority to allocate and amend appropriations at the account level, provided that fund totals appropriated by ordinance are not adjusted. Earnings of the Power (Electric, Steam and Hot Water) and the Water and Wastewater systems may not be appropriated for other City uses.

The budget process is controlled by both the State of Ohio Revised Code and the City Charter and is prepared based on anticipated revenues and appropriated expenditures.

The City’s financial position, results of operations and changes in fund balances, as well as the budgetary basis as provided by law, are reported on the basis of GAAP.

Encumbrances—The City utilizes encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures, which are not yet complete, are recorded as encumbrances. Encumbrances outstanding at year-end are reported as a reservation of fund balances since they do not constitute expenditures or liabilities.

Cash and Cash Equivalents and Investments—City funds are pooled and invested to improve cash management. Each fund type’s portion of the pool is shown on the Statement of Net Assets as “cash and cash equivalents” and “investments”. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City’s investment policy authorizes the City to invest in obligations of the United States Government, or other investments where the principal and interest are collateralized by the full faith and credit of the United States Government, and bonds of other states, cities and political subdivisions.

Inventory—Inventory is valued at average cost. The proprietary fund inventories are capitalized or expensed when used. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories for governmental funds are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” and are not available for appropriation.

Prepaid Expenses—Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items.

Fixed Assets—Fixed assets are recorded based on historical cost, or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	34 – 50 years
Land improvements other than buildings	25 – 75 years
Machinery and equipment	10 – 30 years
Vehicles	7 – 10 years
Computer equipment	5 years
Public domain infrastructure	45 years
Rolling stock	5 years
Sewer and water lines and underground piping	34 – 50 years

Reserves and Designations—Reserves are portions of fund equity not appropriable for expenditures/expenses or are legally segregated for a specific future use, or both. Designations are tentative plans for financial resource use in a future period. Such plans or intent are subject to change. They may never be legally authorized or result in expenditures/expense.

Use of Estimates—The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Homeowners’ Advances—These advances represent amounts funded to homeowners upon satisfaction of specific grant requirements.

Deferred Revenue pertains to the City’s adoption of Bulletin 96-013 from the Auditor of State which deals with the recognition of entitlements and state shared revenues, as well as estate taxes.

Grants and Other Intergovernmental Revenues—Federal grants, assistance awards made on the basis of entitlement periods, are recorded as intergovernmental receivables and revenues when entitlement occurs and other reimbursement-type grants are recorded as intergovernmental receivables and revenues when eligible expenditures/expenses are incurred.

Compensated Absences—It is the City’s policy to permit employees to accumulate earned but unused vacation and vested and non-vested sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation pay is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accounting Pronouncements—The Governmental Accounting Standards Board (“GASB”) has recently issued GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. The City implemented Statement No. 34 in 2002. The new standard is designed to provide financial information that responds to the needs of primary users of general-purpose financial statements. The adoption of Statement No. 34 had a material effect on the City’s combined financial statements. Among other things, net assets (currently referred to as fund balances) are reduced due to the requirement of this statement to recognize depreciation on all capital assets. Additionally, the content and presentation of the basic combined financial statements are significantly revised under this statement, including the adoption of management’s discussion and analysis as required supplementary information. In conjunction with the implementation of GASB No. 34, the City implemented GASB No. 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus* and GASB No. 38, *Certain Financial Statement Note Disclosures*.

C. POOLED CASH DEPOSITS AND INVESTMENTS

Risk Categorization—For purposes of defining risk, City funds are classified as either deposits or investments. Deposits consist of demand deposits and investments with financial institutions subject to FDIC coverage, while investments include all other City funds. Because these categorizations are different than those used to prepare the general purpose financial statements (“GPFS”), the amounts listed below do not agree individually to the GPFS; however, they do agree in aggregate.

Cash Deposits—At December 31, 2002, the carrying amount of the City’s cash deposits was \$928,245 while the balance as shown by the bank statements was \$1,130,997. Of the bank balance, \$100,000 was classified in the “Level 1” risk category since this amount was fully covered by federal deposit ory insurance. “Level 1” risk category includes deposits that are insured or collateralized with securities held by the City or its agent in the City’s name. The remaining \$1,030,997 was classified in the “Level 3” uncollateralized risk category. “Level 3” risk category includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City’s name.

Investments—Investments are carried at fair value. The City’s investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City’s name. STAR Ohio is not registered with the Securities Exchange Commission as an investment company but does operate in a manner similar to rule 2a7 of the Investment Company Act of 1940. Deposits in pooled funds, such as STAR Ohio, are not required to be categorized under GASB 3. The \$6,401,925 on deposit at STAR Ohio is valued at the pool’s share price, which is the price for which the investment could be sold on December 31, 2002. A summary of the fair/carrying value of investments held at December 31, 2002, and an indication of the related credit risk is as follows:

	Fair/Carrying Value	Risk Category
City of Piqua Bonds and Notes	\$ 615,572	1
U.S. Government Securities	<u>13,234,277</u>	1
	13,849,849	
STAR Ohio Investment Pool	<u>6,401,925</u>	
	\$20,251,774	
Total investments	<u>\$20,251,774</u>	

D. PROPERTY TAXES

Property tax revenues include amounts collected for all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each January 1 on the assessed value listed as of the prior January 1. Assessed values are established by the County Auditor for real and public utility property at 35% of appraised market value, and for tangible property at 25% of appraised market value (excluding the first \$10,000 of value). Property values are required to be updated every three years and revalued every six years. A revaluation was completed in 2001.

The property tax calendar is as follows:

Levy date	January 1, 2001
Lien date	January 1, 2002
Tax bill mailed	January 20, 2002
First installment payment due	February 20, 2002
Second installment payment due	July 20, 2002

The assessed values for the City at January 1, 2002 were as follows:

Real estate	\$270,749,680
Tangible personal property	<u>73,192,390</u>
Total	<u>\$343,942,070</u>

The County Treasurer collects property taxes on behalf of taxing districts, including the City of Piqua. The County Auditor periodically remits to the City its portion of taxes collected. Property taxes may be paid on either an annual or semiannual basis. Although total property tax collections for the next fiscal year are measurable, amounts to be received are not available at December 31, 2002, nor are they intended to finance 2002 operations. Therefore, the City has recorded property taxes receivable with a corresponding amount as deferred revenue.

Ohio law prohibits taxation of property in excess of \$10 per \$1,000 (10.0 mills) of assessed value without a vote of the citizens. The City's share is currently \$3.70 (3.7 mills) of assessed value. In 2002, the City also received an additional 0.60 mills to fund the Pension Refunding Bonds, and 0.15 mills for costs of the Miami Conservancy District.

E. INCOME TAXES

The City levies a 1.75% income tax on all income earned within the City. Income tax in excess of 1% is voter approved. Income tax is allocated by fund in accordance with voter and commission authorizations. In addition, City residents pay City tax on income earned outside the City; however, a credit is allowed for income taxes paid to other municipalities.

Employers within the City withhold income tax on employee compensation and remit payments at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration. Additional KWH tax revenues in 2002 are recognized based upon sales of electrical services by the City.

F. OTHER TAXES

The caption "State Shared Taxes" on the Statement of Activities is comprised of taxes levied by the State or the County and distributed to the City. The components of the number are as follows:

Estate taxes	\$ 435,547
Sales taxes	1,065,267
Gasoline taxes	422,125
Vehicle license taxes	327,044
Miscellaneous other taxes	<u>191,057</u>
	<u>\$ 2,441,040</u>

G. FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Beginning Balance	Increases	Decreases	Construction In Process Placed in Service	Ending Balance
Capital assets not being depreciated:					
Land	\$ 2,668,003	\$ 84,631	\$ -	\$ 391,232	\$ 3,143,866
Infrastructure land	773,348	62,932			836,280
Construction in progress	<u>2,066,489</u>	<u>3,084,329</u>		<u>(4,923,099)</u>	<u>227,719</u>
Assets not depreciated	5,507,840	3,231,892		(4,531,867)	4,207,865
Capital assets being depreciated:					
Buildings and improvements	11,041,386	21,057	(979)	186,323	11,247,787
Furniture, fixtures and equipment	7,408,041	199,626	(208,001)	1,112,176	8,511,842
Infrastructure	<u>18,168,133</u>	<u>1,103,707</u>		<u>3,233,368</u>	<u>22,505,208</u>
Depreciated capital assets	<u>36,617,560</u>	<u>1,324,390</u>	<u>(208,980)</u>	<u>4,531,867</u>	<u>42,264,837</u>
Accumulated depreciation:					
Buildings and improvements	(590,869)	(236,918)	979		(826,808)
Furniture, fixtures and equipment	(4,815,646)	(546,814)	162,696		(5,199,764)
Infrastructure	<u>(2,639,537)</u>	<u>(416,769)</u>			<u>(3,056,306)</u>
Total accumulated depreciation	<u>(8,046,052)</u>	<u>(1,200,501)</u>	<u>163,675</u>		<u>(9,082,878)</u>
Net capital assets being depreciated	28,571,508	123,889	(45,305)	4,531,867	33,181,959
Net capital assets	<u>\$34,079,348</u>	<u>\$3,355,781</u>	<u>\$ (45,305)</u>	<u>\$ -</u>	<u>\$37,389,824</u>

