

***CITY OF PIQUA, OHIO***

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended December 31, 2005**

**Prepared by:  
Department of Finance  
Cynthia A. Holtzapple, Director**





**Auditor of State  
Betty Montgomery**

Board of Commissioners  
City of Piqua  
201 West Water Street  
Piqua, Ohio 45356

We have reviewed the *Independent Auditor's Report* of the City of Piqua, Miami County, prepared by Kennedy, Cottrell + Associates, LLC for the audit period January 1, 2005 through December 31, 2005. 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.

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

BETTY MONTGOMERY  
Auditor of State

July 6, 2006

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# **INTRODUCTORY SECTION**

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June 19, 2006

Honorable Mayor Thomas D. Hudson, City Commission Members  
and Citizens of the City of Piqua, Ohio:

This Comprehensive Annual Financial Report is for the year ended December 31, 2005. 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. To the best of our knowledge and belief the enclosed 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.

This Comprehensive Annual Financial Report continues to address and incorporate Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Statement No. 34 was designed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information. This year's report is a reflection of our continuing efforts to disseminate clear and useful financial information to our users.

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 City's organizational structure.
2. The Financial Section, which consists of the Independent Auditors' Report, Management's Discussion and Analysis, Basic 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 and account groups 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 business-type 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 six 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. The City's emphasis on economic retention and development are significant factors affecting the future economic strength of the community. Promoting Piqua as a good place for all types of businesses, new and existing, will continue to be one our highest priorities.

## **Major Initiatives**

***Current Year Projects:*** During 2005 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 by continuing its seventh round of a Federal Comprehensive Housing Improvement Program in which local housing rehabilitation loans totaling \$3,905,758 were given to some 306 qualified low and moderate income property owners. During 2006, the City will complete the seventh round of CHIP grants by awarding an additional twenty-one families \$411,000 in housing and mortgage assistance.

Reconstruction of Mulberry, Renche, and Glenn Streets was completed and the City resurfaced an additional seven miles of streets. In 2005 the City constructed a playground area at Fountain Park, constructed a fourth water tower, and widened the major entrance to the city to accommodate a large shopping mall addition.

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

The City continues to enhance the safety services provided to our citizens. The Fire Department acquired additional vehicles for its fleet. The Police Department renewed its fleet of cruisers with the purchase of two cruisers and received its eleventh consecutive renewal of the C.A.L.E.A. certification for excellence.

The Fort Piqua Hotel restoration and reuse project is progressing. The project was approved for historical designation allowing for historical and new market tax credit financing. Additional financing sources, such as grant funding and combined public/private participation are also being pursued.

A spillway modification project as to the City's water system is ongoing. An elevated water tank on R.W. Davis Parkway was constructed at a cost of \$1.8 million and will improve the city's water storage capacity.

***Future Projects:*** A strategic planning retreat is scheduled for early Spring 2006 to further design short and long term goals for the city.

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, architectural design, bid proposals and project approval.

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

The City is enhancing the safety services of the city by adding additional fire safety vehicles and replacing police cruisers. Consideration is being given to charging for Emergency Medical Services.

The elevated water tank construction on R.W. Davis Parkway is expected to be completed by early 2006 at a cost of \$1.8 million to improve the city's water storage system.

## **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, 2005, 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 (personnel, operation and maintenance, administrative support, capital expenditures and transfers) for all funds. Lower levels within each object 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 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:** Beginning in 2002 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 2005.

## **General Government**

**General Fund Revenues:** The 2005 municipal income tax revenue of \$8,378,103 increased due to an unexpected tax event as compared to 2004, while the Kwh tax revenues remained relatively the same. Interest revenue continued to decline due to falling interest rates, but is expected to rebound with higher rates in 2006. Municipal income tax revenue has stabilized through May 2006 and is expected to be comparable to 2004.

**General Fund Expenditures:** The 2005 General Fund expenditures and other financing uses increased 1.3% compared with 2004.

**General Fund Balances:** Current year activity contributed to a \$1.0 million increase in the undesignated fund balance from 2004.

## **Business-Type 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.

During 2005 and 2004 the area experienced seasonal temperatures and increased moisture, returning usage and revenue to more historical levels. Utility usage and revenue in 2005 was stable and comparable to 2004 levels.

**Power System:** Kilowatt hours of sales increased 1.5% and total customer revenues were \$18.2 million higher than 2004 levels due to a rate increase. With operating costs decreasing 1%, revenues exceeded expenditures in 2005 by \$1,469,301.

The system supplies electricity to more than 11,000 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.

In 2005, the City abandoned the assets of the hot water distribution center and ceased operations. This resulted in a special item expense of \$604,824 at December 31, 2005.

**Water System:** Customer revenues of \$2.6 million remained at 2004 levels. Operating expenses increased 7.5%. Net income was \$9,339. More than 8,800 accounts are serviced by Piqua's municipal water system.

**Wastewater System:** System revenues and expenses remained at levels of the previous year with a net loss of \$170,184 in 2005.

### **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 2005, the City's return on average investment balances equaled 3.1%, an increase from the 2004 level of 1.7%.

### **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 continues to provide 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 2005 audit was completed by Kennedy, Cottrell & Associates and represents the twenty-sixth 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 fifteenth 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, 2004. 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 fifteen 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**

To the many conscientious people who have contributed so much of their time and effort to the preparation of this report our sincere appreciation is extended. The Finance Department staff is commended for their commitment to professional excellence once again exemplified by the contents of this report. Timely preparation of this report was accomplished by the diligent efforts and contributions of the entire Finance Department working jointly with the engagement team representing the independent public accounting firm of Kennedy, Cottrell & Associates. Finally, contributions to the financial condition of the City of Piqua by the Mayor, members of City Commission, the City Manager, and Department Directors and Managers cannot be overlooked. Their support and guidance are invaluable factors necessary for the City to continue to successfully manage the financial affairs and reporting requirements of municipal government within the Piqua Community.

Respectfully submitted,

Cynthia A. Holtzapple  
Director of Finance

### **Department of Finance Staff**

Lisa R. Cavender	- Accounting Manager
Michael J. Fischbach	- Accountant
Kimberly A. Maniaci	- Staff
Candace L. Etter	- Staff
Beverly M. Yount	- Staff

# **CITY OF PIQUA, OHIO**

## **CITY OFFICIALS**

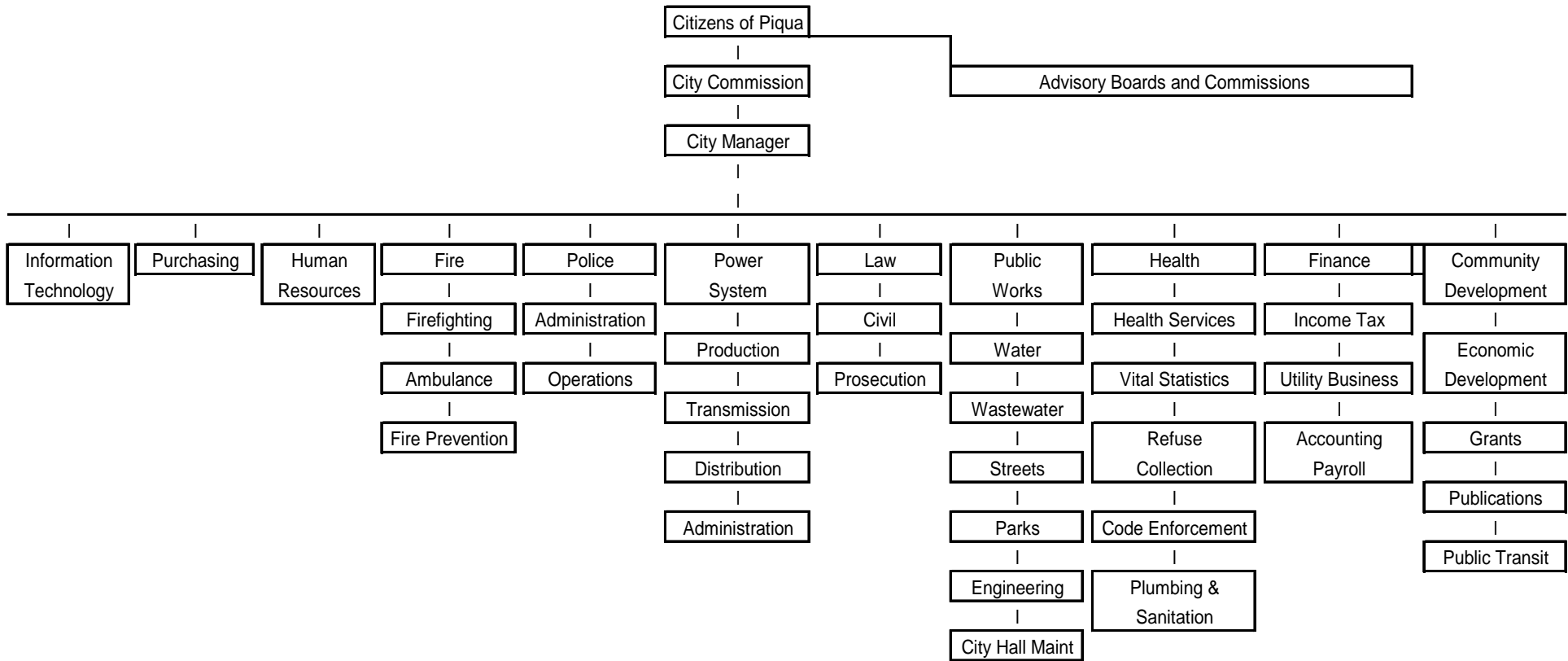
Thomas D. Hudson, Mayor  
Julia A. Terry, Commissioner  
Frank H. Barhorst, Commissioner  
Frank J. Patrizio, Commissioner  
William D. Vogt, Commissioner

## **CITY MANAGER**

Frederick E. Enderle

## **INDEPENDENT AUDITORS**

Kennedy, Cottrell & Associates





# **FINANCIAL SECTION**

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

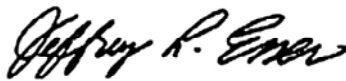
City of Piqua,  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

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





## INDEPENDENT AUDITOR'S REPORT

To the City Commission  
City of Piqua, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piqua, Miami County, Ohio (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates  
May 26, 2006

**CITY OF PIQUA, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**(Unaudited)**

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, 2005. 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.

**Financial Highlights**

- The assets of the City exceeded its liabilities at December 31, 2005 by \$109 million (net assets). Of this amount, \$23.4 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by over \$2.1 million, or 2.0% and unrestricted net assets increased by \$3.3 million
- The General Fund reported an increase in the fund balance of \$967,853.
- The City had \$.6 million less in debt at December 31, 2005 than at December 31, 2004.

**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 2005?" 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.

**CITY OF PIQUA, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**(Unaudited)**

- 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, garbage, wastewater, golf and municipal pool activities are reported here.

**Reporting the City of Piqua's Most Significant Funds**

***Fund Financial Statements***

The analysis of the City's major funds begins on page 23. The fund financial reports 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 which measures cash and all other financial assets that can readily be converted to cash. 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 reconciliation at the bottom of the fund financial statements or on an accompanying schedule.
- *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. The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Piqua uses enterprise funds to account for its electric, water, refuse, wastewater services, golf and municipal pool. Internal service funds are an accounting method used to accumulate and allocate costs internally among the City's various functions. The City of Piqua uses an internal service fund to account for its information technology and self-insurance activities. As these activities predominantly benefit governmental rather than business-type functions, they are shown within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater, and garbage systems as well as golf and municipal pool, which are considered to be major funds of the City. Proprietary funds are reported in the Statement of Net Assets and the Statement of Activities.
- *Fiduciary funds* -- Funds used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements as the resources of those funds are not available to support the City's own programs.

***Notes to the basic financial statements***

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

**CITY OF PIQUA, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**(Unaudited)**

**The City of Piqua as a Whole**

This begins our analysis of the City as a whole. One of the most important questions to consider is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information to help answer this question. The Net Asset statement shows the difference between assets and liabilities, which is one way to measure the City's financial position. As reviewed over time, increases or decreases in the City's net assets are an indicator of whether the City's financial health is improving or deteriorating. However, other non-financial factors must also be considered such as changes in the property tax base of the city, the condition of the City's roads and neighborhoods, and the reputation of the public schools in order to assess the overall health of the City. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities for both 2005 and 2004.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 18,215,957	\$ 16,472,474	\$ 13,861,773	\$ 13,575,873	\$ 32,077,730	30,048,347
Capital assets	38,705,080	39,022,530	58,233,077	57,980,996	96,938,157	97,003,526
Total assets	56,921,037	55,495,004	72,094,850	71,556,869	129,015,887	127,051,873
Long-term debt	5,250,463	5,307,989	10,096,122	10,357,157	15,346,585	15,665,146
Other liabilities	2,890,939	2,607,580	1,746,733	1,896,661	4,637,672	4,504,241
Total liabilities	8,141,402	7,915,569	11,842,855	12,253,818	19,984,257	20,169,387
Net assets:						
Invested in capital assets, net of debt	35,515,425	35,501,878	49,323,165	48,803,820	84,838,590	84,305,698
Restricted	740,702	1,597,666	66,588	303,180	807,290	1,900,846
Unrestricted	12,523,508	10,479,891	10,862,242	10,196,051	23,385,750	20,675,942
Total net assets	\$ 48,779,635	\$ 47,579,435	\$ 60,251,995	\$ 59,303,051	\$ 109,031,630	106,882,486

The amount by which the City's assets exceed its liabilities is called net assets. At year-end, the City's net assets were \$109 million compared to \$107 million in 2004. Of that amount, in 2005 approximately \$84.8 million (77.8%) was invested in capital assets, net of debt related to those assets. At year-end 2004 that amount was approximately \$84.3 million (78.9%). For 2005 another \$.8 million (.7%) was subject to external restrictions upon its use. The remaining \$23.4 million (21.5%) in 2005 was unrestricted and available for future use. For 2004 \$1.9 million (1.8%) was subject to external restrictions and \$20.7 million (19.4%) was unrestricted.