* Depreciation expense was charged to governmental functions as follows:

General governmental	\$ 268,414
Public safety	273,402
Street repairs and maintenance	575,465
Community development	10,417
Parks	<u>72,803</u>
Total depreciation expense	<u>\$ 1,200,501</u>

A summary of proprietary fund-type fixed assets at December 31, 2002 follows:

Enterprise Funds					
	Electric	Steam	Wastewater	Golf Course	Garbage
Land and land improvements	\$ 68,661	\$ -	\$ 33,775	\$ 365,022	\$ 17,949
Buildings	3,384,612		23,788,143	2,315,984	78,498
Furniture, fixtures and equipment	55,004,067	1,232,569	4,215,311	472,672	419,350
Intangible assets	<u>2,999,379</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fixed assets	61,456,719	1,232,569	28,037,229	3,153,678	515,797
Less accumulated depreciation	<u>(29,287,105)</u>	<u>(636,458)</u>	<u>(13,868,253)</u>	<u>(987,438)</u>	<u>(222,357)</u>
Net fixed assets	32,169,614	596,111	14,168,976	2,166,240	293,440
Construction in progress	<u>543,882</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fixed assets net	<u>\$32,713,496</u>	<u>\$ 596,111</u>	<u>\$ 14,168,976</u>	<u>\$ 2,166,240</u>	<u>\$ 293,440</u>

Enterprise Funds (Continued)				
	Hot Water	Municipal Pool	Water	Total
Land and land improvements	\$ -	\$ -	\$ 1,568,306	\$ 2,053,713
Buildings		1,053,660	1,868,604	32,489,501
Furniture, fixtures and equipment	1,410,534	43,094	11,640,083	74,437,680
Intangible assets	<u> </u>	<u> </u>	<u> </u>	<u>2,999,379</u>
Total fixed assets	1,410,534	1,096,754	15,076,993	111,980,273
Less accumulated depreciation	<u>(701,927)</u>	<u>(555,308)</u>	<u>(6,125,813)</u>	<u>(52,384,659)</u>
Net fixed assets	708,607	541,446	8,951,180	59,595,614
Construction in progress	<u> </u>	<u> </u>	<u>13,724</u>	<u>557,606</u>
Total fixed assets net	<u>\$ 708,607</u>	<u>\$ 541,446</u>	<u>\$ 8,964,904</u>	<u>\$60,153,220</u>

H. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2002 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds:					
Electric and hot water general obligation bonds, 6.5%-6.6%	\$ 3,255,000	\$ -	\$ 235,000	\$ 3,020,000	\$ 250,000
Public improvement bonds, 3.0%-6.2%	365,000		55,000	310,000	55,000
Utility improvement bonds, 5.0%	80,000		80,000		
Improvement bonds, 7.25%	990,000		165,000	825,000	165,000
Ohio Water Development Authority	1,044,716		230,544	814,172	249,864
Loan—1995, 4.56%	4,749,878		256,746	4,493,132	298,227
Recreational facility bonds, 4.5%-5.5%	2,105,000		120,000	1,985,000	125,000
Building facility bonds, 5.97%	<u>3,695,000</u>		<u>320,000</u>	<u>3,375,000</u>	<u>340,000</u>
Total general obligation bonds	16,284,594		1,462,290	14,822,304	1,483,091
Special assessment bonds, 9%	171,664	44,719	35,812	180,571	34,110
Other—pension refunding bonds, 6.25%	450,000		15,000	435,000	15,000
Total long-term liabilities	<u>\$16,906,258</u>	<u>\$44,719</u>	<u>\$1,513,102</u>	<u>\$15,437,875</u>	<u>\$1,532,201</u>

The terms of the various bonds include certain covenants, which provide for, among other things, minimum debt coverage ratios, maintenance of insurance and restrictions regarding disposal of property.

The full faith and credit of the City are pledged as collateral for all General Obligation Bonds.

Ohio Water Development Authority (“OWDA”) Wastewater Sewer Project Notes are issued under a cooperative agreement for construction, maintenance and operation of a state sewer project. Payments to the OWDA will be made from the utility’s revenues.

The Special Assessment Bonds are held for investment by other City funds. In the event of delinquencies related to special assessment debt, the City is required to use other resources to satisfy debt service requirements.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2002 are as follows:

Year Ending December 31	General Obligation Bonds		Pension Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 1,483,091	\$ 878,234	\$ 15,000	\$ 27,188	\$ 34,110	\$ 16,252
2004	1,562,784	786,394	15,000	26,250	37,476	13,182
2005	1,659,857	689,436	15,000	25,313	36,628	9,809
2006	1,431,423	585,989	15,000	24,375	25,929	6,512
2007	1,502,170	490,129	20,000	23,438	13,735	4,179
2008—2012	5,907,998	1,238,720	105,000	98,438	31,849	6,488
2013—2017	1,274,981	116,951	140,000	61,563	844	76
2018—2022			<u>110,000</u>	<u>14,062</u>		
Total	<u>\$ 14,822,304</u>	<u>\$ 4,785,853</u>	<u>\$ 435,000</u>	<u>\$ 300,627</u>	<u>\$ 180,571</u>	<u>\$ 56,498</u>

I. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Current portion of long-term interfund loans are classified as “interfund receivables/payables.”

J. PENSION PLAN OBLIGATIONS

Substantially all City employees are covered by one of two defined benefit cost-sharing multiple-employer public employee retirement systems, namely, the Ohio Police and Fire Pension Fund (“P&F”) or the Ohio Public Employees Retirement System (“OPERS”). The systems provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Police and Fire Disability Pension Fund Plan—Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The P&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to P&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The contribution requirements for the years ended December 31, 2002, 2001, and 2000 were \$1,126,680, \$1,109,667 and \$1,092,791, which consisted of \$766,291, \$758,649 and \$747,068 from the City and \$360,406, \$351,018, and \$345,723 from the employees, respectively, equal to the required contributions for each year.

Public Employees Retirement System—All employees are required to be members of the OPERS. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City’s contributions to the plan for the years ending December 31, 2000, 2001 and 2002 were \$1,220,072, \$1,438,203 and \$1,499,130, respectively, equal to the required contributions for the year.

K. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Both the OPERS and the P&F provide postretirement health care coverage commonly referred to as OPEB. For both systems, the Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions.

Police and Firemen’s Disability Pension Fund OPEB—The fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18, whether or not the child is attending school, or under the age of 22, if attending full-time or on a 2/3 basis.

Health care funding and accounting is on a pay-as-you-go basis. The Ohio Revised Code provides that health care costs paid shall be included in the employer's contribution rate. The 2002 contribution rate was 7.75% of covered payroll which resulted in a contribution of \$146,140 for police and \$132,860 for firemen to pay postemployment benefits.

The number of participants eligible to receive health care benefits statewide as of December 31, 2002, the date of the last actuarial valuation available, was 13,174 for police and 10,239 for firemen. P&F's total health care expense for the year ending December 31, 2002 was \$122,298,771, which was net of member contributions of \$6,874,699.

Public Employees Retirement System OPEB—OPERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to OPERS (5.0% of the total 13.55% contribution—See Note J) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and post-retirement health care through their contributions to OPERS.

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

As of December 31, 2002 the unaudited estimated net assets available for future OPEB payments is \$11.6 million. The number of benefits recipients eligible for OPEB at December 31, 2002 was 402,041.

L. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

M. CONTINGENCIES

Certain claims and suits have been filed or are pending against the City. Management believes that the liability, if any, which may result would not have a material adverse effect on the financial position of the City.

The City participates in several federally assisted programs, which are subject to program compliance audits by the grantors or their representatives. A single financial and compliance audit of the City has been completed with no findings for recovery. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies. Management believes such reimbursements, if any, would not be material.

N. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. In 2002, the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. ("MVRMA") with other local cities. The pool has been operational since December 1988, and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public officials liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad-based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a seventeen-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an executive director, who is assisted by a claims manager, a full-time loss control manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The City pays an annual premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500. During 2002, the City's per-occurrence retention limit for property was \$250,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a pre-occurrence retention limit of \$500,000. After the retention limits are reached, excess insurance will cover up to the limits stated below:

General Liability (including law enforcement)	\$10,500,000 per occurrence
Automobile Liability	\$10,500,000 per occurrence
Public Officials Liability	\$500,000 excess \$500,000 (\$500,000 aggregate)
	\$10,000,000 excess \$1,000,000 (\$10,000,000 aggregate per city)
Boiler and Machinery	\$100,000,000 per occurrence
Property	\$100,000,000 per occurrence
Flood and Earthquake	\$25,000,000 annual aggregate
Employment Practices Liability	\$500,000 aggregate
	\$10,000,000 excess \$1,000,000 (\$10,000,000 aggregate per city)

The City joined a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers' compensation rating purposes. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

The City is self-insured for medical benefits and claims, subject to certain stop-loss limits, which are insured by a thirty party. S&S Healthcare, located in Cincinnati, Ohio, reviews all claims, which the City then pays. The City purchases stop-loss coverage for claims over \$60,000 per employee per year.

O. COMMITMENTS

Cinergy (Public Service Company of Indiana) Power Contract

On May 17, 1993, the City of Piqua and the Public Service Company of Indiana (Cinergy) signed an agreement for the City to purchase 15 MW of limited term power for a period of 20 years. This agreement expires December 31, 2013.

The purchase was made to provide the City an economical alternative to the construction of the cooling tower for its generating facilities.

The contract defines and includes an escape clause for the City in the event energy costs unreasonably exceed estimates or the supply source becomes unreliable.

Future year demand obligations of the City, based on 15 MW purchase levels:

Year	Amount	
2003	\$ -	* See Below (A)
2004		* See Below (A)
2005		* See Below (A)
2006		* See Below (A)
2007	2,196,000	
2008	2,196,000	
2009	2,520,000	
2010	2,520,000	
2011	2,700,000	
2012	2,880,000	
2013	<u>2,880,000</u>	
	<u>\$ 17,892,000</u>	

(A) On October 18, 2000, the City and Cinergy agreed to suspend and supercede this agreement for the period of January 1, 2002 through December 31, 2006. Under the new agreement, dated October 31, 2000, the city agreed to purchase from Cinergy all energy requirements in excess of those supplied by the New York Power Authority (NYPA) for the duration of the agreement. The new contract results in a “take and pay” arrangement with no minimum obligations to the City. The original agreement, dated May 17, 1993, will remain effective from January 1, 2007 through December 31, 2013.

* * * * *

**REQUIRED
SUPPLEMENTAL INFORMATION**

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE—January 1	\$ 5,697,431	\$ 5,697,431	\$ 5,697,431	\$ -
Revenues:				
Municipal income tax	5,038,416	4,706,469	4,925,442	218,973
Property taxes	1,134,544	1,132,221	1,132,221	
State shared revenues	1,624,974	1,676,340	1,680,429	4,089
KWH tax	980,582	1,054,791	1,084,235	29,444
Licenses and permits	348,726	353,219	346,615	(6,604)
Grants—federal	15,000	15,000	15,432	432
Grants—state	27,508	57,732	53,569	(4,163)
Interest income	248,648	193,645	186,393	(7,252)
Increase in fair value of investments			15,282	15,282
Donations:				
Capital			73,625	73,625
Operating			343	343
Other	<u>110,425</u>	<u>95,580</u>	<u>137,613</u>	<u>42,033</u>
Total Revenues	9,528,823	9,284,997	9,651,199	366,202
GENERAL GOVERNMENT ADMINISTRATION:				
City Commission:				
Personal Services	33,593	33,531	32,996	535
Operating Expenditures	18,104	29,000	28,625	375
Capital outlay	<u>10,000</u>	<u> </u>	<u> </u>	<u> </u>
Total City Commission	<u>61,697</u>	<u>62,531</u>	<u>61,621</u>	<u>910</u>
Office of City Manager:				
Personal Services	88,574	93,788	85,540	8,248
Operating Expenditures	5,624	8,032	7,277	755
Capital outlay	<u>601</u>	<u>1,425</u>	<u>8,778</u>	<u>(7,353)</u>
Total Office of City Manager	<u>94,799</u>	<u>103,245</u>	<u>101,595</u>	<u>1,650</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
GENERAL GOVERNMENT ADMINISTRATION (Continued):				
Purchasing Department:				
Personal Services	\$ 2,270	\$ 2,263	\$ 3,437	\$ (1,174)
Operating Expenditures	<u>173</u>	<u>166</u>	<u>216</u>	<u>(50)</u>
Total Purchasing Department	<u>2,443</u>	<u>2,429</u>	<u>3,653</u>	<u>(1,224)</u>
Law Department:				
Personal Services	22,548	23,327	23,273	54
Operating Expenditures	<u>1,815</u>	<u>2,998</u>	<u>4,008</u>	<u>(1,010)</u>
Total Law Department	<u>24,363</u>	<u>26,325</u>	<u>27,281</u>	<u>(956)</u>
Finance Department:				
Personal Services	136,575	184,596	186,327	(1,731)
Operating Expenditures	<u>8,771</u>	<u>9,698</u>	<u>9,616</u>	<u>82</u>
Total Finance Department	<u>145,346</u>	<u>194,294</u>	<u>195,943</u>	<u>(1,649)</u>
Personnel Department:				
Personal Services	10,940	11,258	11,822	(564)
Operating Expenditures	<u>2,750</u>	<u>1,819</u>	<u>1,283</u>	<u>536</u>
Total Personnel Department	<u>13,690</u>	<u>13,077</u>	<u>13,105</u>	<u>(28)</u>
Engineering Department:				
Personal Services	91,251	96,442	98,108	(1,666)
Operating Expenditures	<u>11,499</u>	<u>9,726</u>	<u>10,093</u>	<u>(367)</u>
Total Engineering Department	102,750	106,168	108,201	(2,033)
Income Tax Department:				
Personal Services	147,207	139,521	136,897	2,624
Operating Expenditures	129,692	134,106	152,724	(18,618)
Capital outlay		<u>647</u>	<u>647</u>	
Total Income Tax Department	<u>276,899</u>	<u>274,274</u>	<u>290,268</u>	<u>(15,994)</u>
General Government:				
Operating Expenditures	327,845	383,776	400,295	(16,519)
Capital outlay			<u>8,667</u>	<u>(8,667)</u>
Total General Government	<u>327,845</u>	<u>383,776</u>	<u>408,962</u>	<u>(25,186)</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original	Final	Actual	
GENERAL GOVERNMENT ADMINISTRATION (Continued):				
Miscellaneous:				
Operating Expenditures	\$ 142,142	\$ 136,667	\$ 133,012	\$ 3,655
Capital outlay	<u>5,277</u>	<u>15,849</u>	<u>22,133</u>	<u>(6,284)</u>
Total Miscellaneous	<u>147,419</u>	<u>152,516</u>	<u>155,145</u>	<u>(2,629)</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>\$1,197,251</u>	<u>\$1,318,635</u>	<u>\$1,365,774</u>	<u>\$(47,139)</u>
PUBLIC SAFETY:				
Fire Department:				
Personal Services	\$ 2,471,033	\$ 2,458,205	\$ 2,521,247	\$ (63,042)
Operating Expenditures	225,953	240,852	226,151	14,701
Capital outlay	<u>7,662</u>	<u>7,662</u>	<u>7,662</u>	<u>—</u>
Total Fire Department	<u>2,696,986</u>	<u>2,706,719</u>	<u>2,755,060</u>	<u>(48,341)</u>
Police Department:				
Personal Services	3,112,510	2,960,077	2,993,881	(33,804)
Operating Expenditures	436,674	479,628	442,677	36,951
Capital outlay	<u>79,496</u>	<u>79,496</u>	<u>78,972</u>	<u>524</u>
Total Police Department	<u>3,549,184</u>	<u>3,519,201</u>	<u>3,515,530</u>	<u>3,671</u>
TOTAL PUBLIC SAFETY	<u>\$6,246,170</u>	<u>\$6,225,920</u>	<u>\$6,270,590</u>	<u>\$(44,670)</u>
HEALTH DEPARTMENT:				
Personal Services	\$ 282,474	\$ 240,594	\$ 230,263	\$ 10,331
Operating Expenditures	<u>39,154</u>	<u>43,932</u>	<u>42,962</u>	<u>970</u>
TOTAL HEALTH DEPARTMENT	<u>\$ 321,628</u>	<u>\$ 284,526</u>	<u>\$ 273,225</u>	<u>\$ 11,301</u>
PARKS AND RECREATIONS:				
Personal Services	\$ 371,555	\$ 369,412	\$ 371,208	\$ (1,796)
Operating Expenditures	153,481	202,590	148,050	54,540
Capital outlay	<u>92,685</u>	<u>429,210</u>	<u>481,167</u>	<u>(51,957)</u>
TOTAL PARKS AND RECREATIONS	<u>\$ 617,721</u>	<u>\$1,001,212</u>	<u>\$1,000,425</u>	<u>\$ 787</u>
CHARGES TO APPROPRIATIONS	<u>\$8,382,770</u>	<u>\$8,830,293</u>	<u>\$8,910,014</u>	<u>\$(79,721)</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
NET CHANGE IN FUND BALANCE	<u>\$ 1,146,053</u>	<u>\$ 454,704</u>	<u>\$ 741,185</u>	<u>\$ 286,481</u>
Transfers, out	(4,136,472)	(4,276,651)	(4,567,780)	(291,129)
Transfers, in	<u>3,890,699</u>	<u>4,295,060</u>	<u>3,791,068</u>	<u>(503,992)</u>
FUND BALANCE—December 31	<u>\$ 6,597,711</u>	<u>\$ 6,170,544</u>	<u>\$ 5,661,904</u>	<u>\$ (508,640)</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—STREET MAINTENANCE FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE—January 1	\$ 291,855	\$ 291,855	\$ 291,855	\$ -
Revenues:				
Municipal income tax	1,156,611	1,076,236	1,000,577	(75,659)
State shared revenues	663,588	663,750	673,227	9,477
Grants	1,046,497	1,137,000	2,092,396	955,396
Interest income	35,000	3,000	2,835	(165)
Increase in fair value of investments			234	234
Other	<u>9,625</u>	<u>7,601</u>	<u>8,616</u>	<u>1,015</u>
Total revenues	<u>2,911,321</u>	<u>2,887,587</u>	<u>3,777,885</u>	<u>890,298</u>
Charges to appropriations (outflows):				
Street repairs and maintenance	1,707,433	1,432,322	1,710,950	(278,628)
Capital costs	<u>1,375,000</u>	<u>1,453,064</u>	<u>2,443,746</u>	<u>(990,682)</u>
Total charges to appropriations	3,082,433	2,885,386	4,154,696	(1,269,310)
NET CHANGE IN FUND BALANCE	(171,112)	2,201	(376,811)	(379,012)
Transfers, out	(14,579)	(14,579)	(14,319)	260
Transfers, in	<u>64,275</u>	<u>50,275</u>	<u>345,757</u>	<u>295,482</u>
FUND BALANCE—December 31	<u>\$ 170,439</u>	<u>\$ 329,752</u>	<u>\$ 246,482</u>	<u>\$ (83,270)</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE—STREET LEVY CONSTRUCTION FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
FUND BALANCE—January 1	\$ 599,788	\$ 599,788	\$ 599,788	\$ -
Revenues:				
Municipal income tax	1,033,002	961,219	987,912	26,693
Interest income	50,000	28,000	22,636	(5,364)
Grants	392,000	350,000	365,119	15,119
Decrease fair value of investments			(6,777)	(6,777)
Other	<u>126,000</u>	<u>120,000</u>	<u>17,434</u>	<u>(102,566)</u>
Total revenues	1,601,002	1,459,219	1,386,324	(72,895)
Charges to appropriations (outflows)				
Street repairs and maintenance	752,633	499,526	515,535	(16,009)
Capital costs	1,202,000	1,491,000	1,465,716	25,284
Total charges to appropriations	<u>1,954,633</u>	<u>1,990,526</u>	<u>1,981,251</u>	<u>9,275</u>
NET CHANGES IN FUNDS BALANCE	(353,631)	(531,307)	(594,927)	(63,620)
Transfers, out		(1,190)	(1,190)	
Transfers, in	<u>206,373</u>	<u>88,097</u>	<u>108,097</u>	<u>20,000</u>
FUND BALANCE—December 31	<u>\$ 452,530</u>	<u>\$ 155,388</u>	<u>\$ 111,768</u>	<u>\$ (43,620)</u>