**CITY OF PIQUA, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**(Unaudited)**

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for Services	\$ 758,868	\$ 737,209	\$ 25,732,918	\$ 23,859,221	\$ 26,491,786	\$ 24,596,430
Operating Grants/Contributions	739,860	742,628	271		740,131	742,628
Capital Grants/Contributions	60,487	596,094	13,073	64,276	73,560	660,370
General revenues:						
Property Taxes	1,525,944	1,658,506			1,525,944	1,658,506
Income Taxes	8,378,103	7,338,490			8,378,103	7,338,490
Other Taxes	4,530,291	3,869,464			4,530,291	3,869,464
Investment Earnings & Misc.	674,638	250,491	287,164	173,763	961,802	424,254
<b>Total Revenues</b>	<b>16,668,191</b>	<b>15,192,882</b>	<b>26,033,426</b>	<b>24,097,260</b>	<b>42,701,617</b>	<b>39,290,142</b>
Program Expenses						
General Government	1,985,407	1,797,660			1,985,407	1,797,660
Public Safety	7,667,665	7,363,799			7,667,665	7,363,799
Street and Maintenance	3,456,870	2,787,428			3,456,870	2,787,428
Parks and Recreation	716,795	636,230			716,795	636,230
Community Development	1,287,935	721,741			1,287,935	721,741
Interest on long-term debt	216,710	234,029			216,710	234,029
Electric			16,945,700	17,123,814	16,945,700	17,123,814
Wastewater			2,842,163	2,814,171	2,842,163	2,814,171
Water			2,589,854	2,408,664	2,589,854	2,408,664
Garbage			1,363,145	1,340,265	1,363,145	1,340,265
Golf			699,461	738,514	699,461	738,514
Pool			175,944	161,821	175,944	161,821
<b>Total Expenses</b>	<b>15,331,382</b>	<b>13,540,887</b>	<b>24,616,267</b>	<b>24,587,249</b>	<b>39,947,649</b>	<b>38,128,136</b>
Increase in Net Assets before Transfers & Proceeds	1,336,809	1,651,995	1,417,159	(489,989)	2,753,968	1,162,006
Transfers & Special Item	(136,609)	(230,861)	(468,215)	230,861	(604,824)	-
<b>Increase(Decrease) in Net Assets</b>	<b>\$ 1,200,200</b>	<b>\$ 1,421,134</b>	<b>\$ 948,944</b>	<b>\$ (259,128)</b>	<b>\$ 2,149,144</b>	<b>\$ 1,162,006</b>



**CITY OF PIQUA, OHIO**  
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**(Unaudited)**

***Governmental Activities***

Governmental activities increased the City's net assets by \$1,200,200, in 2005 thereby accounting for 2.6 percent of growth in total net assets.

The income tax revenue for 2005 was \$8,378,103 compared to \$7,338,490 in 2004 an increase of 14.2 percent. In 2005 this accounts for 50.3 percent of total revenues. The City's income tax rate was 1.75 percent for 2005, 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 Kilowatt-hour tax, Hotel/Motel 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 50 percent of total program expenses. Street and Maintenance accounts for 22.5 percent of total program expenses, while General Government accounts for 13 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	
	2005	2004	2005	2004	2005	2004
General Government	\$ 1,985,407	\$ 1,797,660	\$ 307,973	\$ 273,177	\$ 1,677,434	\$1,524,483
Public Safety	7,667,665	7,363,799	497,489	522,132	7,170,176	6,841,667
Street and Maintenance	3,456,870	2,787,428	101,588	553,725	3,355,282	2,233,703
Parks and Recreation	716,795	636,230	43,788	27,662	673,007	608,568
Community Development	1,287,935	721,741	608,377	699,235	679,558	22,506
Interest on long-term debt	216,710	234,029	-	-	216,710	234,029
<b>Total</b>	<b>\$ 15,331,382</b>	<b>\$ 13,540,887</b>	<b>\$ 1,559,215</b>	<b>\$ 2,075,931</b>	<b>\$ 13,772,167</b>	<b>\$11,464,956</b>

**CITY OF PIQUA, OHIO**  
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***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	
	2005	2004	2005	2004	2005	2004
Electric	\$ 16,945,700	\$ 17,123,814	\$ 18,415,430	\$ 16,702,913	\$ 1,469,730	\$ (420,901)
Wastewater	2,842,163	2,814,171	2,671,979	2,663,578	(170,184)	\$ (150,593)
Water	2,589,854	2,408,664	2,599,193	2,609,331	9,339	200,667
Garbage	1,363,145	1,340,265	1,340,537	1,281,780	(22,608)	(58,485)
Golf	699,461	738,514	623,985	591,972	(75,476)	(146,542)
Pool	175,944	161,821	95,138	73,923	(80,806)	(87,898)
<b>Total</b>	<b>\$ 24,616,267</b>	<b>\$ 24,587,249</b>	<b>\$ 25,746,262</b>	<b>\$ 23,923,497</b>	<b>\$ 1,129,995</b>	<b>\$ (663,752)</b>

For 2005 the Electric and Water utilities had operating revenues in excess of expenditures, while the Wastewater and Garbage utilities had operating expenditures in excess of generated revenues. Golf and Pool activity funds had expenditures in excess of revenues of \$156,282.

**The City's Funds**

Information about the City's major funds starts on page 23. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues in 2005 of \$16 million compared to \$14.5 million in 2004. All governmental funds had expenditures in 2005 of \$15.6 million compared to \$14.9 million in 2004. The most significant fund is our general fund, which had an unreserved fund balance at year-end of \$8 million in 2005 compared to \$6.6 million in 2004. 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 \$1,115,194 in 2005 and expenditures exceeded revenues by \$132,456 in 2004. The funds are monitored consistently with adjustments made to the budgets to accommodate yearly revenues.

Information about the Business-Type Funds starts on the Statement of Activities on page 22. These funds are accounted for on an accrual basis. All business type funds had operating revenues of \$25.4 million in 2005 and \$23.7 million in 2004. Operating expenses were \$24.2 million in 2005 and \$24.1 million in 2004. 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

**CITY OF PIQUA, OHIO**  
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between line items with the approval of the Finance Director and the respective department head. The 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 2005, the City amended its general fund budget at the end of the fiscal year.

For the 2005 general fund, original budgeted revenues were \$9.4 million. The final budgeted revenue amount was \$10.4 million. Actual revenues collected were \$11.4 million. The increase in actual revenues over budget was due to a higher municipal income tax and an unanticipated year end inheritance. For the 2004 general fund, original budgeted revenues were \$9.8 million. The final budgeted revenue amount was \$10.1 million. Actual revenues collected were \$10 million. The decrease in actual revenues over budget was due to reduced property taxes and miscellaneous revenues.

For 2005, original general fund appropriations were budgeted at \$11.7 million. Final budgeted appropriations were \$10.3 million. This decrease was due to lower than expected personnel costs and general government operating expenditures. For 2004, original general fund appropriations were budgeted at \$10.8 million. Final budgeted appropriations were \$10.2 million. This decrease was due to lower than expected personnel costs within the safety and the parks departments.

**Capital Asset and Debt Administration**

*Capital Assets*

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

	Governmental Activities		Business-Type Activities	
	2005	2004	2005	2004
Land and Land Improvements	\$ 4,124,548	\$ 3,965,370	\$ 1,418,637	\$ 1,424,650
Infrastructure Land	849,892	849,892		
Construction in Progress	834,272	723,991	2,278,052	588,162
Buildings and Improvements	9,738,950	9,995,765	19,873,608	20,767,624
Furniture, Fixtures and Equipment	3,366,950	3,515,164	32,588,754	33,006,383
Infrastructure	19,790,468	19,972,348		
Intangible Assets			2,074,026	2,194,177
<b>Total Capital Assets</b>	<b>\$ 38,705,080</b>	<b>\$ 39,022,530</b>	<b>\$ 58,233,077</b>	<b>\$ 57,980,996</b>

Total Capital Assets for the City of Piqua for the year ended December 31, 2005 were \$96,938,157, a minimal decrease of \$65,369 less than in 2004. Additions in 2005 were \$1,161,444 less than in 2004. Additional infrastructure asset additions added in 2004 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. Additional information concerning the City's capital assets can be found in Note G of the financial statements.

**CITY OF PIQUA, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**(Unaudited)**

***Debt***

At December 31, 2005, the City of Piqua had \$.6 million less in debt at \$12.1 million compared to \$12.7 million in debt outstanding at December 31, 2004.

**Table 6**  
**Outstanding Debt at December 31**

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
General Obligation Bonds	\$ 2,315,740	\$ 2,713,133	\$ 4,294,317	\$ 4,944,078
Pension Bonds	390,000	405,000		
Special Assessment Bonds	175,960	193,654		
Shawnee Bridge Improvement Notes	149,000			
OWDA Loans			4,615,594	4,233,098
Capital Lease	158,955	208,864	-	-
<b>Total</b>	<b>\$ 3,189,655</b>	<b>\$ 3,520,651</b>	<b>\$ 8,909,911</b>	<b>\$ 9,177,176</b>

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.

During 2003 \$5.2 million of General Obligation Bonds related to the Electric system and the Golf Course were refinanced resulting in lower interest rates for both issuances.

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.

During 2005 the Street Funds borrowed internally from the Electric Fund for the Shawnee Bridge reconstruction. A portion of the loan was repaid during 2005 with the remaining balance of \$149,000 due in 2007.

The Ohio Water Development Authority ("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 \$37,483,707 on December 31, 2005.

Additional information concerning the City's debt can be found in Note H of the financial statements.

**CITY OF PIQUA, OHIO**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2005**  
**(Unaudited)**

**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 2006:

- Completion and placing in service of a replacement water tower on R.M. Davis Parkway. The estimated cost of \$1.8 million is being financed by OWDA and the City of Piqua.
- Completion of the Shawnee Bridge over the Miami River financed by Miami County and the City of Piqua.
- Review and determination of the City's part in the historic Piqua Hotel restoration and development.
- Continued redevelopment of the City's downtown and surrounding areas including establishment of a Neighborhood Improvement Team. This redevelopment includes improved signage, sidewalks, brick pavers, traffic signals, and streetlights.
- Continuation of the Storm Water Infiltration Study.
- Completion of the Fountain Park playground equipment and repaving of community tennis courts.
- Planning and development of a city-wide comprehensive plan for the future of the City of Piqua.

The City of Piqua has committed itself to financial excellence. The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence for the fifteenth 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 Cynthia A. Holtzapple, 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, 2005

	Government Activities	Business Type Activities	Total Activities
<b>ASSETS:</b>			
Equity in pooled cash and cash equivalents	\$ 5,649,617	\$ 2,453,706	\$ 8,103,323
Equity in pooled investments	6,203,326	7,765,475	13,968,801
Accounts receivable	6,306,190	3,166,877	9,473,067
Allowance for Bad Debts		(361,466)	(361,466)
Interfund balances	6,390	(6,390)	-
Inventories	-	697,972	697,972
Prepaid items and other assets	29,720	145,599	175,319
Loans receivable, net of allowance	20,714	-	20,714
Capital assets not being depreciated	5,808,712	2,931,074	8,739,786
Capital assets being depreciated, net	32,896,368	55,302,003	88,198,371
Total assets	<u>56,921,037</u>	<u>72,094,850</u>	<u>129,015,887</u>
<b>LIABILITIES:</b>			
Accounts payable	1,011,823	1,647,819	2,659,642
Salary and benefits payable	380,478	78,739	459,217
Other accruals	20,220	17,943	38,163
Unearned revenue	1,478,418	2,232	1,480,650
Long-term debt:			
Due within one year	1,120,984	1,527,907	2,648,891
Due in more than one year	4,129,479	8,568,215	12,697,694
Total Liabilities	<u>8,141,402</u>	<u>11,842,855</u>	<u>19,984,257</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	35,515,425	49,323,165	84,838,590
Restricted by:			
Legislation or Covenants	740,702	66,588	807,290
Unrestricted	12,523,508	10,862,242	23,385,750
Total net assets	<u>48,779,635</u>	<u>60,251,995</u>	<u>109,031,630</u>
Total liabilities and net assets	<u>\$ 56,921,037</u>	<u>\$ 72,094,850</u>	<u>\$ 129,015,887</u>

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	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
					Governmental Activities	Business-Type Activities	
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 1,985,407	\$ 298,340	\$ 7,633	\$ 2,000	\$ (1,677,434)	\$ -	\$ (1,677,434)
Public safety	7,667,665	311,871	129,531	56,087	(7,170,176)	-	(7,170,176)
Streets and maintenance	3,456,870	49,462	52,126	-	(3,355,282)	-	(3,355,282)
Parks and recreation	716,795	31,798	9,590	2,400	(673,007)	-	(673,007)
Community development	1,287,935	67,397	540,980	-	(679,558)	-	(679,558)
Interest on long term debt	216,710	-	-	-	(216,710)	-	(216,710)
Total governmental activities	<u>15,331,382</u>	<u>758,868</u>	<u>739,860</u>	<u>60,487</u>	<u>(13,772,167)</u>	<u>-</u>	<u>(13,772,167)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Electric	16,945,700	18,415,430	-	-	-	1,469,730	1,469,730
Wastewater	2,842,163	2,671,979	-	-	-	(170,184)	(170,184)
Refuse	1,363,145	1,340,537	-	-	-	(22,608)	(22,608)
Water	2,589,854	2,586,120	-	13,073	-	9,339	9,339
Golf	699,461	623,714	271	-	-	(75,476)	(75,476)
Municipal Pool	175,944	95,138	-	-	-	(80,806)	(80,806)
Total business-type activities	<u>24,616,267</u>	<u>25,732,918</u>	<u>271</u>	<u>13,073</u>	<u>-</u>	<u>1,129,995</u>	<u>1,129,995</u>
Total	<u>\$ 39,947,649</u>	<u>\$ 26,491,786</u>	<u>\$ 740,131</u>	<u>\$ 73,560</u>	<u>\$ (13,772,167)</u>	<u>\$ 1,129,995</u>	<u>\$ (12,642,172)</u>
<b>GENERAL REVENUES:</b>							
Property taxes					1,525,944	-	1,525,944
State shared taxes					3,280,931	-	3,280,931
Income tax					8,378,103	-	8,378,103
Locally levied taxes					1,249,360	-	1,249,360
Investment earnings					289,066	287,164	576,230
Miscellaneous					385,572	-	385,572
Total general revenues					<u>15,108,976</u>	<u>287,164</u>	<u>15,396,140</u>
Special Item					-	(604,824)	(604,824)
Transfers, in (out)					<u>(136,609)</u>	<u>136,609</u>	<u>-</u>
Change in net assets					1,200,200	948,944	2,149,144
Total net assets:							
Beginning of year					<u>47,579,435</u>	<u>59,303,051</u>	<u>106,882,486</u>
End of year					<u>\$ 48,779,635</u>	<u>\$ 60,251,995</u>	<u>\$ 109,031,630</u>