See accompanying notes to the basic financial statements.

SUPPLEMENTAL DATA

CITY OF PIQUA, OHIO

COMBINING BALANCE SHEET—NON-MAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2002

ASSETS	Mandatory Drug Fine	Demolition Defense	Enterprise Zone Applications	Federal Grants	Public Transit System	Linear Park Development
Notes receivable	\$ -	\$ -	\$ -	\$ 1,011,089	\$ -	\$ -
Equity in pooled cash and cash equivalents	3,864	31,631	4,795	5,270	8,023	
Equity in pooled investments						
Accounts receivable				105,253		
Prepaid and other assets						
TOTAL ASSETS	<u>\$ 3,864</u>	<u>\$ 31,631</u>	<u>\$ 4,795</u>	<u>\$ 1,121,612</u>	<u>\$ 8,023</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE						
CURRENT LIABILITIES:						
Accounts payable	\$ -	\$ 8,531	\$ -	\$ 4,550	7,500	\$ -
Accrual expenses				104,389		
Compensated absences						
Total current liabilities		<u>8,531</u>		<u>108,939</u>	<u>7,500</u>	
LONG-TERM LIABILITIES:						
Restricted deposits						
Deferred income						
Homeowner advances				<u>1,011,089</u>		
Total long-term liabilities				<u>1,011,089</u>		
TOTAL LIABILITIES		<u>8,531</u>		<u>1,120,028</u>	<u>7,500</u>	
FUND BALANCES:						
Reserve for encumbrances				121,357		
Equity insurance and equipment reserves						
Unreserved	<u>3,864</u>	<u>23,100</u>	<u>4,795</u>	<u>(119,773)</u>	<u>523</u>	
TOTAL FUND BALANCES	<u>3,864</u>	<u>23,100</u>	<u>4,795</u>	<u>1,584</u>	<u>523</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,864</u>	<u>\$ 31,631</u>	<u>\$ 4,795</u>	<u>\$ 1,121,612</u>	<u>\$ 8,023</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

COMBINING BALANCE SHEET—NON-MAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2002

ASSETS	Safety Force Pension Liabilitv	Community Development Block Grant	Special Assessments	Trust Fund	Conservancv	Information Technoloav
Notes receivable	\$ -	\$ 32,000	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash and cash equivalents	73,886	442,091	1,372	200,820	45,595	80,094
Equity in pooled investments						
Accounts receivable	200,682				43,452	
Prepaid and other assets						
TOTAL ASSETS	<u>\$ 274,568</u>	<u>\$ 474,091</u>	<u>\$ 1,372</u>	<u>\$ 200,820</u>	<u>\$ 89,047</u>	<u>\$ 80,094</u>
LIABILITIES AND FUND BALANCE						
CURRENT LIABILITIES:						
Accounts payable	\$ -	\$ 2,067	\$ 75	\$ 75	\$ -	1,041
Accrual expenses		9,657				13,341
Compensated absences		12,319				10,168
Total current liabilities	<u> </u>	<u>24,043</u>	<u>75</u>	<u>75</u>	<u> </u>	<u>24,550</u>
LONG-TERM LIABILITIES:						
Restricted deposits				193,673		
Deferred income	200,682				43,452	
Homeowner advances	<u> </u>	<u>32,000</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	200,682	32,000		193,673	43,452	
TOTAL LIABILITIES	<u>200,682</u>	<u>56,043</u>	<u>75</u>	<u>193,748</u>	<u>43,452</u>	<u>24,550</u>
FUND BALANCES:						
Reserve for encumbrances		7,518				3,629
Equity insurance and equipment reserves						24,652
Unreserved	<u>73,886</u>	<u>410,530</u>	<u>1,297</u>	<u>7,072</u>	<u>45,595</u>	<u>27,263</u>
TOTAL FUND BALANCES	<u>73,886</u>	<u>418,048</u>	<u>1,297</u>	<u>7,072</u>	<u>45,595</u>	<u>55,544</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 274,568</u>	<u>\$ 474,091</u>	<u>\$ 1,372</u>	<u>\$ 200,820</u>	<u>\$ 89,047</u>	<u>\$ 80,094</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

COMBINING BALANCE SHEET—NON-MAJOR SPECIAL REVENUE FUNDS DECEMBER 31, 2002

ASSETS	Insurance Reserve	State Highway	Federal Grants Program Income	Total Non-Major Special Revenue Funds
Notes receivable	\$ -	\$ -	\$ 26,065	\$ 1,069,154
Equity in pooled cash and cash equivalents	928,853	552	37,361	1,864,207
Equity in pooled investments	3,815,547			3,815,547
Accounts receivable	339,328	24,441	426	713,582
Prepaid and other assets	<u>21,321</u>	<u> </u>	<u> </u>	<u>21,321</u>
TOTAL ASSETS	<u>\$ 5,105,049</u>	<u>\$ 24,993</u>	<u>\$ 63,852</u>	<u>\$ 7,483,811</u>
 LIABILITIES AND FUND BALANCE				
CURRENT LIABILITIES:				
Accounts payable	\$ 292,732	\$ -	\$ -	\$ 316,571
Accrual expenses				127,387
Compensated absences	<u> </u>	<u> </u>	<u> </u>	<u>22,487</u>
Total current liabilities	<u>292,732</u>	<u> </u>	<u> </u>	<u>466,445</u>
 LONG-TERM LIABILITIES:				
Restricted deposits				193,673
Deferred income		17,544		261,678
Homeowner advances	<u> </u>	<u> </u>	<u>26,491</u>	<u>1,069,580</u>
Total long-term liabilities	<u> </u>	<u>17,544</u>	<u>26,491</u>	<u>1,524,931</u>
TOTAL LIABILITIES	<u>292,732</u>	<u>17,544</u>	<u>26,491</u>	<u>1,991,376</u>
 FUND BALANCES:				
Reserve for encumbrances				132,504
Equity insurance and equipment reserves				24,652
Unreserved	<u>4,812,317</u>	<u>7,449</u>	<u>37,361</u>	<u>5,335,279</u>
TOTAL FUND BALANCES	<u>4,812,317</u>	<u>7,449</u>	<u>37,361</u>	<u>5,492,435</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,105,049</u>	<u>\$ 24,993</u>	<u>\$ 63,852</u>	<u>\$ 7,483,811</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES— NON-MAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	Mandatory Drug Fine	Demolition Defense	Enterprise Zone Applications	Federal Grants	Public Transit System
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State shared revenues					
Licenses and permits	1,945		1,500		
Grants				526,676	
Interest income	25	437			98
Increase in fair value of investments					
Donations—capital					
Other	_____	<u>17,864</u>	_____	_____	<u>251</u>
Total revenues	1,970	18,301	1,500	526,676	349
EXPENDITURES:					
Street repairs and maintenance					
Community planning and development				566,558	30,000
Capital costs					
Other		8,531			
Total expenditures	_____	<u>8,531</u>	_____	<u>566,558</u>	<u>30,000</u>
NET CHANGE IN FUND BALANCE	1,970	9,770	1,500	(39,882)	(29,651)
FUND BALANCE—Beginning of year	1,894	13,330	6,130	40,275	174
Transfers, out			(2,835)	(2)	
Transfers, in	_____	_____	_____	<u>1,193</u>	<u>30,000</u>
FUND BALANCE—End of year	<u>\$3,864</u>	<u>\$23,100</u>	<u>\$4,795</u>	<u>\$ 1,584</u>	<u>\$ 523</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES— NON-MAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	Linear Park Development	Safety Force Pension Liability	Community Development Block Grant	Special Assessments	Trust Fund	Conservancy
REVENUES:						
Property taxes	\$ -	\$ 183,604	\$ -	\$ 48,506	\$ -	\$ 45,901
State shared revenues		22,944				5,731
Licenses and permits			1,050		358	
Grants						
Interest income		1,761	4,542		7	468
Increase in fair value of investments						
Donations—capital			2			
Other			5,168		916	
Total revenues		208,309	10,762	48,506	1,281	52,100
EXPENDITURES:						
Street repairs and maintenance				16,659		
Community planning and development						
Capital costs						
Other		3,292				38,599
Total expenditures		3,292		16,659		38,599
NET CHANGE IN FUND BALANCE		205,017	10,762	31,847	1,281	13,501
FUND BALANCE—Beginning of year	5,700	41,339	397,273		5,791	32,094
Transfers, out	(5,700)	(172,470)		(88,097)		
Transfers, in			10,013	57,547		
FUND BALANCE—End of year	\$ -	\$ 73,886	\$418,048	\$ 1,297	\$7,072	\$ 45,595

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES— NON-MAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	Information Technology	Insurance Reserve	State Highway	Federal Grants Program Income	Total Non-Major Special Revenue Funds
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 278,011
State shared revenues			46,326		75,001
Licenses and permits					4,853
Grants					526,676
Interest income	1,305	216,048	513	1,216	226,420
Increase fair of investments		62,045			62,045
Donations—capital					2
Other	<u>14,245</u>	<u>63,067</u>	<u>—</u>	<u>17,055</u>	<u>118,566</u>
Total revenues	<u>15,550</u>	<u>341,160</u>	<u>46,839</u>	<u>18,271</u>	<u>1,291,574</u>
EXPENDITURES:					
Street repairs and maintenance					16,659
Community planning and development				7,957	604,515
Capital costs	3,002				3,002
Other	<u>159,769</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>210,191</u>
Total expenditures	<u>162,771</u>	<u>—</u>	<u>—</u>	<u>7,957</u>	<u>834,367</u>
NET CHANGE IN FUND BALANCE	(147,221)	341,160	46,839	10,314	457,207
FUND BALANCE—Beginning of year	202,765	4,471,157	32,610	27,047	5,277,579
Transfers, out			(72,000)		(341,104)
Transfers, in					98,753
FUND BALANCE—End of year	<u>\$ 55,544</u>	<u>\$ 4,812,317</u>	<u>\$ 7,449</u>	<u>\$ 37,361</u>	<u>\$ 5,492,435</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Mandatory Drug Fine</u>			<u>Demolition Defense</u>		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shares revenues						
Licenses and permits	1,612	1,945	333			
Grants						
Interest income		25	25	400	437	37
Increase in fair value of investments						
Donations—capital						
Other	_____	_____	_____	<u>17,864</u>	<u>17,864</u>	_____
Total revenues	1,612	1,970	358	18,264	18,301	37
EXPENDITURES:						
Street repairs and maintenance						
Community planning and development				13,000		13,000
Capital costs						
Other	_____	_____	_____	_____	<u>8,531</u>	<u>(8,531)</u>
Total expenditures	_____	_____	_____	<u>13,000</u>	<u>8,531</u>	<u>4,469</u>
NET CHANGE IN FUND BALANCE	1,612	1,970	358	5,264	9,770	4,506
FUND BALANCE—Beginning of year	1,894	1,894		13,330	13,330	
Transfers, out						
Transfers, in						
FUND BALANCE—End of year	<u>\$ 3,506</u>	<u>\$ 3,864</u>	<u>\$ 358</u>	<u>\$ 18,594</u>	<u>\$ 23,100</u>	<u>\$ 4,506</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Enterprise Zone Applications			Federal Grants		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shares revenues						
Licenses and permits	1,500	1,500				
Grants				683,819	526,676	(157,143)
Interest income						
Increase in fair value of investments						
Donations—capital						
Other	_____	_____	_____	_____	_____	_____
Total revenues	1,500	1,500		683,819	526,676	(157,143)
EXPENDITURES:						
Street repairs and maintenance						
Community planning and development				685,494	566,558	118,936
Capital costs						
Other	_____	_____	_____	_____	_____	_____
Total expenditures	_____	_____	_____	<u>685,494</u>	<u>566,558</u>	<u>118,936</u>
NET CHANGE IN FUND BALANCE	1,500	1,500		(1,675)	(39,882)	(38,207)
FUND BALANCE—Beginning of year	6,130	6,130		40,275	40,275	
Transfers, out	(3,100)	(2,835)	265		(2)	(2)
Transfers, in	_____	_____	_____	_____	<u>1,193</u>	<u>1,193</u>
FUND BALANCE—End of year	<u>\$ 4,530</u>	<u>\$ 4,795</u>	<u>\$ 265</u>	<u>\$ 38,600</u>	<u>\$ 1,584</u>	<u>\$ (37,016)</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	Public Transit System			Linear Park Development		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shares revenues						
Licenses and permits						
Grants						
Interest income	97	98	1			
Increase in fair value of investments						
Donations—capital						
Other	251	251				
Total revenues	348	349	1			
EXPENDITURES:						
Street repairs and maintenance						
Community planning and development	30,000	30,000				
Capital costs						
Other						
Total expenditures	<u>30,000</u>	<u>30,000</u>				
NET CHANGE IN FUND BALANCE	(29,652)	(29,651)	1			
FUND BALANCE—Beginning of year	174	174		5,700	5,700	
Transfers, out				(5,700)	(5,700)	
Transfers, in	30,000	30,000				
FUND BALANCE—End of year	<u>\$ 522</u>	<u>\$ 523</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2002

	Safety Force Pension Liability			Community Development Block Grant		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Property taxes	\$ 183,604	\$ 183,604	\$ -	\$ -	\$ -	\$ -
State shares revenues	23,152	22,944	(208)			
Licenses and permits					1,050	1,050
Grants						
Interest income	1,500	1,761	261	4,350	4,542	192
Increase in fair value of investments						
Donations—capital					2	2
Other				1,050	5,168	4,118
Total revenues	208,256	208,309	53	5,400	10,762	5,362
EXPENDITURES:						
Street repairs and maintenance						
Community planning and development						
Capital costs						
Other	3,230	3,292	(62)			
Total expenditures	<u>3,230</u>	<u>3,292</u>	<u>(62)</u>			
NET CHANGE IN FUND BALANCE	205,026	205,017	(9)	5,400	10,762	5,362
FUND BALANCE—Beginning of year	41,339	41,339		397,273	397,273	
Transfers, out	(173,047)	(172,470)	577			
Transfers, in				8,880	10,013	1,133
FUND BALANCE—End of year	<u>\$ 73,318</u>	<u>\$ 73,886</u>	<u>\$ 568</u>	<u>\$ 411,553</u>	<u>\$ 418,048</u>	<u>\$ 6,495</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Special Assessments			Trust Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES:						
Property taxes	\$ 46,947	\$ 48,506	\$ 1,559	\$ -	\$ -	\$ -
State shares revenues						
Licenses and permits					358	358
Grants						
Interest income				7	7	
Increase in fair value of investments						
Donations—capital						
Other					916	916
Total revenues	<u>46,947</u>	<u>48,506</u>	<u>1,559</u>	<u>7</u>	<u>1,281</u>	<u>1,274</u>
EXPENDITURES:						
Street repairs and maintenance	17,312	16,659	653			
Community planning and development						
Capital costs						
Other						
Total expenditures	<u>17,312</u>	<u>16,659</u>	<u>653</u>			
NET CHANGE IN FUND BALANCE	29,635	31,847	2,212	7	1,281	1,274
FUND BALANCE—Beginning of year				5,791	5,791	
Transfers, out	(88,097)	(88,097)				
Transfers, in	<u>92,570</u>	<u>57,547</u>	<u>(35,023)</u>			
FUND BALANCE—End of year	<u>\$ 34,108</u>	<u>\$ 1,297</u>	<u>\$ (32,811)</u>	<u>\$ 5,798</u>	<u>\$ 7,072</u>	<u>\$ 1,274</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Conservancy</u>			<u>Information Technology</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:						
Property taxes	\$ 45,901	\$ 45,901	\$ -	\$ -	\$ -	\$ -
State shares revenues	5,785	5,731	(54)			
Licenses and permits						
Grants						
Interest income	400	468	68	1,340	1,305	(35)
Increase in fair value of investments						
Donations—capital						
Other					14,245	14,245
Total revenues	52,086	52,100	14	1,340	15,550	14,210
EXPENDITURES:						
Street repairs and maintenance						
Community planning and development						
Capital costs				3,002	3,002	
Other	<u>38,776</u>	<u>38,599</u>	<u>177</u>	<u>(3,002)</u>	<u>159,769</u>	<u>(162,771)</u>
Total expenditures	<u>38,776</u>	<u>38,599</u>	<u>177</u>		<u>162,771</u>	<u>(162,771)</u>
NET CHANGE IN FUND BALANCE	13,310	13,501	191	1,340	(147,221)	(148,561)
FUND BALANCE—Beginning of year	32,094	32,094		202,765	202,765	
Transfers, out						
Transfers, in						
FUND BALANCE—End of year	<u>\$ 45,404</u>	<u>\$ 45,595</u>	<u>\$ 191</u>	<u>\$ 204,105</u>	<u>\$ 55,544</u>	<u>\$ (148,561)</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Insurance Reserve</u>			<u>State Highway</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shares revenues				45,435	46,326	891
Licenses and permits						
Grants						
Interest income	221,000	216,048	(4,952)	600	513	(87)
Increase in fair value of investments		62,045	62,045			
Donations—capital						
Other		<u>63,067</u>	<u>63,067</u>			
Total revenues	<u>221,000</u>	<u>341,160</u>	<u>120,160</u>	<u>46,035</u>	<u>46,839</u>	<u>804</u>
EXPENDITURES:						
Street repairs and maintenance						
Community planning and development						
Capital costs						
Other	<u>420</u>		<u>420</u>			
Total expenditures	<u>420</u>		<u>420</u>			
NET CHANGE IN FUND BALANCE	220,580	341,160	120,580	46,035	46,839	804
FUND BALANCE—Beginning of year	4,471,157	4,471,157		32,610	32,610	
Transfers, out				(57,000)	(72,000)	(15,000)
Transfers, in						
FUND BALANCE—End of year	<u>\$ 4,691,737</u>	<u>\$ 4,812,317</u>	<u>\$ 120,580</u>	<u>\$ 21,645</u>	<u>\$ 7,449</u>	<u>\$ (14,196)</u>