See accompanying notes to the basic financial statements

**CITY OF PIQUA, OHIO**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

<b>ASSETS</b>	<b>General Fund</b>	<b>Street Maintenance</b>	<b>Street Levy Construction</b>	<b>Debt Service</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
Equity in pooled cash and cash equivalents	\$3,774,865	\$219,031	\$178,249	\$199,384	\$790,622	\$5,162,151
Equity in pooled investments	2,399,555	48,500	-	175,961	-	2,624,016
Accounts receivable	4,332,264	780,506	260,632	225,136	348,097	5,946,635
Interfund receivable	187,879	-	-	-	-	187,879
Inventories	-	-	-	-	-	-
Prepaid items and other assets	5,916	-	-	-	-	5,916
Loans Receivable, net of allowance	-	-	-	-	20,714	20,714
<b>Total Current Assets</b>	<b>10,700,479</b>	<b>1,048,037</b>	<b>438,881</b>	<b>600,481</b>	<b>1,159,433</b>	<b>13,947,311</b>
<b>Total Assets</b>	<b>10,700,479</b>	<b>1,048,037</b>	<b>438,881</b>	<b>600,481</b>	<b>1,159,433</b>	<b>13,947,311</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable	\$ 225,831	\$ 73,375	\$ 124,999	\$ -	\$ 49,240	\$ 473,445
Interfund payable	109,233	16,993	-	-	191,360	317,586
Salaries and benefits	362,526	10,701	-	-	3,219	376,446
Accrued vacation, personal and sick leave	10,847	-	-	-	-	10,847
Accruals	511	-	-	-	98	609
<b>Total Current Liabilities</b>	<b>708,948</b>	<b>101,069</b>	<b>124,999</b>	<b>-</b>	<b>243,917</b>	<b>1,178,933</b>
<b>LONG-TERM LIABILITIES:</b>						
Restricted deposits	11,230	-	-	-	-	11,230
Deferred revenue	1,891,474	325,823	-	224,474	248,391	2,690,162
<b>Total Long Term Liabilities</b>	<b>1,902,704</b>	<b>325,823</b>	<b>-</b>	<b>224,474</b>	<b>248,391</b>	<b>2,701,392</b>
<b>Total Liabilities</b>	<b>2,611,652</b>	<b>426,892</b>	<b>124,999</b>	<b>224,474</b>	<b>492,308</b>	<b>3,880,325</b>
<b>FUND BALANCES</b>						
Reserved for encumbrances	390,426	10,766	86,492	-	158,467	646,151
Reserved for inventory and prepaids	5,916	-	-	-	-	5,916
Reserved for debt service	-	-	-	376,007	-	376,007
Reserved for non-current loans	-	-	-	-	20,714	20,714
Reserved by legislation	17,361	-	-	-	87,416	104,777
Unreserved reported in:						
General Fund	\$7,675,124	-	-	-	-	7,675,124
Special revenue funds	-	610,379	227,390	-	400,528	1,238,297
<b>Total fund balances</b>	<b>8,088,827</b>	<b>621,145</b>	<b>313,882</b>	<b>376,007</b>	<b>667,125</b>	<b>\$ 10,066,986</b>
<b>Total liabilities and fund balance</b>	<b>\$ 10,700,479</b>	<b>\$ 1,048,037</b>	<b>\$ 438,881</b>	<b>\$ 600,481</b>	<b>\$ 1,159,433</b>	

Amounts reported for governmental activities in the Statement of Net Assets (page 21) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$ 38,705,080
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,211,744
The following long-term liabilities are not due and payable in the current period and therefore are not reported as expenditures in the funds	
Capital leases, bonds and notes payable	(3,189,655)
Sick leave benefits	(1,987,530)
Accrued interest on bonds payable	(19,611)
Internal service funds are used to charge the costs of certain activities, such as the city's self funded health care costs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	3,992,621
Net assets of governmental activities	<u>\$ 48,779,635</u>

See accompanying notes to the basic financial statements



**CITY OF PIQUA, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-- GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General Fund	Street Maintenance	Street Levy Construction	Debt Service	Other Governmental	Total Governmental
<b>REVENUES:</b>						
Municipal income tax	\$ 5,909,015	\$ 1,271,932	\$ 1,197,156	\$ -	\$ -	\$ 8,378,103
Property taxes	1,197,139	-	-	65,852	262,953	1,525,944
State shared revenues	2,081,803	925,752	-	-	78,453	3,086,008
Locally levied taxes	1,249,360	-	-	-	-	1,249,360
Licenses, permits, and fees	312,462	-	-	-	1,950	314,412
Grants: capital	3,365	-	-	-	-	3,365
Grants: operating	92,471	-	-	-	621,066	713,537
Investment income	181,791	10,804	6,314	30,108	20,376	249,393
(Decrease) in fair market value of investments	(32,655)	(601)	-	-	-	(33,256)
Donations:						
Capital	57,122	-	-	-	-	57,122
Operating	16,121	-	-	-	10,200	26,321
Other fines, rents, and reimbursements	301,662	28,720	20,741	-	93,335	444,458
<b>Total Revenues</b>	<b>11,369,656</b>	<b>2,236,607</b>	<b>1,224,211</b>	<b>95,960</b>	<b>1,088,333</b>	<b>16,014,767</b>
<b>EXPENDITURES:</b>						
General government administration	1,121,657	-	-	-	-	1,121,657
Public safety	7,162,136	-	-	-	-	7,162,136
Public health	333,173	-	-	-	-	333,173
Street repairs and maintenance	-	1,751,452	738,342	-	66,428	2,556,222
Parks and recreation	638,382	-	-	-	-	638,382
Community planning and development	690,169	-	-	-	591,184	1,281,353
Other	-	-	-	8,124	152,858	160,982
Debt principal payment	14,439	300,000	-	491,401	-	805,840
Debt interest payment	1,769	4,560	-	211,516	-	217,845
Capital costs	292,737	298,810	559,129	-	155,612	1,306,288
<b>Total expenditures</b>	<b>10,254,462</b>	<b>2,354,822</b>	<b>1,297,471</b>	<b>711,041</b>	<b>966,082</b>	<b>15,583,878</b>
Excess/(Deficiency)of revenues over expenditures	<u>1,115,194</u>	<u>(118,215)</u>	<u>(73,260)</u>	<u>(615,081)</u>	<u>122,251</u>	<u>430,889</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Debt Issuances proceeds	-	300,000	149,000	-	25,842	474,842
Disposal of capital assets	365,507	19,715	-	-	350	385,572
Transfers, in	213,871	-	-	636,841	49,268	899,980
Transfers, out	(726,719)	(55,966)	-	-	(253,903)	(1,036,588)
<b>Total other financing sources (uses)</b>	<b>(147,341)</b>	<b>263,749</b>	<b>149,000</b>	<b>636,841</b>	<b>(178,443)</b>	<b>723,806</b>
Net change in fund balance	<u>967,853</u>	<u>145,534</u>	<u>75,740</u>	<u>21,760</u>	<u>(56,192)</u>	<u>1,154,695</u>
Fund balance-beginning of year	7,120,974	475,611	238,142	354,247	723,317	8,912,291
Fund balance-end of year	<u>\$ 8,088,827</u>	<u>\$ 621,145</u>	<u>\$ 313,882</u>	<u>\$ 376,007</u>	<u>\$ 667,125</u>	<u>\$ 10,066,986</u>

See accompanying notes to the basic financial statements

# CITY OF PIQUA, OHIO

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005

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Total net change in fund balances Governmental funds	\$ 1,154,695
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,480,957) exceed capital outlay(\$1,306,288)	(174,669)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: State levied taxes	194,917
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	805,840
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	(224,030)
Interest payable	1,135
Proceeds from the issuance of bonds, capital lease or other debt instruments are not considered revenues on the Statement of Activities	(474,842)
The net book value of assets retired ( the difference of original cost (\$555,322) and accumulated depreciation (\$422,928) is not recorded on the Governmental Fund Statements, but is recorded as a expense on the Statement of Activities	(132,394)
An Internal Service Fund is used by management to charge the cost of certain activities such as the city's self funds health care to individual funds. The net revenue (expense) of the internal service fund related to governmental activities is reported with governmental activities	49,548
Change in the net assets of governmental activities on the statement of activities	<u>\$ 1,200,200</u>

See accompanying notes to the basic financial statements

**CITY OF PIQUA, OHIO**

**BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	Electric	Wastewater	Refuse	Water	Golf	Municipal Pool	Total	Governmental Activities - Internal Service Funds
<b>ASSETS</b>								
Current assets:								
Equity in pooled cash and cash equivalents	\$ 1,496,566	\$ 344,887	\$ 93,499	\$ 482,716	\$ 18,630	\$ 17,408	\$ 2,453,706	\$ 487,467
Equity in pooled investments	6,975,642	445,007	99,157	245,669	-	-	7,765,475	3,579,310
Accounts receivable	2,268,677	363,590	191,133	343,180	64	231	3,166,875	359,560
Interfund receivable	-	-	-	-	-	-	-	215,532
Allowance for uncollectible accounts	(209,813)	(61,819)	(29,672)	(60,162)	-	-	(361,466)	-
Inventories	550,502	-	-	128,928	18,542	-	697,972	-
Prepaid items and other assets	21,960	2,013	-	672	-	-	24,645	23,805
Total Current Assets	11,103,534	1,093,678	354,117	1,141,003	37,236	17,639	13,747,207	4,665,674
Noncurrent assets:								
Capital assets not being depreciated								
Land	68,661	33,775	17,949	162,293	370,344	-	653,022	-
Construction in process	455,194	-	-	1,822,858	-	-	2,278,052	-
Capital assets being depreciated								
Plant and equipment in service , net	33,042,698	11,575,303	293,278	8,450,122	1,508,125	432,477	55,302,003	124,829
Total Capital Assets	33,566,553	11,609,078	311,227	10,435,273	1,878,469	432,477	58,233,077	124,829
Deferred bond issuance costs	53,113	24,545	-	1,361	39,932	2,005	120,956	-
Total Assets	\$ 44,723,200	\$ 12,727,301	\$ 665,344	\$ 11,577,637	\$ 1,955,637	\$ 452,121	\$ 72,101,240	\$ 4,790,503

See accompanying notes to the basic financial statements

continued

**CITY OF PIQUA, OHIO**

**BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	Electric	Wastewater	Refuse	Water	Golf	Municipal Pool	Total	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ 1,254,810	\$ 42,165	\$ 56,178	\$ 284,491	\$ 8,959	\$ 1,216	\$ 1,647,819	\$ 538,378
Interfund payable	40,191	14,874	6,389	18,341	2,563	-	82,358	3,467
Salaries and benefits	33,363	13,179	6,834	14,068	11,295	-	78,739	4,032
Accrued vacation, personal, and sick leave	198,996	50,985	49,590	101,149	11,796	-	412,516	21,115
Accruals and prepaid memberships	7,647	1,994	-	474	9,568	492	20,175	-
Current portion of long term debt	345,000	506,423	-	140,908	117,540	5,520	1,115,391	-
<b>Total Current Liabilities</b>	<b>1,880,007</b>	<b>629,620</b>	<b>118,991</b>	<b>559,431</b>	<b>161,721</b>	<b>7,228</b>	<b>3,356,998</b>	<b>566,992</b>
Long-term liabilities:								
Accrued vacation, personal, and sick leave	414,917	124,736	38,112	179,729	16,201	-	773,695	30,087
Long term Debt	1,823,673	3,465,132	-	925,654	1,504,632	75,430	7,794,521	-
<b>Total Long-Term Liabilities</b>	<b>2,238,590</b>	<b>3,589,868</b>	<b>38,112</b>	<b>1,105,383</b>	<b>1,520,833</b>	<b>75,430</b>	<b>8,568,216</b>	<b>30,087</b>
<b>Total Liabilities</b>	<b>4,118,597</b>	<b>4,219,488</b>	<b>157,103</b>	<b>1,664,814</b>	<b>1,682,554</b>	<b>82,658</b>	<b>11,925,214</b>	<b>597,079</b>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	31,397,880	7,637,523	311,227	9,368,711	256,297	351,527	49,323,165	124,829
Restricted by legislation	-	-	-	-	-	16,588	16,588	-
Restricted by debt covenants	-	50,000	-	-	-	-	50,000	-
Unrestricted	9,206,723	820,290	197,014	544,112	16,786	1,348	10,786,273	4,068,595
<b>Total Net Assets</b>	<b>40,604,603</b>	<b>8,507,813</b>	<b>508,241</b>	<b>9,912,823</b>	<b>273,083</b>	<b>369,463</b>	<b>60,176,026</b>	<b>4,193,424</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 44,723,200</b>	<b>\$ 12,727,301</b>	<b>\$ 665,344</b>	<b>\$ 11,577,637</b>	<b>\$ 1,955,637</b>	<b>\$ 452,121</b>		<b>\$ 4,790,503</b>
Adjustment to consolidate the internal service fund activities							75,969	
Total net assets per the government-wide Statement of Net Assets							<u>\$ 60,251,995</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 31,2005**

	Business-type Activities						Total	Governmental Activities- Internal Service Funds
	Electric	Wastewater	Refuse	Water	Golf	Municipal Pool		
<b>OPERATING REVENUES:</b>								
Customer services	\$ 18,087,190	\$ 2,624,282	\$ 1,310,173	\$ 2,483,335	\$ 622,525	\$ 95,254	\$25,222,759	\$ 2,617,392
Penalty charges	121,814	35,520	18,993	31,709	-	-	208,036	-
<b>Total operating revenues</b>	<b>18,209,004</b>	<b>2,659,802</b>	<b>1,329,166</b>	<b>2,515,044</b>	<b>622,525</b>	<b>95,254</b>	<b>25,430,795</b>	<b>2,617,392</b>
<b>OPERATING EXPENSES:</b>								
Fossil fuels used for production	386,846	-	-	-	-	-	386,846	-
Purchased power	11,509,990	-	-	-	-	-	11,509,990	-
Salaries and employee benefits	1,517,872	905,356	444,472	1,051,279	294,283	75,901	4,289,163	2,336,846
Depreciation	1,608,619	930,939	26,400	320,336	87,003	37,533	3,010,830	13,307
Materials and supplies	215,906	49,109	30,421	154,410	120,781	23,923	594,550	-
Utilities	60,022	98,160	2,304	169,445	35,442	11,381	376,754	-
Outside services	835,456	317,188	731,569	393,589	16,640	3,671	2,298,113	323,789
Billing costs	349,394	192,134	76,606	222,498	-	-	840,632	-
Chemicals	6,933	5,746	-	151,102	30,979	10,174	204,934	-
Other	369,333	73,774	48,007	114,116	42,182	9,543	656,955	-
<b>Total operating expenses</b>	<b>16,860,371</b>	<b>2,572,406</b>	<b>1,359,779</b>	<b>2,576,775</b>	<b>627,310</b>	<b>172,126</b>	<b>24,168,767</b>	<b>2,673,942</b>
Operating income (loss)	1,348,633	87,396	(30,613)	(61,731)	(4,785)	(76,872)	1,262,028	(56,550)
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Interest on debt	(72,264)	(263,926)	-	(6,292)	(71,782)	(3,545)	(417,809)	-
Interest income	272,995	30,862	6,308	30,058	2,986	848	344,057	142,641
Net (decrease) in fair market value of investments.	(88,626)	(1,890)	(864)	(2,079)	-	-	(93,459)	(33,145)
Other, net	206,426	12,177	11,371	71,076	1,189	(116)	302,123	3,479
Donated capital	-	-	-	13,073	-	-	13,073	-
Donations operating	-	-	-	-	271	-	271	-
Special item	(604,824)	-	-	-	-	-	(604,824)	-
Transfers, in	-	-	-	-	91,792	44,817	136,609	-
Transfers, out	-	-	-	-	-	-	-	-
<b>Net non-operating revenues (expenses)</b>	<b>(286,293)</b>	<b>(222,777)</b>	<b>16,815</b>	<b>105,836</b>	<b>24,456</b>	<b>42,004</b>	<b>(319,959)</b>	<b>112,975</b>
Change in net assets	1,062,340	(135,381)	(13,798)	44,105	19,671	(34,868)	942,069	56,425
Total net assets-beginning of year	39,542,263	8,643,194	522,039	9,868,718	253,412	404,331		4,136,999
Total net assets-end of year	\$ 40,604,603	\$ 8,507,813	\$ 508,241	\$ 9,912,823	\$ 273,083	\$ 369,463		\$ 4,193,424
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							6,875	
Change in net assets of business-type activities							\$ 948,944	