See accompanying notes to the basic financial statements.

(Continued)

CITY OF PIQUA, OHIO

COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BALANCES-BUDGET AND ACTUAL (GAAP BUDGET)—NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Federal Grants Program Income</u>			<u>Total Non-Major Special Revenue Funds</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 276,452	\$ 278,011	\$ 1,559
State shares revenues				74,372	75,001	629
Licenses and permits				3,112	4,853	1,741
Grants				683,819	526,676	(157,143)
Interest income	1,461	1,216	(245)	231,155	226,420	(4,735)
Increase in fair value of investments					62,045	62,045
Donations—capital					2	2
Other	<u>17,119</u>	<u>17,055</u>	<u>(64)</u>	<u>36,284</u>	<u>118,566</u>	<u>82,282</u>
Total revenues	<u>18,580</u>	<u>18,271</u>	<u>(309)</u>	1,305,194	1,291,574	(13,620)
EXPENDITURES:						
Street repairs and maintenance				17,312	16,659	653
Community planning and development	8,167	7,957	210	736,661	604,515	132,146
Capital costs				3,002	3,002	
Other				39,424	210,191	(170,767)
Total expenditures	<u>8,167</u>	<u>7,957</u>	<u>210</u>	<u>796,399</u>	<u>834,367</u>	<u>(37,968)</u>
NET CHANGE IN FUND BALANCE	10,413	10,314	(99)	508,795	457,207	(51,588)
FUND BALANCE—Beginning of year	27,047	27,047		5,277,579	5,277,579	
Transfers, out				(326,944)	(341,104)	(14,160)
Transfers, in				<u>131,450</u>	<u>98,753</u>	<u>(32,697)</u>
FUND BALANCE—End of year	<u>\$ 37,460</u>	<u>\$ 37,361</u>	<u>\$ (99)</u>	<u>\$ 5,590,880</u>	<u>\$ 5,492,435</u>	<u>\$ (98,445)</u>

See accompanying notes to the basic financial statements.

(Concluded)

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (GAAP BUDGET)—DEBT SERVICE FUND FOR THE YEAR ENDED DECEMBER 31, 2002

	Final Budget	Actual	Variance
REVENUES:			
Property taxes	\$ 54,095	\$ 54,096	\$ 1
Interest income	20,558	20,398	(160)
Other	<u>121,180</u>	<u>44,720</u>	<u>(76,460)</u>
Total revenues	<u>195,833</u>	<u>119,214</u>	<u>(76,619)</u>
EXPENDITURES:			
Debt principal payment	381,299	381,299	
Debt interest payment	268,308	268,308	
Other	<u>2,653</u>	<u>15,569</u>	<u>(12,916)</u>
Total expenditures	<u>652,260</u>	<u>665,176</u>	<u>(12,916)</u>
NET CHANGE IN FUND BALANCE	<u>(456,427)</u>	<u>(545,962)</u>	<u>(89,535)</u>
FUND BALANCE—Beginning of year	304,615	304,615	
Transfers, out	(57,221)	(57,547)	(326)
Transfers, in	<u>603,898</u>	<u>588,169</u>	<u>(15,729)</u>
FUND BALANCE—End of year	<u>\$394,865</u>	<u>\$289,275</u>	<u>\$(105,590)</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (GAAP BUDGET)—CAPITAL PROJECTS FOR THE YEAR ENDED DECEMBER 31, 2002

	Final Budget	Actual	Variance
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES—Capital costs	<u>\$ -</u>	<u>\$ (1,185)</u>	<u>\$ (1,185)</u>
Total expenditures	<u> </u>	<u> (1,185)</u>	<u> (1,185)</u>
NET CHANGE IN FUND BALANCE	<u> </u>	<u> (1,185)</u>	<u> (1,185)</u>
FUND BALANCE—Beginning of year	<u> </u>	<u> </u>	<u> </u>
Transfers, out	<u> </u>	<u> 1,185</u>	<u> 1,185</u>
Transfers, in	<u> 11,458</u>	<u> </u>	<u> (11,458)</u>
FUND BALANCE—End of year	<u>\$ 11,458</u>	<u>\$ -</u>	<u>\$ (11,458)</u>

See accompanying notes to the basic financial statements.

STATISTICAL SECTION

CITY OF PIQUA, OHIO

Table 1

GENERAL FUND REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION (GAAP BASIS)—LAST TEN YEARS

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
REVENUES AND OTHER FINANCING										
SOURCES:										
Municipal income taxes	\$3,929,319	\$4,061,089	\$4,683,796	\$4,644,293	\$4,767,994	\$4,884,052	\$5,219,996	\$ 5,165,239	\$ 4,932,680	\$ 4,925,442
Property taxes	799,871	781,938	816,904	945,530	987,946	1,007,828	1,164,831	1,147,717	1,196,982	1,132,221
State shared revenues	1,390,642	1,149,137	1,211,548	1,060,200	1,367,341	1,465,216	1,591,450	1,727,862	1,903,063	1,680,429
Kwh tax revenues									651,078	1,084,235
Intergovernmental grants	6,052	120,698	170,457	160,730	190,544	202,653	140,143	578,824	440,472	69,001
Fines, costs, forfeitures, licenses and permits	181,596	198,276	234,475	240,499	250,750	359,439	300,552	322,300	349,620	346,615
Interest income	165,272	204,503	324,300	358,330	387,702	379,343	380,618	433,511	331,718	186,393
Net increase (decrease) in fair market value of investments						56,643	(145,591)	96,636	53,866	15,282
Other income	207,882	282,829	305,954	425,137	318,069	385,867	480,855	414,960	294,343	211,581
Operating transfers, in	<u>94,299</u>	<u>90,189</u>	<u>131,558</u>	<u>482,364</u>	<u>160,480</u>	<u>119,849</u>	<u>137,160</u>	<u>220,289</u>	<u>117,000</u>	<u>136,885</u>
 Total revenues and other financing sources	<u>\$6,774,933</u>	<u>\$6,888,659</u>	<u>\$7,878,992</u>	<u>\$8,317,083</u>	<u>\$8,430,826</u>	<u>\$8,860,890</u>	<u>\$9,270,014</u>	<u>\$10,107,338</u>	<u>\$10,270,822</u>	<u>\$ 9,788,084</u>
 EXPENDITURES AND OTHER										
FINANCING USES:										
Public safety	\$3,929,356	\$4,275,004	\$4,640,175	\$4,948,315	\$5,365,339	\$5,695,649	\$5,726,082	\$ 5,972,147	\$ 6,141,505	\$ 6,183,956
Public health and welfare	135,241	136,416	150,006	168,515	177,773	201,074	203,838	311,729	345,999	273,225
General government administration	888,360	850,819	968,591	920,433	1,042,598	1,036,924	1,141,425	1,315,166	1,224,797	1,288,269
Parks and recreation	265,038	296,784	273,346	332,486	345,985	336,564	415,926	517,545	631,079	519,258
Other									9,427	608,026
Capital outlay	417,361	427,534	630,700	820,736	724,613	329,506	750,799	961,304	1,133,986	37,280
Operating transfers, out	<u>660,469</u>	<u>91,883</u>	<u>82,950</u>	<u>313,894</u>	<u>1,067,184</u>	<u>550,196</u>	<u>654,212</u>	<u>682,159</u>	<u>3,268,059</u>	<u>913,623</u>
 Total expenditures and other financing uses	<u>\$6,295,825</u>	<u>\$6,078,440</u>	<u>\$6,745,768</u>	<u>\$7,504,379</u>	<u>\$8,723,492</u>	<u>\$8,149,913</u>	<u>\$8,892,282</u>	<u>\$ 9,760,050</u>	<u>\$12,754,852</u>	<u>\$ 9,823,637</u>

Source: City of Piqua Finance Department.