See accompanying notes to the basic financial statements

**CITY OF PIQUA, OHIO**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business-type Activities							Governmental Activities- Internal Service Funds
	Electric	Wastewater	Refuse	Water	Golf	Pool	Total	
<b>OPERATING ACTIVITIES:</b>								
Cash received for services	\$ 18,360,010	\$ 2,702,767	\$ 1,334,088	\$ 2,583,159	\$ 630,998	\$ 95,101	\$ 25,706,123	\$ 2,176,748
Cash paid to suppliers for goods or services	(13,986,813)	(765,394)	(896,629)	(1,035,673)	(242,452)	(62,034)	(16,988,995)	(2,050,530)
Cash paid to employees for services	(1,554,934)	(873,004)	(431,625)	(1,049,197)	(285,302)	(74,988)	(4,269,050)	(189,171)
Net cash provided by (used in) operating activities	<u>2,818,263</u>	<u>1,064,369</u>	<u>5,834</u>	<u>498,289</u>	<u>103,244</u>	<u>(41,921)</u>	<u>4,448,078</u>	<u>(62,953)</u>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>								
Transfers, in	-	-	-	-	91,792	44,816	136,608	-
Transfers, out	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-	-	91,792	44,816	136,608	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Issuance of notes payable	(149,000)	-	-	-	-	-	(149,000)	-
Proceeds from issuance of bonds and notes	-	-	-	1,020,980	-	-	1,020,980	-
Principal paid on bonds and notes	(329,778)	(756,544)	-	(91,485)	(105,521)	(4,760)	(1,288,088)	-
Interest paid on bonds and notes	(73,102)	(264,922)	-	(6,515)	(74,684)	(3,689)	(422,912)	-
Acquisition and construction of capital assets	(2,084,923)	(10,746)	(22,491)	(1,817,289)	(13,156)	(3,500)	(3,952,105)	(2,920)
Disposals of capital assets	47,706	-	-	(3,040)	-	-	44,666	-
Net cash provided by (used in) capital & related financing activities	<u>(2,589,097)</u>	<u>(1,032,212)</u>	<u>(22,491)</u>	<u>(897,349)</u>	<u>(193,361)</u>	<u>(11,949)</u>	<u>(4,746,459)</u>	<u>(2,920)</u>
<b>INVESTING ACTIVITIES:</b>								
Purchases of investment securities	(269,187)	-	-	-	-	-	(269,187)	-
Proceeds from sale or maturity of investment securities	-	-	-	-	-	-	-	17,065
Interest received	264,158	30,329	6,077	29,754	2,988	848	334,154	139,704
Net cash provided by (used in) investing activities	<u>(5,029)</u>	<u>30,329</u>	<u>6,077</u>	<u>29,754</u>	<u>2,988</u>	<u>848</u>	<u>64,967</u>	<u>156,769</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>	224,137	62,486	(10,580)	(369,306)	4,663	(8,206)	(96,806)	90,896
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	1,272,429	282,403	104,079	852,023	13,968	25,614	2,550,516	396,571
<b>CASH AND CASH EQUIVALENTS - End of year</b>	\$ 1,496,566	\$ 344,889	\$ 93,499	\$ 482,717	\$ 18,631	\$ 17,408	\$ 2,453,710	487,467
<b>OPERATING INCOME (LOSS)</b>	\$ 1,348,633	\$ 87,396	\$ (30,613)	\$ (61,731)	\$ (4,785)	\$ (76,872)	\$ 1,262,028	(56,550)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	1,608,619	930,939	26,400	320,336	87,003	37,533	3,010,830	13,307
(Increase)/Decrease in Accounts Receivable	(113,078)	20,606	(6,449)	(17,597)	(64)	(233)	(116,815)	(233,597)
(Increase)/Decrease in Inventory	49,639	-	-	13,859	4,771	-	68,269	-
(Increase)/Decrease in Prepaids	5,430	4,950	-	649	3,198	-	14,227	(1,471)
Increase/(Decrease) in Accounts Payable	(290,051)	(20,214)	(4,466)	149,011	3,080	(2,122)	(164,762)	174,509
Increase/(Decrease) in Accrued Wages and Benefits	(37,061)	28,515	9,591	9,612	7,901	-	18,558	37,375
(Increase)/Decrease in Deferred Revenues	-	-	-	-	(682)	113	(569)	-
Net (Increase)/Decrease in Other Operating Net Assets	246,132	12,177	11,371	84,150	2,822	(340)	356,312	3,474
Net cash provided by (used in) operating activities	<u>\$ 2,818,263</u>	<u>\$ 1,064,369</u>	<u>\$ 5,834</u>	<u>\$ 498,289</u>	<u>\$ 103,244</u>	<u>\$ (41,921)</u>	<u>\$ 4,448,078</u>	<u>\$ (62,953)</u>
<b>SUPPLEMENTAL INFORMATION:</b>								
Noncash activities:								
Change in fair value of investments	<u>\$ (88,626)</u>	<u>\$ (1,890)</u>	<u>\$ (864)</u>	<u>\$ (2,079)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (93,459)</u>	<u>\$ (33,145)</u>
Contribution of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,073</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**CITY OF PIQUA, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

<b>ASSETS:</b>	<u>Agency Funds</u>
Equity in pooled cash and cash equivalents	\$ 2,525
Equity in pooled investments	-
Accounts receivable	-
Prepaid items and other assets	5,528
	-
 Total Assets	 <u><u>\$ 8,053</u></u>
 <b>LIABILITIES:</b>	
Withholdings payable	\$ 6,987
Undistributed monies	<u>1,066</u>
 Total Current Liabilities	 <u><u>\$ 8,053</u></u>

See accompanying notes to the basic financial statements

**CITY OF PIQUA, OHIO**  
**Notes to the Basic Financial Statements**  
**December 31, 2005**

**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 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. No separate government units meet the criteria for inclusion as a component unit.

***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, which normally are supported through taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business type activities, which rely to a significant extent on fees and charges for support. The government-wide financial statements do not include the assets and liabilities of the City’s fiduciary funds.

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. Program 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. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

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

The City reports the following major governmental funds:

**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.



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

**Street Levy Construction Fund**—This fund accounts for a .25% levied income tax restricted for the specific purpose of street construction.

**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.

**Enterprise Funds (Business type 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. The City reports the following major enterprise funds: electric, wastewater, garbage, water, golf, and municipal pool.

The City, in its business type funds, accounts for all recurring type revenues, including all revenues, which the City controls through statutory pricing or regulatory authority, as operating revenue and all recurring type expenses as operating expense. Non-recurring revenues such as gains on sales of assets and revenues over which the City has minimal or no control, primarily interest earnings, are accounted for as nonoperating revenues. Interest expense and other non-recurring expenses over which the City has minimal or no control are reported as non-operating expense.

**Internal Service Funds** are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance activities and information technology functions. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

**Fiduciary Fund Types** are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governments, and /or other funds. The City reports the following agency funds: unclaimed funds, Mayor Wilson Fund, Employee flexible spending fund.

**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 business type 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, kwh taxes, hotel/motel taxes, franchise fees, and interest on investments. Property taxes levied before year end are not recognized as

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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.

Pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, are followed in both the government-wide and business type fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent FASB guidance for their business-type activities and enterprise funds, subject to this same limitation; however, the City has elected not to follow subsequent FASB guidance.

**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 balance 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 business type 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.

**Receivables**—Receivables primarily consist of municipal income taxes, state shared revenue taxes, property taxes, kwh taxes, hotel/motel taxes, franchise fees, and utility charges.

**Inventory**—Inventory is valued at average cost. The business type 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.

**Capital Assets**—Capital assets are recorded based on historical cost, or estimated historical cost if actual historical cost is not available. Donated capital 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.

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The City defines capital assets as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year.

Property, plant, and equipment of the City 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 expenditure/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.

**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**—City employees are granted vacation, personal and sick leave. These leave benefits are accrued as a liability using the vesting method. The liability is based on the leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as leave accumulated by those employees expected to become eligible to receive termination benefits in the future. In the event of termination an employee may be reimbursed for accumulated vacation, personal and sick leave at various rates based on years of service. Vested vacation, personal, and sick leave is recorded as an expense in the government-wide statements for the period in which the leave was earned. For governmental fund type employees an expenditure is recorded in the governmental funds’ statements for only the portion of vested vacation, personal and sick leave that is expected to be liquidated with expendable available resources in accordance with Interpretation No.6 of the Governmental Accounting Standards Board-Recognition and Measurement of Certain Liabilities and Expenditure in Government Fund Financial Statements.

Vested vacation, personal, and sick leave is recorded as an expense in both the government wide statements and statements for all business type funds. Payment of vacation, personal and sick leave recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. Management believes that sufficient resources will be made available when payment is due.

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**B. POOLED CASH DEPOSITS AND INVESTMENTS**

During the year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 40 “Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3.”

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

At December 31, 2005, the carrying amount of the City’s deposits was \$757,494 while the balance as shown by the bank statements was \$1,216,258. As of December 31, 2005, \$1,116,258 of the City’s bank balance was exposed to custodial risk as discussed above, while \$100,000 was covered by Federal Deposit Insurance.

**Investments**—The ORC, the City’s charter, and the City’s investment policy authorize the City to invest in the State Treasury Asset Reserve of Ohio(STAR Ohio), certificates of deposit, repurchase agreements, United States treasury bills and notes, notes issued by United States agencies, bankers’ acceptances and commercial paper of the highest rating. All investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company but does operate in a manner similar to rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the pool’s share price, which is the price for which the investment could be sold for on December 31, 2005.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a failure of a depository institution or counterparty to a transaction, the City will be unable to recover the value of deposits, investments or collateral securities in the possession of an outside party. At December 31, 2005, all investments were registered in the name of the City.

**Foreign Currency Risk** – Foreign currency risk is the risk that changes in exchange rates between the U.S. Dollar and foreign currencies could adversely affect an investment’s fair value. The City does not have a formal investment policy regarding foreign currency risk. The City had no exposure to foreign currency risk at year end.

**Credit Risk** – Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The City’s exposure to credit risk, based on both Moody’s and Standard & Poor’s Credit Ratings, is as follows:

<u>Investment Type</u>	<u>Quality Rating</u>	<u>Fair Value</u>
City of Piqua Bonds and Notes	A1	\$ 714,961
U.S. Government Agency Obligations	AAA	13,253,841
STAR Ohio	AAAm	<u>7,348,354</u>
Total		<u>\$21,317,156</u>

**Concentration of Credit Risk** – Concentration of credit risk is the risk of inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by lack of diversification. The following table includes the percentage to total of each investment type held by the City at December 31, 2005.

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<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
City of Piqua Bonds and Notes	\$ 714,961	3.35%
FFCB	1,767,753	8.29%
FHLB	4,238,952	19.89%
FHLMC	4,383,792	20.56%
FNMA	2,863,344	13.43%
STAR Ohio	<u>7,348,354</u>	<u>34.47%</u>
Total	<u>\$21,317,156</u>	<u>100.00%</u>

Except for investments in U.S. Treasury and STAR Ohio, no more than 15% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. Contrary to the City's policy, the City maintained greater than 15% of its investment portfolio in both FHLB and FHLMC securities at December 31, 2005.

**Interest Rate Risk** – Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. According to the City's investment policy, the maximum maturity for any single security may not exceed 5 years.

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>			<u>Total Fair Value</u>
	<u>Less than 1</u>	<u>1 - 5</u>	<u>Greater than 5</u>	
City of Piqua Bonds & Notes	\$ -	\$ 149,000	\$ 565,961	\$ 714,961
FFCB	1,767,753	-	-	1,767,753
FHLB	498,750	3,740,202	-	4,238,952
FHLMC	1,961,330	2,422,462	-	4,383,792
FNMA	-	2,863,344	-	2,863,344
STAR Ohio	<u>7,348,354</u>	<u>-</u>	<u>-</u>	<u>7,348,354</u>
Total	<u>\$11,576,187</u>	<u>\$9,175,008</u>	<u>\$565,961</u>	<u>\$21,317,156</u>

**C. 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, 2004
Lien date	January 1, 2005
Tax bill mailed	January 20, 2005
First installment payment due	February 20, 2005
Second installment payment due	July 20, 2005

The assessed values for the City at January 1, 2005 were as follows:

Real estate	\$291,828,330
Tangible personal property	<u>65,159,360</u>
Total	<u>\$ 356,987,690</u>

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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, 2005, nor are they intended to finance 2005 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 2005, the City also received an additional 0.60 mills to fund the Pension Refunding Bonds, and 0.10 mills for costs of the Miami Conservancy District.

**D. 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 2005 are recognized based upon sales of electrical services by the City, and a 3% hotel/motel tax of gross receipts was also recognized.

**E. 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	\$ 1,101,213
Local government revenue assistance	1,076,247
Gasoline taxes	689,318
Vehicle license taxes	327,665
Miscellaneous other taxes	<u>86,488</u>
	<u>\$ 3,280,931</u>

**F. RECEIVABLES**

Governmental receivables at year end, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, accrued interest on investment, accounts and notes receivable. Loans receivable represent real estate second mortgages which are partially forgivable over seven to fifteen year periods netted by an estimated allowance for forgiveness or amounts uncollectible. The amounts were \$864,010 and \$843,296 respectively.

Business type receivables at year end consisted primarily of billed and unbilled utility revenues , and interest receivable on investments.

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**G. CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Construction In Process Placed in Service</b>	<b>Ending Balance</b>
Capital assets not being depreciated:					
Land and licenses	\$3,965,369	\$ -	\$ (68,713)	\$ 227,892	\$4,124,548
Infrastructure land	849,892	-	-	-	849,892
Construction in progress	<u>723,993</u>	<u>766,075</u>	<u>-</u>	<u>(655,796)</u>	<u>834,272</u>
Assets not depreciated	<u>5,539,254</u>	<u>766,075</u>	<u>(68,713)</u>	<u>(427,904)</u>	<u>5,808,712</u>
Capital assets being depreciated:					
Buildings and improvements	11,306,558	18,678	(50,149)	5,188	11,280,275
Furniture, fixtures and equipment	9,673,205	524,455	(436,460)	71,075	9,832,275
Infrastructure	<u>24,038,218</u>	<u>-</u>	<u>-</u>	<u>351,641</u>	<u>24,389,859</u>
Depreciated capital assets	45,017,981	543,133	(486,609)	427,904	45,502,409
Accumulated depreciation:					
Buildings and improvements	(1,310,792)	(243,023)	12,490	-	(1,541,325)
Furniture, fixtures and equipment	(6,158,039)	(717,724)	410,438	-	(6,465,325)
Infrastructure	<u>(4,065,873)</u>	<u>(533,518)</u>	<u>-</u>	<u>-</u>	<u>(4,599,391)</u>
Total accumulated depreciation	<u>(11,534,704)</u>	<u>(1,494,265)</u>	<u>422,928</u>	<u>-</u>	<u>(12,606,041)</u>
Net capital assets being depreciated	<u>33,483,277</u>	<u>(951,132)</u>	<u>(63,681)</u>	<u>427,904</u>	<u>32,896,368</u>
Net capital assets	<u>\$ 39,022,531</u>	<u>\$(185,057)</u>	<u>\$(132,394)</u>	<u>-</u>	<u>\$38,705,080</u>

\* Depreciation expense was charged to governmental functions as follows:

General governmental	\$ 229,251
Public safety	285,793
Street repairs and maintenance	884,927
Community development	71,772
Parks	9,214
Information technology (internal service fund)	<u>13,308</u>
Total depreciation expense	<u>\$ 1,494,265</u>

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A summary of changes in enterprise fund capital assets is as follows:

	Beginning Balance	Increases	Decreases	Construction In Process Placed in Service	Ending Balance
Capital assets not being depreciated:					
Land and licenses	\$ 653,022	\$ -	\$ -	\$ -	\$ 653,022
Construction in progress	<u>588,162</u>	<u>3,513,459</u>	<u>-</u>	<u>(1,823,569)</u>	<u>2,278,052</u>
Assets not depreciated	<u>1,241,184</u>	<u>3,513,459</u>	<u>-</u>	<u>(1,823,569)</u>	<u>2,931,074</u>
Capital assets being depreciated:					
Land improvements	1,424,483	-	-	14,843	1,439,326
Buildings and improvements	32,702,345	10,318	(708)	8,532	32,720,487
Furniture, fixtures and equipment	77,800,324	428,328	(1,644,213)	1,800,194	78,384,633
Intangible assets	<u>2,928,561</u>	<u>-</u>	<u>(32,375)</u>	<u>-</u>	<u>2,896,186</u>
Depreciated capital assets	114,855,713	438,646	(1,677,296)	1,823,569	115,440,632
Accumulated depreciation:					
Land improvements	(652,855)	(20,856)	-	-	(673,711)
Buildings and improvements	(11,934,721)	(912,697)	539	-	(12,846,879)
Furniture, fixtures and equipment	(44,793,940)	(1,989,501)	987,562	-	(45,795,879)
Intangible assets	<u>(734,384)</u>	<u>(87,776)</u>	<u>-</u>	<u>-</u>	<u>(822,160)</u>
Total accumulated depreciation	<u>(58,115,900)</u>	<u>(3,010,830)</u>	<u>988,101</u>	<u>-</u>	<u>(60,138,629)</u>
Net capital assets being depreciated	<u>56,739,813</u>	<u>(2,572,184)</u>	<u>(689,195)</u>	<u>1,823,569</u>	<u>55,302,003</u>
Net capital assets	<u>\$57,980,997</u>	<u>941,275</u>	<u>(689,195)</u>	<u>-</u>	<u>\$58,233,077</u>

\* Depreciation expense was charged to enterprise functions as follows:

Electric	\$ 1,608,619
Wastewater	930,939
Refuse	26,400
Water	320,336
Golf	87,003
Municipal Pool	<u>37,533</u>
Total depreciation expense	<u>\$ 3,010,830</u>

In 2005, the City abandoned the assets of the hot water distribution center and ceased operations. This resulted in a special item expense of \$604,824 at December 31, 2005.



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**H. LONG-TERM LIABILITIES**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Public improvement G.O. bonds, 3.0%-6.2%	\$ 38,133	\$ -	\$ 12,393	\$ 25,740	\$ 12,393
Building facility bonds, 5.97%	<u>2,675,000</u>		<u>385,000</u>	<u>2,290,000</u>	<u>405,000</u>
Total governmental general obligation bonds	2,713,133		397,393	2,315,740	417,393
Capital Lease (Note H)	208,866		49,911	158,955	52,139
Special assessment bonds, 9%	193,654	25,842	43,536	175,960	39,871
Shawnee Bridge Improve. Notes 2.88%		449,000	300,000	149,000	-0-
Compensated absences	1,787,337	670,965	408,724	2,049,578	596,581
Restricted Deposits	-0-	11,230	-0-	11,230	-0-
Other—Pension refunding bonds, 6.25%	<u>405,000</u>		<u>15,000</u>	<u>390,000</u>	<u>15,000</u>
Total governmental long-term liabilities	<u>\$ 5,307,990</u>	<u>\$1,157,037</u>	<u>\$ 1,214,564</u>	<u>\$ 5,250,463</u>	<u>\$ 1,120,984</u>
<b>Business-Type Activities:</b>					
Electric G.O. bonds, 2.0%-3.4%	\$ 2,498,452	\$ -	\$ 329,779	\$ 2,168,673	\$ 345,000
Public improvement G.O. bonds, 3.0%-6.2%	161,867		52,606	109,261	52,607
Wastewater G.O. Improvement bonds, 7.25%	495,000		165,000	330,000	165,000
Ohio Water Development Authority Loan-1981, 7%	293,506		293,506	-	-
Ohio Water Development Authority Loan-1995, 4.56%	3,939,592		298,037	3,641,555	341,423
Ohio Water Development Authority Loan-2005, 3.25%	-0-	1,020,980	46,941	974,039	96,361
Recreational facility bonds, 2.0%-4.1%	1,788,759	-	102,376	1,686,383	115,000
Compensated Absences	<u>1,179,981</u>	<u>357,716</u>	<u>351,486</u>	<u>1,186,211</u>	<u>412,516</u>
Total long-term liabilities	<u>\$ 10,357,157</u>	<u>\$1,378,696</u>	<u>\$ 1,639,731</u>	<u>\$ 10,096,122</u>	<u>\$1,527,907</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.

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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.

Restricted deposits are confiscated funds held under court order until released by judicial authority.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2005 are as follows:

Year Ending December 31	<u>General Obligation Bonds</u>				<u>Notes Payable</u>	
	<u>Governmental</u>		<u>Business Type</u>		<u>Business Type</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	417,393	138,296	659,761	153,761	409,449	201,575
2007	443,347	113,362	673,808	129,390	428,597	182,427
2008	455,000	86,864	462,150	103,105	469,843	162,432
2009	485,000	59,700	477,155	90,385	497,806	141,553
2010	515,000	30,746	492,155	75,535	519,608	119,750
2011—2015			1,039,288	193,383	2,290,291	240,818
2016—2020			490,000	40,310	-	-
2021—2025					-	-
<b>Total</b>	<u>\$ 2,315,740</u>	<u>\$ 428,968</u>	<u>\$ 4,294,317</u>	<u>\$ 785,869</u>	<u>\$ 4,615,594</u>	<u>\$ 1,048,555</u>

Year Ending December 31	<u>Pension Bonds</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2006	15,000	24,375	39,871
2007	20,000	23,438	32,846	12,248
2008	20,000	22,188	32,854	9,292
2009	20,000	20,938	25,490	6,335
2010	20,000	19,688	19,586	4,041
2011—2015	125,000	77,813	25,313	4,838
2016—2020	170,000	33,438	-	-
<b>Total</b>	<u>\$ 390,000</u>	<u>\$ 221,878</u>	<u>\$ 175,960</u>	<u>\$ 52,591</u>

**CITY OF PIQUA, OHIO**  
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**I. CAPITAL LEASE COMMITMENTS**

The City is obligated under three leases accounted for as capital leases. The cost of the leased assets is included in the City's capital assets used in governmental activities. The original cost of the assets under capital lease was \$280,222.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2005. This amount also appears in Note H.

<u>Year ending December 31,</u>	<u>Capital Lease</u>
2006	58,430
2007	42,221
2008	42,221
2009	<u>41,873</u>
Total minimum lease payments	184,745
Less: amount representing interest	
At 3.50%-5.95%	<u>(25,790)</u>
Present value of minimum lease payments	<u><u>\$ 158,955</u></u>

**J. INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions among funds which caused interfund balances from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund receivable and payable balances at December 31, 2005 are as follows:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General Fund	\$ 187,879	\$ 109,233
Street Maintenance		16,993
Non-major Governmental Funds		191,360
Proprietary Funds:		
Electric		40,191
Wastewater		14,874
Refuse		6,389
Water		18,341
Golf		2,563
Internal Service Funds:		
Information Technology		3,467
City Health Insurance		
	<u>215,532</u>	
	<u>\$ 403,411</u>	<u>\$ 403,411</u>

Transfers are used to move revenues; from the fund that statute or budget requires to collect them, to the fund that the statute or budget requires to expend them; or moving unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; or to provide

**CITY OF PIQUA, OHIO**  
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additional resources for current operations or debt service. Interfund transfers for the year ended December 31, 2005 consisted of the following:

<b>Governmental</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 213,871	\$ 726,719
Street Maintenance		55,966
Debt Service	636,841	
Other Governmental (non-major)	49,268	253,904
 <b>Proprietary</b>		
Golf	91,792	
Municipal Pool	<u>44,817</u>	
	<u>\$ 1,036,589</u>	<u>\$ 1,036,589</u>

Transfers out of the Street Maintenance and Other Governmental funds were used to reimburse the City’s debt service funds and the general fund for debt service and pension obligation costs.

**K. PENSION PLAN OBLIGATIONS**

Both the Ohio Police and Fire Pension Fund (“OP&F”) and the Ohio Public Employees Retirement System (“OPERS”) are reported using GASB Statement No. 27 “Accounting for Pensions by State and Local Governmental Employers”. Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Ohio Police and Fire Pension Fund (“OP&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 OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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, 2005, 2004, and 2003 were \$1,296,327, \$1,256,214 and \$1,195,460, which consisted of \$887,156, \$859,959 and \$817,846 from the City and \$409,171, \$396,255, and \$377,614 from the employees, respectively, or 88% of the required contributions for 2005, 79% of the required contributions for 2004 and equal to the required contributions for 2003.

**Public Employees Retirement System**—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).

OPERS administers three separate pension plans as described below:

The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed

**CITY OF PIQUA, OHIO**  
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Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement Benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised code.

The Ohio Revised Code also provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans (TP, MD, and CO).

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, 2003, 2004 and 2005 were \$1,481,972 , \$1,536,454, and \$1,574,655 respectively, equal to the required contributions for the year.

**L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Both the OPERS and the OP&F provide post-retirement health care coverage commonly referred to as an Other Post-employment Benefit (OPEB). For both systems, the Ohio Revised Code provides the statutory 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. The Ohio Revised code provides that health care costs paid shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible employees. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2004 and in 2005, which resulted in contributions of \$163,361 for police and \$153,745 for firemen to pay post-employment benefits. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits statewide as of December 31, 2004, the date of the last actuarial valuation available, was 13,812 for police and 10,528 for firemen. OP&F's total health care expense for the year ending December 31, 2004, the date of the last actuarial valuation available, was \$102,173,796, which was net of member contributions of \$55,665,341.

***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. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each

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employer's contribution to OPERS (5.0% of the total 13.55% contribution—See Note K) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority for employer contributions and for requiring public employers to fund pension and post-retirement health care through their contributions to OPERS. The 2005 employer contribution rate for local government employer units was 13.55% of covered payroll, of which 4.00% was used to fund health care for the year.

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

**Actuarial Review:** The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2004.

**Funding Method:** An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

**Assets Valuation Method:** All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

**Investment Return:** The investment assumption rate for 2004 was 8.00%

**Active Employee Total Payroll:** An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

**Health Care:** Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years in subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). OPEBs are advance-funded on an actuarially determined basis. At year-end 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. \$10.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a grade monthly allocation based on their years of service at retirement. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rate increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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**M. 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.

**N. OHIO PROFESSIONAL FIRE FIGHTERS DEFERRED COMPENSATION PROGRAM**

In addition to the Ohio Public Employees Deferred Compensation Program; the City offers its sworn fire officers an optional deferred compensation plan created in accordance with Internal Revenue Code (“IRC”) Section 457. The plan which is only available to sworn fire officers 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.

**O. 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.

**P. 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 joined 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 2744.081 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 twenty-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 member contributions premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member contributions premiums and the purchase of excess insurance and reinsurance. The city’s deductible per occurrence for all types of claims is \$2,500. During 2005, MVRMA’S per-occurrence retention limit for property was \$200,000, with the exception of boiler and machinery for which there was a \$5,000 per occurrence retention limit. Liability had a per occurrence retention limit of \$1,000,000. Excess insurance and/or reinsurance will cover up to the limits stated below:

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General Liability (including law enforcement)	\$7,000,000 per occurrence/ excess \$1,000,000 sir
Automobile Liability	\$7,000,000 per occurrence/excess \$1,000,000 sir
Police Professional Liability	\$7,000,000 excess \$1,000,000 (\$10,000,000 aggregate per city)
Boiler and Machinery	\$100,000,000 per occurrence
Property	\$1,000,000,000 per occurrence
Flood and Earthquake	\$25,000,000 per occurrence and annual aggregate
Employment Practices Liability and Public Officials Liability	\$7,000,000 excess \$1,000,000 (\$10,000,000 annual combined 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. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 359,914	\$ 338,898
Incurred claims (including IBNRs)	2,243,243	1,568,616
Claim payments	<u>(2,065,960)</u>	<u>(1,547,600)</u>
Unpaid claims, end of year	<u>\$ 537,197</u>	<u>\$ 359,914</u>

**Q. COMMITMENTS**

**Cinergy (Public Service Company of Indiana) Power Contract**

(A) On October 18, 2000, the City and Cinergy signed a new Power supply agreement for the period January 1, 2002 through December 31, 2006. Under this agreement, the city will purchase from Cinergy all energy requirements in excess of those supplied by the New York Power Authority (NYPA). The Contract specifies fixed demands based on monthly peaks (mw) and energy cost for each year of the contract.