CITY OF PIQUA, OHIO

Table 2

AD VALOREM—PROPERTY TAX LEVIES AND COLLECTIONS, REAL, UTILITY AND TANGIBLE TAXES—LAST TEN YEARS

Tax Year/ Collection Year	Total Levy	Current Collection	Percent Total Levy Collected	Delinquent Collection	Total Collection	Total Collection as Percent of Total Levy	Cumulative Delinquency
1992/1993	\$1,113,465	\$1,090,881	97.97	\$ 65,393	\$1,156,274	103.84	\$ 42,035
1993/1994	945,307	914,964	96.79	36,286	951,250	100.63	42,057
1994/1995	970,107	952,631	98.20	40,105	992,736	102.33	29,944
1995/1996	1,130,045	1,088,435	96.32	20,175	1,108,610	98.10	30,111
1996/1997	1,193,069	1,173,640	98.37	32,019	1,205,659	101.06	33,510
1997/1998	1,278,385	1,265,662	99.00	33,239	1,298,901	101.60	46,585
1998/1999	1,457,727	1,382,089	94.81	72,483	1,454,572	99.78	42,953
1999/2000	1,427,572	1,376,907	96.45	100,749	1,477,656	103.51	68,162
2000/2001	1,487,288	1,430,444	96.18	26,364	1,456,808	97.95	79,820
2001/2002	1,549,860	1,511,981	97.56	38,347	1,550,328	100.03	69,998

Source: Miami County Auditor’s Office.

CITY OF PIQUA, OHIO

Table 3

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY—LAST TEN YEARS

Tax Year/ Collection Year	Real Property		Personal Property		Public Utilities		Total		Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1992/1993	\$ 156,097,730	\$ 445,993,514	\$48,715,940	\$ 194,863,760	\$ 6,748,860	\$ 19,282,457	\$ 211,562,530	\$ 660,139,731	32.05
1993/1994	158,604,210	453,154,886	45,535,810	182,143,240	6,845,950	19,559,857	210,985,970	654,857,983	32.22
1994/1995	160,124,960	457,499,886	45,692,522	182,770,088	7,443,300	21,266,571	213,260,782	661,536,545	32.24
1995/1996	196,356,890	561,019,686	48,495,460	193,981,840	7,199,620	20,570,343	252,051,970	775,571,869	32.50
1996/1997	199,918,260	571,195,029	52,324,640	209,298,560	7,086,690	20,247,686	259,329,590	800,741,275	32.39
1997/1998	206,442,250	589,835,000	58,841,140	235,364,560	7,073,030	20,208,657	272,356,420	845,408,217	32.22
1998/1999	235,594,180	673,126,229	62,302,100	249,208,400	7,188,910	20,539,743	305,085,190	942,874,372	32.36
1999/2000	247,132,470	706,092,771	69,678,590	278,714,360	7,510,720	21,459,200	324,321,780	1,006,266,331	32.23
2000/2001	256,052,460	731,578,457	65,780,800	263,123,200	6,512,470	18,607,057	328,345,730	1,013,308,714	32.40
2001/2002	270,749,680	773,570,514	69,272,390	277,089,560	3,920,000	11,200,000	343,942,070	1,061,860,074	32.39

Source: Miami County Auditor's Office.

CITY OF PIQUA, OHIO

Table 4

**AD VALOREM - PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS (PER \$1,000 OF ASSESSED VALUATION)**

Tax Year/ Collection Year	City of Piqua							County	Joint Vocational School & City Schools	Total
	General Fund	Hospital	Conservancy	Police Pension	Fire Pension	Total City Rate	Cemetery			
1992/1993	3.70	1.00	0.10	0.30	0.30	5.40	0.50	10.54	41.05	57.49
1993/1994	3.70	0.00	0.07	0.30	0.30	4.37	0.50	10.51	41.90	57.28
1994/1995	3.70	0.00	0.09	0.30	0.30	4.39	0.50	10.51	44.90	60.30
1995/1996	3.70	0.00	0.10	0.30	0.30	4.40	0.50	6.02	46.20	57.12
1996/1997	3.70	0.00	0.12	0.30	0.30	4.42	0.50	7.03	45.60	57.55
1997/1998	3.70	0.00	0.12	0.30	0.30	4.42	0.50	8.82	45.60	59.34
1998/1999	3.70	0.00	0.13	0.30	0.30	4.43	0.50	8.82	45.52	59.27
1999/2000	3.70	0.00	0.11	0.30	0.30	4.41	0.50	8.81	45.46	59.18
2000/2001	3.70	0.00	0.15	0.30	0.30	4.45	0.50	8.83	45.50	59.28
2001/2002	3.70	0.00	0.15	0.30	0.30	4.45	0.50	8.43	45.40	58.78

Source: Miami County Auditor's Office.

CITY OF PIQUA, OHIO

Table 5

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

Fiscal Year	Current Assessments Due	Total Assessments Collected	Total Collections as Percent of Current Assessments	Total Outstanding Assessments (1)
1993	\$58,273	\$57,609	98.86	\$ 248,039
1994	62,773	64,052	102.04	248,004
1995	61,663	70,799	114.82	229,024
1996	63,058	74,602	118.31	203,913
1997	52,522	53,358	101.59	146,309
1998	48,663	53,535	110.01	97,881
1999	34,310	35,278	102.82	168,886
2000	53,524	48,143	89.95	267,419
2001	66,289	62,896	94.88	209,456
2002	71,910	54,096	75.23	226,353

(1) Assessments to be billed in future years.

Source: Miami County Auditor's Office.

CITY OF PIQUA, OHIO

Table 6

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

	Population		Assessed Valuation	Gross General Bonded Debt	Less Balance in Debt Service Fund	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	20,612	(1)	\$ 211,562,530	\$ 0	\$ 0	\$ 0	0.00	0.00
1994	20,612	(1)	210,985,970	0	0	0	0.00	0.00
1995	20,612	(1)	213,260,782	0	0	0	0.00	0.00
1996	20,612	(1)	252,051,970	0	0	0	0.00	0.00
1997	20,612	(1)	259,329,590	0	0	0	0.00	0.00
1998	20,612	(1)	272,356,420	0	0	0	0.00	0.00
1999	20,612	(1)	305,085,190	0	0	0	0.00	0.00
2000	20,738	(2)	324,321,780	4,079,127	50,607	4,028,520	1.24	194.26
2001	20,738	(2)	328,345,730	3,764,594	55,885	3,708,709	1.13	178.84
2002	20,738	(2)	343,942,070	3,434,107	50,472	3,383,635	0.98	163.16

(1) 1990 United States Census Bureau.

(2) 2000 United States Census Bureau.

Source: City of Piqua Finance Department.

CITY OF PIQUA, OHIO

Table 7

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2002**

	Debt Outstanding	10-1/2% Assessed Valuation	5-1/2% Assessed Valuation
Overall debt limitations		\$36,113,917	\$18,916,814
Gross indebtedness	\$10,130,571		
Less, debt outside limitations	6,696,464		
Less, bond retirement fund balance	<u>50,472</u> (1)		
Net debt within limitations		<u>3,383,635</u>	<u>3,383,635</u>
Legal debt margin		<u>\$32,730,282</u>	<u>\$15,533,179</u>

(1) Excludes the bond retirement fund balances for proprietary general obligation bonds, special assessment bonds, and pension bonds.

Source: City of Piqua Finance Department.

CITY OF PIQUA, OHIO

Table 8

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2002**

	Gross Debt	Debt Service Fund	Net Debt	Percent Applicable to City (1)	City's Share
City of Piqua	\$ 3,434,107	\$ 50,472	\$ 3,383,635	100.00 %	\$ 3,383,635
Piqua School District	10,635,432	49,359	10,586,073	81.14	8,589,540
Upper Valley Joint Vocational School	166,600		166,600	15.53	25,873
Miami County	<u>15,825,000</u>	<u>394,085</u>	<u>15,430,915</u>	17.29	<u>2,668,005</u>
Total overlapping debt	<u>\$30,061,139</u>	<u>\$493,916</u>	<u>\$29,567,223</u>		11,283,418
Total net direct and overlapping debt					\$14,667,053

(1) Assessed valuation of City of Piqua divided by assessed valuation of each taxing district.

Source: Individual Jurisdictions.

CITY OF PIQUA, OHIO

Table 9

**STATEMENT OF DIRECT DEBT
DECEMBER 31, 2002**

LONG-TERM DEBT:

General obligation bonds and notes and bonds

Wastewater system \$ 825,000

Special assessment 180,571

Power system 3,020,000

Public improvement:

Golf 38,440

Water 212,453

Street 59,107

Recreation facility:

Golf 1,889,720

Swimming Pool 95,280

Building facility (general) 3,375,000

Pension refunding (general) 435,000

Total long-term debt \$10,130,571

GROSS DIRECT DEBT 10,130,571

DEDUCT:

General obligation debt service fund balance \$ 50,472

Exempt self-supporting obligation debt:

Wastewater system \$ 825,000

Power system 3,020,000

Golf course 1,928,160

Water system 212,453

Special assessment 180,571

Pension refunding 435,000

Swimming pool 95,280

Total self-supporting general obligation debt 6,696,464

Total deductions 6,746,936

NET DIRECT DEBT \$ 3,383,635

Source: City of Piqua Finance Department.