Year	Demand (\$/mw/mo)	Energy(\$/mwh)
2005	\$7,870	\$15.97
2006	7,870	16.21

As a result of the agreement dated October 18, 2000, the Limited Term Power purchase agreement between the City and the Public Service Company of Indiana (now Cinergy) for 15 mw was suspended from January 1, 2002 through December 31, 2006. Due to an early termination clause, the City of Piqua has exercised their option to an early termination of the agreement and is presently in the process of negotiating new terms and conditions for future power.



**CITY OF PIQUA, OHIO**  
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**R. STATUTORY COMPLIANCE**

At December 31, 2005 the following funds had an excess of expenditures over appropriations for the year:

**GENERAL**

Parks & Recreation	
Capital	\$39,921

**STREET LEVY CONSTRUCTION**

Operating expenditures	\$30,735
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**S. FUND RECLASSIFICATION & RESTATEMENT OF FUND BALANCE/NET ASSETS**

The changes to beginning fund balance and net assets are as follows:

	<b>General Fund</b>	<b>Street Maintenance</b>	<b>Other Governmental</b>	<b>Governmental Activities</b>
Fund Balance, December 31, 2004	\$6,694,931	\$440,042	\$683,911	
Net Assets, December 31, 2004				\$47,029,956
Adjustments:				
Reclassification of compensated absences	426,043	35,569	39,406	
Reclassification of state shared revenues	_____	_____	_____	549,479
Fund Balances, December 31, 2004	<u>\$7,120,974</u>	<u>\$475,611</u>	<u>\$723,317</u>	
Net Assets, December 31, 2004				<u>\$47,579,435</u>

**T. SUBSEQUENT EVENT**

On December 19, 2005, the City approved additional borrowing from the Ohio Water Development Authority in the amount of \$200,000. This was to supplement a previous borrowing commitment from the OWDA for the construction of a 1.8 million dollar water tower to be completed in the spring of 2006. The interest rate for the additional borrowing will be at 3.25% and the term length will be nine and one half years. At December 31, 2005 the contractual agreement had not been completed and only the completed portion of the loan was recorded.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**CITY OF PIQUA, OHIO**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE-GENERAL FUND  
FOR YEAR ENDED DECEMBER 31,2005**

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Municipal income tax	\$ 5,060,140	\$ 5,807,349	\$ 5,909,015	\$ 101,666
Property taxes	1,127,607	1,197,139	1,197,139	-
State shared revenues	1,313,138	1,379,096	2,081,803	702,707
Locally levied taxes	1,092,000	1,168,105	1,249,360	81,255
Licenses, permits, fees	294,440	336,949	312,461	(24,488)
Grants-capital	-	-	-	-
Grants-operating	90,425	112,453	95,837	(16,616)
Interest income	107,446	147,868	181,791	33,923
(Decrease) in fair value of investments	-	-	(32,655)	(32,655)
Donations:				-
Capital	-	15,194	57,122	41,928
Operating	-	15,115	16,121	1,006
Other fines, rents, and reimbursements	270,500	257,117	301,662	44,545
Total revenue	<u>9,355,696</u>	<u>10,436,385</u>	<u>11,369,656</u>	<u>933,271</u>
<b>CHARGES TO APPROPRIATIONS</b>				
<b>GENERAL GOVERNMENT ADMINISTRATION:</b>				
City building				
Personal services	10,615	12,540	11,578	962
Operating expenditures	70,909	72,092	71,840	252
Administrative support	3,121	3,971	3,678	293
Capital	-	21,000	18,646	2,354
Total city building	<u>84,645</u>	<u>109,603</u>	<u>105,742</u>	<u>3,861</u>
City commission:				
Personal services	29,179	29,181	29,171	10
Operating expenditures	34,541	37,583	29,637	7,946
Administrative support	4,811	5,409	4,530	879
Capital	-	-	-	-
Total city commission	<u>68,531</u>	<u>72,173</u>	<u>63,338</u>	<u>8,835</u>
Office of city manager:				
Personal services	42,036	49,580	34,777	14,803
Operating expenditures	11,233	10,197	7,146	3,051
Administrative support	10,348	11,645	8,792	2,853
Capital	-	-	-	-
Total office of city manager	<u>63,617</u>	<u>71,422</u>	<u>50,715</u>	<u>20,707</u>
Purchasing department:				
Personal services	384	1,175	1,175	-
Operating expenditures	311	68	2	66
Administrative support	531	262	261	1
Capital	1,500	860	859	1
Total purchasing department	<u>2,726</u>	<u>2,365</u>	<u>2,297</u>	<u>68</u>
Law department:				
Personal services	17,735	18,196	18,179	17
Operating expenditures	3,751	3,012	2,740	272
Administrative support	4,390	7,640	6,994	646
Total law department	<u>25,876</u>	<u>28,848</u>	<u>27,913</u>	<u>935</u>

(Continued)

**CITY OF PIQUA, OHIO**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE-GENERAL FUND  
FOR YEAR ENDED DECEMBER 31,2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Finance department:				
Personal services	86,682	87,095	79,819	7,276
Operating expenditures	7,969	5,198	4,640	558
Administrative support	23,798	28,327	24,968	3,359
Capital	-	4,000	3,715	285
Total finance department	<u>118,449</u>	<u>124,620</u>	<u>113,142</u>	<u>11,478</u>
Personnel department:				
Personal services	5,164	5,251	4,818	433
Operating expenditures	768	876	665	211
Administrative support	1,772	2,363	1,945	418
Capital	-	-	-	-
Total personnel department	<u>7,704</u>	<u>8,490</u>	<u>7,428</u>	<u>1,062</u>
Engineering department:				
Personal services	63,383	66,146	66,144	2
Operating expenditures	7,524	7,590	7,590	-
Administrative support	19,056	25,875	24,027	1,848
Capital	1,150	-	-	-
Total engineering department	<u>91,113</u>	<u>99,611</u>	<u>97,761</u>	<u>1,850</u>
Income tax department:				
Personal services	125,180	134,336	120,737	13,599
Operating expenditures	136,539	149,139	124,080	25,059
Administrative support	37,675	53,863	47,729	6,134
Capital	650	650	514	136
Total income tax department	<u>300,044</u>	<u>337,988</u>	<u>293,060</u>	<u>44,928</u>
General government				
Personal services	-	2,728	1,727	1,001
Operating expenditures	2,584,319	1,347,029	1,002,805	344,224
Administrative support	-	558	258	300
Capital	5,300	16,539	16,445	94
Total general government	<u>2,589,619</u>	<u>1,366,854</u>	<u>1,021,235</u>	<u>345,619</u>
Civil Service Commission				
Operating expenditures	<u>10,071</u>	<u>12,549</u>	<u>11,448</u>	<u>1,101</u>
Total civil service commission	<u>10,071</u>	<u>12,549</u>	<u>11,448</u>	<u>1,101</u>
Fuel Facility				
Operating expenditures	-	26,746	26,745	1
Total fuel facility	-	26,746	26,745	1
Pro Piqua				
Operating expenditures	31,500	32,750	31,179	1,571
Capital	-	4,000	3,746	254
Total pro piqua	<u>31,500</u>	<u>36,750</u>	<u>34,925</u>	<u>1,825</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u><u>3,393,895</u></u>	<u><u>2,298,019</u></u>	<u><u>1,855,749</u></u>	<u><u>442,270</u></u>

(Continued)

**CITY OF PIQUA, OHIO**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE-GENERAL FUND  
FOR YEAR ENDED DECEMBER 31,2005**

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
<b>PUBLIC SAFETY:</b>				
Fire department:				
Personal services	2,062,553	2,090,566	2,088,607	1,959
Operating expenditures	273,349	279,859	253,391	26,468
Administrative support	806,469	954,285	867,997	86,288
Capital	50,000	50,000	44,589	5,411
Total fire department	<u>3,192,371</u>	<u>3,374,710</u>	<u>3,254,584</u>	<u>120,126</u>
Police department:				
Personal services	2,580,413	2,567,703	2,479,723	87,980
Operating expenditures	542,067	540,379	516,054	24,325
Administrative support	868,345	1,011,592	956,366	55,226
Capital	102,419	159,020	159,018	2
Debt principal payment	14,439	14,440	14,439	1
Debt interest payment	1,770	1,770	1,769	1
Total police department	<u>4,109,453</u>	<u>4,294,904</u>	<u>4,127,369</u>	<u>167,535</u>
<b>TOTAL PUBLIC SAFETY</b>	<u><u>7,301,824</u></u>	<u><u>7,669,614</u></u>	<u><u>7,381,953</u></u>	<u><u>287,661</u></u>
<b>HEALTH:</b>				
Personal services	214,699	175,415	172,602	2,813
Operating expenditures	78,495	107,243	92,268	14,975
Administrative support	65,050	77,700	68,303	9,397
Capital	1,200	3,380	1,305	2,075
Total health department	<u>359,444</u>	<u>363,738</u>	<u>334,478</u>	<u>29,260</u>
<b>PARKS AND RECREATION:</b>				
Personal services	287,659	301,150	298,446	2,704
Operating expenditures	172,723	224,998	223,746	1,252
Administrative support	105,366	130,052	116,190	13,862
Capital	46,000	3,979	43,900	(39,921)
Total parks and recreation	<u>611,748</u>	<u>660,179</u>	<u>682,282</u>	<u>(22,103)</u>
Total charges to appropriations	<u><u>11,666,911</u></u>	<u><u>10,991,550</u></u>	<u><u>10,254,462</u></u>	<u><u>737,088</u></u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Disposal of fixed assets	365,652	367,532	365,507	(2,025)
Transfers, In	163,150	163,150	213,871	50,721
Transfers, out	(775,248)	(758,889)	(726,719)	32,170
Total other financing sources (uses)	<u>(246,446)</u>	<u>(228,207)</u>	<u>(147,341)</u>	<u>80,866</u>
Net change in fund balance	<u>(2,557,661)</u>	<u>(783,372)</u>	<u>967,853</u>	<u>1,751,225</u>
Fund balance- January 1, 2005	<u>7,120,974</u>	<u>7,120,974</u>	<u>7,120,974</u>	<u>-</u>
Fund balance December 31, 2005	<u><u>\$ 4,563,313</u></u>	<u><u>\$ 6,337,602</u></u>	<u><u>\$ 8,088,827</u></u>	<u><u>\$ 1,751,225</u></u>

(Concluded)

# CITY OF PIQUA, OHIO

## REQUIRED SUPPLEMENTAL INFORMATION BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE- STREET MAINTENANCE FUND FOR YEAR ENDED DECEMBER 31,2005

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Municipal income tax	\$ 1,156,247	\$ 1,249,457	\$ 1,271,932	\$ 22,475
State shared revenues	814,250	873,810	925,752	51,942
Grants capital	-	-	-	-
Grants operating	-	-	-	-
Interest income	2,089	6,850	10,804	3,954
Decrease in fair value of investments	-	-	(601)	(601)
Donations:				-
Capital	-	-	-	-
Operating	-	-	-	-
Other fines, rents, and reimbursements	21,727	24,363	28,720	4,357
Total revenue	<u>1,994,313</u>	<u>2,154,480</u>	<u>2,236,607</u>	<u>82,127</u>
<b>CHARGES TO APPROPRIATIONS:</b>				
Personal services	573,573	622,752	612,163	10,589
Administrative support	205,221	277,933	243,133	34,800
Operating expenditures	1,104,563	970,413	896,156	74,257
Debt principal payment	-	300,000	300,000	-
Debt interest payment	-	4,560	4,560	-
Capital costs	343,000	298,811	298,810	1
Total charges to appropriations	<u>2,226,357</u>	<u>2,474,469</u>	<u>2,354,822</u>	<u>119,647</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt Issuances proceeds	160,000	300,000	300,000	0
Disposal of capital assets		19,500	19,715	215
Transfers, In	57,400	0	0	0
Transfers, out	(57,780)	(55,967)	(55,966)	1
Total other financing sources (uses)	<u>159,620</u>	<u>263,533</u>	<u>263,749</u>	<u>216</u>
Net change in fund balance	(72,424)	(56,456)	145,534	201,990
Fund balance- January 1, 2005	<u>475,611</u>	<u>475,611</u>	<u>475,611</u>	<u>-</u>
Fund balance December 31, 2005	<u>\$ 403,187</u>	<u>\$ 419,155</u>	<u>\$ 621,145</u>	<u>\$ 201,990</u>

**CITY OF PIQUA, OHIO**

**REQUIRED SUPPLEMENTAL INFORMATION  
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT-  
STREET LEVY CONSTRUCTION FUND  
FOR YEAR ENDED DECEMBER 31,2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Municipal income tax	\$ 1,037,191	\$ 1,172,496	\$ 1,197,156	\$ 24,660
Grants-capital	-	-	-	-
Grants-operating	-	-	-	-
Interest income	2,500	7,495	6,314	(1,181)
(Decrease) in fair value of investments	-	-	-	-
Donations:				
Capital	-	-	-	-
Operating	-	-	-	-
Other fines, rents , and reimbursements	10,000	36,376	20,741	(15,635)
Total revenue	<u>1,049,691</u>	<u>1,216,367</u>	<u>1,224,211</u>	<u>7,844</u>
<b>CHARGES TO APPROPRIATIONS:</b>				
Personal services	-	466	465	1
Administrative support		530	370	160
Operating expenditures	709,150	647,699	678,434	(30,735)
Capital costs	808,387	712,823	618,202	94,621
Total charges to appropriations	<u>1,517,537</u>	<u>1,361,518</u>	<u>1,297,471</u>	<u>64,047</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt Issuances proceeds	425,000	149,000	149,000	0
Transfers, In	59,566	0	0	0
Transfers, out	0	0	0	0
Total other financing sources (uses)	<u>484,566</u>	<u>149,000</u>	<u>149,000</u>	<u>0</u>
Net change in fund balance	16,720	3,849	75,740	71,891
Fund balance January 1, 2005	<u>238,142</u>	<u>238,142</u>	<u>238,142</u>	<u>-</u>
Fund balance December 31, 2005	<u>\$ 254,862</u>	<u>\$ 241,991</u>	<u>\$ 313,882</u>	<u>\$ 71,891</u>

**CITY OF PIQUA, OHIO**  
**Notes to the Required Supplemental Information**  
**December 31, 2005**

**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 re-appropriated 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 each fund at the object levels of personal services, operating expenditures, administrative support, transfers, and capital outlay. Amendments to object totals of appropriations require Commission approval. 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.



**CITY OF PIQUA, OHIO**  
**Notes to the Required Supplemental Information**  
**December 31, 2005**

**STATUTORY COMPLIANCE**

At December 31, 2005 the following funds had an excess of expenditures over appropriations for the year:

**GENERAL**

    Parks & Recreation

        Capital

\$39,921

**STREET LEVY CONSTRUCTION**

    Operating expenditures

\$30,735

**OTHER  
SUPPLEMENTAL DATA**

# CITY OF PIQUA, OHIO

## NON-MAJOR GOVERNMENTAL FUNDS

Revolving Loan/ Program Income	To account for micro-enterprise loans and home mortgages resulting from federal grant activities
Community Development	To account for activities for social, economic, and other special development of the community
Trust	To account for resources recovered or held through legislation or enforcement activities.
Conservancy	To account for receipts and disbursements for the city's share of the district's operation and maintenance.
Safety Pension	To account for receipts and disbursements of a special property tax established to fund police and fire pension costs
Federal Grants	To account for federal funds available for public transit, FEMA, comprehensive housing, and block grants.

# CITY OF PIQUA, OHIO

## NON-MAJOR GOVERNMENTAL FUNDS

### Internal Service Funds

Worker Compensation	To account for funds set aside for possible future retrospective rating plan
Liability Insurance	To account for assets reserved for future self-insurance options
Health Insurance	To account for an internally financed and self-insured health insurance program.
Information Technology	To account for centralized communication, networking, and data processing services for all city departments

### Fiduciary Funds

Unclaimed Funds	To account for unclaimed liabilities of the city.
Mayor Wilson Fund	To account for assets of a centennial escrow as established by legislation.
Employee Flexible Spending	To account for assets held for the employee's cafeteria plan.

**CITY OF PIQUA, OHIO**

**COMBINING BALANCE SHEET- NON MAJOR GOVERNMENTAL FUNDS**

**DECEMBER 31, 2005**

<b>ASSETS:</b>	Revolving Loan/Federal Program Income	Community Development	Trust
Equity in pooled cash and cash equivalents	\$ 54,454	\$ 487,557	\$ 39,393
Equity in pooled investments	-	-	-
Accounts receivable	292	-	-
Interfund receivable	-	-	-
Inventories	-	-	-
Prepaid items and other assets	-	-	-
Loans receivable, net of allowance	20,714	-	-
<b>Total Current Assets</b>	<u>75,460</u>	<u>487,557</u>	<u>39,393</u>
<b>Total Assets</b>	<u>\$ 75,460</u>	<u>\$ 487,557</u>	<u>\$ 39,393</u>
<b>LIABILITIES AND FUND BALANCE:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	320	20,225	11
Interfund payable	-	2,143	-
Salaries and benefits	-	3,219	-
Accrued vacation, personal and sick leave	-	-	-
Accruals	-	-	-
<b>Total Current Liabilities</b>	<u>320</u>	<u>25,587</u>	<u>11</u>
<b>LONG-TERM LIABILITIES:</b>			
Restricted deposits	-	-	-
Deferred revenue	-	-	-
<b>Total Long Term Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	320	25,587	11
<b>FUND BALANCES:</b>			
Reserved for encumbrances	1,580	680	-
Reserved for inventory and prepaids	-	-	-
Reserved by legislation	-	-	39,382
Reserved for non-current loans receivable	20,714	-	-
Unreserved	52,846	461,290	-
<b>Total fund balances</b>	<u>75,140</u>	<u>461,970</u>	<u>39,382</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 75,460</u>	<u>\$ 487,557</u>	<u>\$ 39,393</u>

(Continued)

**CITY OF PIQUA, OHIO**

**COMBINING BALANCE SHEET- NON MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

<b>ASSETS:</b>	<u>Conservancy</u>	<u>Safety Pension</u>	<u>Federal Grants</u>	<u>Total Non major Funds</u>
Equity in pooled cash and cash equivalents	\$ 48,033	\$ 39,101	\$ 122,084	\$ 790,622
Equity in pooled investments	-	-	-	-
Accounts receivable	35,447	212,950	99,408	348,097
Interfund receivable	-	-	-	-
Inventories	-	-	-	-
Prepaid items and other assets	-	-	-	-
Loans receivable, net of allowance	-	-	-	20,714
<b>Total Assets</b>	<u>83,480</u>	<u>252,051</u>	<u>221,492</u>	<u>1,159,433</u>
<b>Total Assets</b>	<u><u>83,480</u></u>	<u><u>252,051</u></u>	<u><u>221,492</u></u>	<u><u>1,159,433</u></u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable	-	-	28,684	49,240
Interfund payable	-	-	189,217	191,360
Salaries and benefits	-	-	-	3,219
Accrued vacation, personal and sick leave	-	-	-	-
Accruals	-	-	98	98
<b>Total Current Liabilities</b>	<u>-</u>	<u>-</u>	<u>217,999</u>	<u>243,917</u>
<b>LONG-TERM LIABILITIES:</b>				
Restricted deposits	-	-	-	-
Deferred revenue	35,446	212,945	-	248,391
<b>Total Long Term Liabilities</b>	<u>35,446</u>	<u>212,945</u>	<u>-</u>	<u>248,391</u>
<b>Total Liabilities</b>	35,446	212,945	217,999	492,308
<b>FUND BALANCES:</b>				
Reserved for encumbrances	-	-	156,207	158,467
Reserved for inventory and prepaids	-	-	-	-
Reserved by legislation	48,034	-	-	87,416
Reserved for non-current loans receivable	-	-	-	20,714
Unreserved	-	39,106	(152,714)	400,528
<b>Total fund balances</b>	<u>48,034</u>	<u>39,106</u>	<u>3,493</u>	<u>667,125</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 83,480</u></u>	<u><u>\$ 252,051</u></u>	<u><u>\$ 221,492</u></u>	<u><u>\$ 1,159,433</u></u>

(Concluded)

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN  
FUND BALANCE NON MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31,2005**

	Revolving Loan/Federal Program Income	Community Development	Trust
<b>REVENUES:</b>			
Property taxes	\$ -	\$ 36,303	\$ -
State shared taxes	-	-	50,719
Licenses, permits, fees	-	1,950	-
Grants	-	-	-
Interest	2,353	13,649	1,796
(Decrease) in fair market value of investments	-	-	-
Donations operating	-	10,200	-
Other	-	3,013	27,889
Total Revenues	<u>2,353</u>	<u>65,115</u>	<u>80,404</u>
<b>CHARGES TO APPROPRIATIONS :</b>			
Personal services	-	2,380	63,357
Operation and maintenance	5,185	9,608	13,100
Administrative support	-	692	-
Capital	-	59,074	-
Total expenditures	<u>5,185</u>	<u>71,754</u>	<u>76,457</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from debt issuance	-	25,842	-
Disposal of fixed assets	-	-	-
Transfer in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>25,842</u>	<u>-</u>
Net change in fund balance	(2,832)	19,203	3,947
Fund balance January 1, 2005	<u>77,972</u>	<u>442,767</u>	<u>35,435</u>
Fund balance December 31, 2005	<u>\$ 75,140</u>	<u>\$ 461,970</u>	<u>\$ 39,382</u>

(Continued)

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN  
FUND BALANCE NON MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31,2005**

	<u>Conservancy</u>	<u>Safety Pension</u>	<u>Federal Grants</u>	<u>Total Non major Funds</u>
<b>REVENUES:</b>				
Property taxes	\$ 32,519	\$ 194,131	\$ -	\$ 262,953
State shared taxes	3,933	23,801	-	78,453
Licenses, permits, fees	-	-	-	1,950
Grants	-	-	621,066	621,066
Interest	1,281	1,297	-	20,376
(Decrease) in fair market value of investments	-	-	-	-
Donations operating	-	-	-	10,200
Other	-	-	62,433	93,335
Total revenues	<u>37,733</u>	<u>219,229</u>	<u>683,499</u>	<u>1,088,333</u>
<b>CHARGES TO APPROPRIATIONS :</b>				
Personal services	-	-	57,138	122,875
Operation and maintenance	45,759	3,712	609,539	686,903
Administrative support	-	-	-	692
Capital	-	-	96,538	155,612
Total expenditures	<u>45,759</u>	<u>3,712</u>	<u>763,215</u>	<u>966,082</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from debt issuance	-	-	-	25,842
Disposal of fixed assets	-	-	350	350
Transfer in	-	-	49,268	49,268
Transfers out	-	(203,182)	(50,721)	(253,903)
Total other financing sources (uses)	<u>-</u>	<u>(203,182)</u>	<u>(1,103)</u>	<u>(178,443)</u>
Net change in fund balance	(8,026)	12,335	(80,819)	(56,192)
Fund balance January 1, 2005	<u>56,060</u>	<u>26,771</u>	<u>84,312</u>	<u>723,317</u>
Fund balance December 31, 2005	<u>\$ 48,034</u>	<u>\$ 39,106</u>	<u>\$ 3,493</u>	<u>\$ 667,125</u>

(Concluded)



**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2005**

	Revolving Loan / Federal Program Income			Community Development		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 33,231	\$ 36,303	\$ 3,072
State shared taxes	-	-	-	-	-	-
Licenses, permits, fees	-	-	-	1,650	1,950	300
Grants	-	-	-	-	-	-
Interest	1,969	2,353	384	13,436	13,649	213
(Decrease) in fair market value of investments	-	-	-	-	-	-
Donations operating	-	-	-	10,200	10,200	-
Other	1,100	-	(1,100)	28,574	3,013	(25,561)
Total revenues	<u>3,069</u>	<u>2,353</u>	<u>(716)</u>	<u>87,091</u>	<u>65,115</u>	<u>(21,976)</u>
<b>CHARGES TO APPROPRIATIONS:</b>						
Personal services	-	-	-	15,214	2,380	12,834
Operation and maintenance	5,978	5,185	793	22,665	9,608	13,057
Administrative support	-	-	-	5,281	692	4,589
Capital	-	-	-	59,074	59,074	-
Total expenditures	<u>5,978</u>	<u>5,185</u>	<u>793</u>	<u>102,234</u>	<u>71,754</u>	<u>30,480</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from debt issuance	-	-	-	-	25,842	25,842
Disposal of fixed assets	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,842</u>	<u>25,842</u>
Net change in fund balance	(2,909)	(2,832)	77	(15,143)	19,203	34,346
Fund balance January 1, 2005	<u>77,972</u>	<u>77,972</u>	<u>-</u>	<u>442,767</u>	<u>442,767</u>	<u>-</u>
Fund balance December 31, 2005	<u>\$ 75,063</u>	<u>\$ 75,140</u>	<u>\$ 77</u>	<u>\$ 427,624</u>	<u>\$ 461,970</u>	<u>\$ 34,346</u>

(Continued)

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2005**

	Trust			Conservancy		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 32,356	\$ 32,519	\$ 163
State shared taxes	64,530	50,719	(13,811)	4,369	3,933	(436)
Licenses, permits, fees	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Interest	1,519	1,796	277	1,200	1,281	81
(Decrease) in fair market value of investments	-	-	-	-	-	-
Donations operating	-	-	-	-	-	-
Other	27,676	27,889	213	-	-	-
Total revenues	93,725	80,404	(13,321)	37,925	37,733	(192)
<b>CHARGES TO APPROPRIATIONS:</b>						
Personal services	65,000	63,357	1,643	-	-	-
Operation and maintenance	30,000	13,100	16,900	46,000	45,759	241
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	95,000	76,457	18,543	46,000	45,759	241
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from debt issuance	-	-	-	-	-	-
Disposal of fixed assets	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	(62,600)	-	62,600	-	-	-
Total other financing sources (uses)	(62,600)	-	62,600	-	-	-
Net change in fund balance	(63,875)	3,947	67,822	(8,075)	(8,026)	49
Fund balance January 1, 2005	35,435	35,435	-	56,060	56,060	-
Fund balance December 31, 2005	<u>\$ (28,440)</u>	<u>\$ 39,382</u>	<u>\$ 67,822</u>	<u>\$ 47,985</u>	<u>\$ 48,034</u>	<u>\$ 49</u>

(Continued)

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2005**

	Safety Pension			Federal Grants		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES:</b>						
Property taxes	\$ 194,130	\$ 194,131	\$ 1	\$ -	\$ -	\$ -
State shared taxes	23,724	23,801	77	-	-	-
Licenses, permits, fees	-	-	-	-	-	-
Grants	-	-	-	831,833	621,066	(210,767)
Interest	1,301	1,297	(4)	-	-	-
(Decrease) in fair market value of investments	-	-	-	-	-	-
Donations operating	-	-	-	-	-	-
Other	-	-	-	61,219	62,433	1,214
Total revenues	<u>219,155</u>	<u>219,229</u>	<u>74</u>	<u>893,052</u>	<u>683,499</u>	<u>(209,553)</u>
<b>CHARGES TO APPROPRIATIONS:</b>						
Personal services	-	-	-	73,139	57,138	16,001
Operation and maintenance	3,800	3,712	88	806,470	609,539	196,931
Administrative support	-	-	-	-	-	-
Capital	-	-	-	100,300	96,538	3,762
Total expenditures	<u>3,800</u>	<u>3,712</u>	<u>88</u>	<u>979,909</u>	<u>763,215</u>	<u>216,694</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from debt issuance	-	-	-	-	-	-
Disposal of fixed assets	-	-	-	350	350	-
Transfer in	-	-	-	48,000	49,268	1,268
Transfers out	(203,385)	(203,182)	203	(50,721)	(50,721)	-
Total other financing sources (uses)	<u>(203,385)</u>	<u>(203,182)</u>	<u>203</u>	<u>(2,371)</u>	<u>(1,103)</u>	<u>1,268</u>
Net change in fund balance	11,970	12,335	365	(89,228)	(80,819)	8,409
Fund balance January 1, 2005	<u>26,771</u>	<u>26,771</u>	<u>-</u>	<u>84,312</u>	<u>84,312</u>	<u>-</u>
Fund balance December 31, 2005	<u>\$ 38,741</u>	<u>\$ 39,106</u>	<u>\$ 365</u>	<u>\$ (4,916)</u>	<u>\$ 3,493</u>	<u>\$ 8,409</u>

(Continued)

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED DECEMBER 31, 2005**

	Totals		
	Budget	Actual	Variance
<b>REVENUES:</b>			
Property taxes	\$ 259,717	\$ 262,953	\$ 3,236
State shared taxes	92,623	78,453	(14,170)
Licenses, permits, fees	1,650	1,950	300
Grants	831,833	621,066	(210,767)
Interest	19,425	20,376	951
(Decrease) in fair market value of investments	-	-	-
Donations operating	10,200	10,200	-
Other	118,569	93,335	(25,234)
Total revenues	<u>1,334,017</u>	<u>1,088,333</u>	<u>(245,684)</u>
<b>CHARGES TO APPROPRIATIONS:</b>			
Personal services	153,353	122,875	30,478
Operation and maintenance	914,913	686,903	228,010
Administrative support	5,281	692	4,589
Capital	159,374	155,612	3,762
Total expenditures	<u>1,232,921</u>	<u>966,082</u>	<u>266,839</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from debt issuance	-	25,842	25,842
Disposal of fixed assets	350	350	-
Transfer in	48,000	49,268	1,268
Transfers out	(316,706)	(253,903)	62,803
Total other financing sources (uses)	<u>(268,356)</u>	<u>(178,443)</u>	<u>89,913</u>
Net change in fund balance	(167,260)	(56,192)	111,068
Fund balance January 1, 2005	<u>723,317</u>	<u>723,317</u>	<u>-</u>
Fund balance December 31, 2005	<u>\$ 556,057</u>	<u>\$ 667,125</u>	<u>\$ 111,068</u>