**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED
DEBT TO TOTAL GENERAL FUND EXPENDITURES (GAAP BASIS)
LAST TEN YEARS**

	Annual Debt Service General Tax Supported Debt	Annual Debt Service Self-Supporting Debt	General Fund Expenditures	Ratio of Tax Supported Debt Service to General Fund Expenditures	Ratio of Self-Supported Debt Service to General Fund Expenditures
1993	0	0	6,295,825	0.00	0.00
1994	0	0	6,078,440	0.00	0.00
1995	0	0	6,745,768	0.00	0.00
1996	0	0	7,504,379	0.00	0.00
1997	0	0	8,723,492	0.00	0.00
1998	0	0	8,149,913	0.00	0.00
1999	0	0	8,892,282	0.00	0.00
2000	145,933	0	9,760,009	1.50	0.00
2001	543,800	0	12,754,852	4.26	0.00
2002	540,592	0	9,823,637	5.50	0.00

Source: City of Piqua Finance Department.

**BOND DEBT COVERAGE—POWER SYSTEM BONDS
LAST TEN YEARS**

	Gross Revenues (1)	Direct Operating Expenses(2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement(3)	Coverage
1993	\$14,908,254	\$11,966,832	\$2,941,422	\$1,477,590	199
1994	16,178,676	12,597,442	3,581,234	1,472,220	243
1995	16,196,267	12,597,979	3,598,288	1,479,540	243
1996	16,237,316	11,971,123	4,266,193	1,472,555	290
1997	16,142,720	11,790,253	4,352,467	1,476,525	295
1998	16,690,016	11,368,699	5,321,317	1,481,355	359
1999	16,851,349	11,585,345	5,266,004	1,481,560	355
2000	17,125,470	12,167,826	4,957,644	1,477,930	335
2001	17,411,299	12,375,133	5,036,166	448,375	1,123
2002	17,648,101	15,711,121	1,936,980	449,075	431

(1) Gross revenues include operating revenues plus interest income.

(2) Direct operating expenses exclude depreciation.

(3) Annual debt service requirement includes principal and interest of self-supported general obligation bonds.

Source: City of Piqua Finance Department.

**BOND DEBT COVERAGE—WASTEWATER SYSTEM BONDS
LAST TEN YEARS**

	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1993	\$2,378,519	\$1,093,403	\$1,285,116	\$1,021,405	126
1994	2,566,510	1,172,878	1,393,632	1,009,804	138
1995	2,585,955	1,142,563	1,443,392	503,416	287
1996	2,639,520	1,179,744	1,459,776	302,825	482
1997	2,632,243	1,309,157	1,323,086	291,225	454
1998	2,696,766	1,318,725	1,378,041	284,625	484
1999	2,715,283	1,296,479	1,418,804	272,662	520
2000	2,759,431	1,323,629	1,435,802	260,700	551
2001	2,675,182	1,340,327	1,334,855	248,738	537
2002	2,673,074	1,408,095	1,264,979	236,775	534

(1) Gross revenues include operating revenues plus interest income.

(2) Direct operating expenses exclude depreciation.

(3) Annual debt service requirement includes principal and interest of self-supported general obligation bonds.

Source: City of Piqua Finance Department.

**BOND DEBT COVERAGE—WATER SYSTEM BONDS
LAST TEN YEARS**

	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1993	\$2,315,749	\$1,362,414	\$ 953,335	\$720,835	132
1994	2,388,239	1,431,681	956,558	715,352	134
1995	2,558,474	1,539,587	1,018,887	719,284	142
1996	2,615,604	1,573,544	1,042,060	717,287	145
1997	2,566,714	1,621,471	945,243	712,789	133
1998	2,638,260	1,532,711	1,105,549	714,692	155
1999	2,639,794	1,630,867	1,008,927	714,068	141
2000	2,628,040	1,584,915	1,043,125	717,975	145
2001	2,551,938	1,896,951	654,987	51,003	1,284
2002	2,531,566	2,193,230	338,336	52,578	643

(1) Gross revenues include operating revenues plus interest income.

(2) Direct operating expenses exclude depreciation.

(3) Annual debt service requirement includes principal and interest of self-supported general obligation bonds.

Source: City of Piqua Finance Department.

**CONSTRUCTION, PROPERTY VALUE
LAST TEN YEARS**

	<u>Commercial Construction (1)</u>		<u>Residential Construction (1)</u>		Property Value Estimated Actual Value (2)
	Number of Permits	Value	Number of Permits	Value	
1993	24	\$10,777,800	23	\$ 2,309,900	\$ 660,139,731
1994	18	2,661,400	20	2,477,500	654,857,983
1995	14	4,456,000	60	8,070,170	661,536,545
1996	23	12,629,210	67	13,268,400	775,571,869
1997	22	6,991,340	49	6,897,700	800,741,275
1998	17	18,310,500	66	9,255,800	845,408,217
1999	20	4,936,887	56	8,545,400	942,874,372
2000	15	15,054,061	59	9,153,197	1,006,266,331
2001	23	9,485,600	50	7,978,500	1,013,308,714
2002	8	2,681,000	56	8,243,875	1,061,860,074

Sources:

- (1)
- (2)

CITY OF PIQUA, OHIO**Table 15****PRINCIPAL MANUFACTURING EMPLOYERS
DECEMBER 31, 2002**

Name of Taxpayer	Nature of Business	Total Employment
Spalding and Evenflo Company, Inc.	Manufacturer of Juvenile Furniture	400
Crane Pumps & Systems, Inc.	Manufacturer of Industrial, Wastewater, Water Supply Pumps and Cleaning Systems	353
Jackson Tube Service, Inc.	Manufacturer of Steel Tubing	350
Takata Seat Belts, Inc.	Distribution Center for Seat Belts	302
Hartzell Propeller, Inc.	Manufacturer of Aircraft Propellers	293
Industry Products	Manufacturer of Die Cutting Equipment	283
Piqua Technologies, Inc.	Manufacturer of Automotive Gaskets and Insulating Products	200
Miami Valley Steel	Manufacturer of Split Coiled Steel	150
ITW Filler Metals	Manufacturer of Welding Wires	150
Hartzell Industries	Manufacturer of Industrial Fans	143

Source: Piqua Chamber of Commerce.

CITY OF PIQUA, OHIO

Table 16

**PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2002**

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Spalding & Evenflo Co., Inc.	Manufacturer of Juvenile Furniture	\$ 11,285,850	3.28 %
Midamco	Shopping Mall	10,345,670	3.01
Jackson Tube Service, Inc.	Manufacturer of Steel Tubing	9,310,510	2.71
Hartzell Propeller, Inc.	Manufacturer of Aircraft Propellers	5,726,630	1.66
Miami Valley Steel	Manufacturer of Split Rolled Steel	5,109,430	1.49
Paul Sherry Chevrolet/Chrysler	Automobile Retailer	4,389,380	1.28
Crane Pumps & Systems, Inc.	Manufacturer of Industrial, Wastewater, Water Supply Pumps and Cleaning Systems	4,309,900	1.25
Hobart Corporation	Manufacturer of Kitchen Aid Appliances	3,614,420	1.05
HCF, Inc.	Nursing Home Facility	2,687,900	0.78
Hartzell Hardwood Inc.	Manufacturer of Wood Veneer Products	<u>2,479,700</u>	<u>0.72</u>
Total		<u>\$ 59,259,390</u>	<u>17.23</u> %
TOTAL ASSESSED VALUATION		<u>\$343,942,070</u>	

Source: Miami County Auditor's Office.

CITY OF PIQUA, OHIO
MISCELLANEOUS STATISTICS
2002

Table 17

NET INCOME TAX COLLECTIONS

2002	\$6,987,530
2001	7,080,816
2000	7,473,123
1999	7,350,955
1998	7,030,731

UTILITY DATA	Electric KWH Sold	Electric Customers	Gallons Sold	Water Customers
2002	296,243,404	10,941	672,169,000	8,670
2001	284,133,231	10,474	652,125,000	8,635
2000	286,812,597	10,431	672,510,000	8,556
1999	282,275,157	10,319	692,234,000	8,475
1998	286,210,397	10,224	677,421,000	8,387

GENERAL INFORMATION

Date of Incorporation	1823
Form of Government	Commission-Manager
Population (2000 Census)	20,738
School Enrollment	3,861 Students
Area	11.3 Square Miles
Miles of Street	100.29 Miles
Number of Street Lights	2,902
Miami County Unemployment Rate	6.1%
Fire Protection:	
Number of Stations	1
Number of Firefighters	29
Police Protection:	
Number of Stations	1
Number of Police Officers	33
Recreation and Culture:	
Number of Parks	19 with 429.3 acres
Number of Libraries	1 with 107,000 volumes
Total City Employees	222

Source: City of Piqua Finance Department



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF PIQUA

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 16, 2003**