(Concluded)

**CITY OF PIQUA, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (GAAP BUDGET)-DEBT SERVICE FUND  
FOR YEAR ENDED DECEMBER 31,2005**

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 69,367	\$ 65,852	\$ 65,852	\$ -
Interest income	15,280	30,177	30,108	(69)
Total revenue	84,647	96,029	95,960	(69)
<b>CHARGES TO APPROPRIATIONS:</b>				
Operating expenditures	51,381	16,381	8,124	8,257
Debt principal payment	480,852	491,402	491,401	1
Debt interest payment	209,164	211,517	211,516	1
Total charges to appropriations	741,397	719,300	711,041	8,259
<b>OTHER FINANCING SOURCES:</b>				
Debt issuance proceeds	40,566	-	-	-
Transfers, In	642,464	638,507	636,841	(1,666)
Total other financing sources (uses)	683,030	638,507	636,841	(1,666)
Net change in fund balance	26,280	15,236	21,760	6,524
Fund balance January 1, 2005	354,247	354,247	354,247	-
Fund balance December 31, 2005	\$ 380,527	\$ 369,483	\$ 376,007	\$ 6,524

# CITY OF PIQUA, OHIO

## COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS DECEMBER 31, 2005

<b>ASSETS:</b>	<u>Workers Compensation</u>	<u>Liability Insurance</u>	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
Equity in pooled cash and cash equivalents	\$146,194	\$33,077	\$211,724	\$96,472	487,467
Equity in pooled investments	1,785,229	999,759	794,322	-	3,579,310
Accounts receivable	14,340	9,786	335,434	-	359,560
Interfund receivable	-	-	215,532	-	215,532
Inventories	-	-	-	-	-
Prepaid items and other assets	-	-	\$23,805	-	23,805
Notes receivable	-	-	-	-	-
<b>Total Current Assets</b>	<u>1,945,763</u>	<u>1,042,622</u>	<u>1,580,817</u>	<u>96,472</u>	<u>4,665,674</u>
Noncurrent assets:					
Capital assets being depreciated					
Plant and equipment in service, net				124,829	124,829
<b>Total Capital Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,829</u>	<u>124,829</u>
<b>Total Assets</b>	<u>\$ 1,945,763</u>	<u>\$ 1,042,622</u>	<u>\$ 1,580,817</u>	<u>\$ 221,301</u>	<u>\$ 4,790,503</u>
 <b>LIABILITIES AND FUND BALANCE:</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	-	-	537,197	1,181	538,378
Interfund payable	-	-	-	3,467	3,467
Salaries and benefits	-	-	-	4,032	4,032
Accrued vacation, personal and sick leave	-	-	-	21,115	21,115
Accruals	-	-	-	-	-
<b>Total Current Liabilities</b>	<u>-</u>	<u>-</u>	<u>537,197</u>	<u>29,795</u>	<u>566,992</u>
 <b>NONCURRENT LIABILITIES:</b>					
Accrued vacation, personal and sick leave	-	-	-	30,087	30,087
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,087</u>	<u>30,087</u>
 <b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>537,197</u>	<u>59,882</u>	<u>597,079</u>
 <b>FUND BALANCES:</b>					
Invested in capital assets, net of related debt				124,829	124,829
Unreserved	1,945,763	1,042,622	\$1,043,620	36,590	4,068,595
<b>Total Net Assets</b>	<u>1,945,763</u>	<u>1,042,622</u>	<u>1,043,620</u>	<u>161,419</u>	<u>4,193,424</u>
 <b>Total Liabilities and Net Assets</b>	<u>\$ 1,945,763</u>	<u>\$ 1,042,622</u>	<u>\$ 1,580,817</u>	<u>\$ 221,301</u>	<u>\$ 4,790,503</u>

## CITY OF PIQUA, OHIO

### COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS- INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Workers Compensation</u>	<u>Liability Insurance</u>	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>					
Customer services	\$ -	\$ -	\$ 2,335,980	\$ 281,412	\$ 2,617,392
Penalty charges	-	-	-	-	-
Total operating revenues	-	-	2,335,980	281,412	2,617,392
<b>OPERATING EXPENSES:</b>					
Salaries and Employee benefits	-	-	2,065,760	271,086	2,336,846
Depreciation	-	-	-	13,307	13,307
Outside Services	-	-	289,340	34,449	323,789
Total operating expenses	-	-	2,355,100	318,842	2,673,942
Operating income (loss)	-	-	(19,120)	(37,430)	(56,550)
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest income	71,900	30,858	37,180	2,703	142,641
Net (decrease) in fair market value of investments.	(10,803)	(10,893)	(11,449)	-	(33,145)
Other, net	-	-	-	3,479	3,479
Transfers, in	-	-	-	-	-
Transfers, out	-	-	-	-	-
Net non-operating revenues (expenses)	61,097	19,965	25,731	6,182	112,975
Change in net assets	61,097	19,965	6,611	(31,248)	56,425
Total net assets-beginning of year	1,884,666	1,022,657	1,037,009	192,667	4,136,999
Total net assets-end of year	\$ 1,945,763	\$ 1,042,622	\$ 1,043,620	\$ 161,419	\$ 4,193,424

**CITY OF PIQUA, OHIO**

**COMBINING STATEMENT OF CASH FLOWS-INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Workers Compensation	Liability Insurance	City Health Insurance	Information Technology	Internal Service Totals
<b>OPERATING ACTIVITIES:</b>					
Cash received for services	\$ -	\$ -	\$ 1,891,858	\$ 284,890	\$ 2,176,748
Cash paid to suppliers for goods or services	-	-	(1,968,765)	(81,765)	(2,050,530)
Cash paid to employees for services	-	-	-	(189,171)	(189,171)
Net cash provided by (used in) operating activities	-	-	(76,907)	13,954	(62,953)
<b>NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers, in	-	-	-	-	-
Transfers, out	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-	-	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Principal paid on bonds and notes	-	-	-	-	-
Interest paid on bonds and notes	-	-	-	-	-
Acquisition and construction of capital assets	-	-	-	(2,920)	(2,920)
Disposals of capital assets	-	-	-	-	-
Net cash provided by (used in) capital & related financing activities	-	-	-	(2,920)	(2,920)
<b>INVESTING ACTIVITIES:</b>					
Purchases of investment securities	-	-	-	-	-
Proceeds from sale or maturity of investment securities	15,000	-	2,065	-	17,065
Interest received	71,287	29,244	36,470	2,703	139,704
Net cash provided by (used in) investing activities	86,287	29,244	38,535	2,703	156,769
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	86,287	29,244	(38,372)	13,737	90,896
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	59,907	3,833	250,096	82,735	396,571
<b>CASH AND CASH EQUIVALENTS - End of year</b>	\$ 146,194	\$ 33,077	\$ 211,724	\$ 96,472	\$ 487,467
<b>OPERATING INCOME (LOSS)</b>	\$ -	\$ -	\$ (19,122)	\$ (37,428)	\$ (56,550)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	-	-	-	13,307	13,307
(Increase)/Decrease in Accounts Receivable	-	-	(233,597)	-	(233,597)
(Increase)/Decrease in Inventory	-	-	-	-	-
(Increase)/Decrease in Prepays	-	-	(1,471)	-	(1,471)
Increase/(Decrease) in Accounts Payable	-	-	177,283	(2,774)	174,509
Increase/(Decrease) in Accrued Wages and Benefits	-	-	-	37,375	37,375
Decrease in Deferred Revenues	-	-	-	-	-
Net (Increase)/Decrease in Other Operating Net Assets	-	-	-	3,474	3,474
Net cash provided by (used in) operating activities	\$ -	\$ -	\$ (76,907)	\$ 13,954	\$ (62,953)
<b>SUPPLEMENTAL INFORMATION:</b>					
Noncash activities:					
Change in fair value of investments	\$ (10,804)	\$ (10,892)	\$ (11,449)	\$ -	\$ (33,145)
Contribution of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the basic financial statements



**CITY OF PIQUA, OHIO**

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

<b>ASSETS:</b>	<u>Unclaimed Funds</u>	<u>Mayor Wilson Fund</u>	<u>Employee Flexible Spending</u>	<u>Agency Funds</u>
Equity in pooled cash and cash equivalents	\$ 657	\$ 409	\$ 1,459	\$ 2,525
Equity in pooled investments	-	-	-	-
Accounts receivable	-	-	-	-
Prepaid items and other assets	-	-	5,528	5,528
	-	-	-	-
 Total Assets	 <u>\$ 657</u>	 <u>\$ 409</u>	 <u>\$ 6,987</u>	 <u>\$ 8,053</u>
 <b>LIABILITIES:</b>				
Withholdings payable	\$ -	\$ -	\$ 6,987	\$ 6,987
Undistributed monies	<u>657</u>	<u>409</u>	<u>-</u>	<u>1,066</u>
 Total Current Liabilities	 <u>\$ 657</u>	 <u>\$ 409</u>	 <u>\$ 6,987</u>	 <u>\$ 8,053</u>

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR YEAR ENDED DECEMBER 31,2005**

	Balance at January 1, 2005	Additions	Deductions	Total Balance at December 31, 2005
<b><u>Employee Flexible Spending</u></b>				
<b>ASSETS</b>				
Equity in pooled cash and cash equivalents	\$ 7,073	\$ 170,944	\$ 176,533	\$ 1,484
Prepaid items and other assets	1,850	5,527	1,850	5,527
Total Assets	<u>\$ 8,923</u>	<u>\$ 176,471</u>	<u>\$ 178,383</u>	<u>\$ 7,011</u>
<b>LIABILITIES</b>				
Withholdings payable	\$ 8,923	\$ 176,471	\$ 178,383	\$ 7,011
Undistributed monies	-	-	-	-
Total Liabilities	<u>\$ 8,923</u>	<u>\$ 176,471</u>	<u>\$ 178,383</u>	<u>\$ 7,011</u>
<b><u>Unclaimed Funds</u></b>				
<b>ASSETS</b>				
Equity in pooled cash and cash equivalents	\$ 504	\$ 153	\$ -	\$ 657
Prepaid items and other assets	-	-	-	-
Total Assets	<u>\$ 504</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 657</u>
<b>LIABILITIES</b>				
Withholdings payable	\$ -	\$ -	\$ -	\$ -
Undistributed monies	504	153	-	657
Total Liabilities	<u>\$ 504</u>	<u>\$ 153</u>	<u>\$ -</u>	<u>\$ 657</u>
<b><u>Mayor Wilson Fund</u></b>				
<b>ASSETS</b>				
Equity in pooled cash and cash equivalents	\$ 397	\$ 12	\$ -	\$ 409
Prepaid items and other assets	-	-	-	-
Total Assets	<u>\$ 397</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 409</u>
<b>LIABILITIES</b>				
Withholdings payable	\$ -	\$ -	\$ -	\$ -
Undistributed monies	397	12	-	409
Total Liabilities	<u>\$ 397</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 409</u>

See accompanying notes to the basic financial statements

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BUDGET) FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31,2005**

	Unclaimed Funds			Mayor Wilson Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES:</b>						
Interest	\$ -	\$ -	\$ -	\$ 12	\$ 12	\$ 0
Other	505	-	(505)	-	-	-
Total revenues	505	-	(505)	12	12	0
<b>CHARGES TO APPROPRIATIONS:</b>						
Personal services	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	(505)	-	(505)	-	-	-
Net change in fund balance	-	-	-	12	12	0
Fund balance January 1, 2005	-	-	-	397	397	-
Fund balance December 31, 2005	\$ -	\$ -	\$ -	\$ 409	\$ 409	\$ 0

(Continued)

**CITY OF PIQUA, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (GAAP BUDGET) FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31,2005**

	Employee Flexible Spending			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES:</b>						
Interest	\$ -	\$ -	\$ -	\$ 12	\$ 12	\$ 0
Other	-	-	-	505	-	(505)
Total revenues	-	-	-	517	12	(505)
<b>CHARGES TO APPROPRIATIONS:</b>						
Personal services	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	(141,730)	-	141,730	(142,235)	-	142,235
Net change in fund balance	(141,730)	-	141,730	(141,718)	12	141,730
Fund balance January 1, 2005	-	-	-	397	397	-
Fund balance December 31, 2005	<u>\$ (141,730)</u>	<u>\$ -</u>	<u>\$ 141,730</u>	<u>\$ (141,321)</u>	<u>\$ 409</u>	<u>\$ 141,730</u>

(Concluded)

# **STATISTICAL SECTION**

**CITY OF PIQUA, OHIO**

**Table 1**

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>REVENUES:</b>										
Municipal income tax	\$ 4,644,293	\$ 4,767,994	\$ 4,884,052	\$ 5,219,996	\$ 5,165,239	\$ 4,932,680	\$ 4,925,442	\$ 5,568,258	\$ 5,373,500	\$ 5,909,015
Property taxes	945,530	987,946	1,007,828	1,164,831	1,147,717	1,196,982	1,132,221	1,144,691	1,136,455	1,197,139
State shared revenues	1,060,200	1,367,341	1,465,216	1,591,450	1,727,862	1,903,063	1,680,429	1,513,751	1,501,486	2,081,803
Locally levied taxes						651,078	1,084,235	1,057,683	1,095,211	1,249,360
Licenses, permits, fees	240,499	250,750	359,439	300,552	322,300	349,620	346,615	277,416	307,302	312,462
Intergovernmental grants	160,730	190,544	202,653	140,143	578,824	440,472	69,001	417,183	109,545	95,836
Net increase (decrease) in fair market value of investments	-	-	56,643	(145,591)	96,636	53,866	15,282	(77,631)	(29,453)	(32,655)
Interest income	358,330	387,702	379,343	380,618	433,511	331,718	186,393	145,779	117,485	181,791
Other	425,137	318,069	385,867	480,855	414,960	294,343	211,581	342,436	502,717	740,412
Total revenues	<u>7,834,719</u>	<u>8,270,346</u>	<u>8,741,041</u>	<u>9,132,854</u>	<u>9,887,049</u>	<u>10,153,822</u>	<u>9,651,199</u>	<u>10,389,566</u>	<u>10,114,248</u>	<u>11,735,163</u>
<b>EXPENDITURES:</b>										
Public safety	4,948,315	5,365,339	5,695,649	5,726,082	5,972,147	6,141,505	6,183,956	6,547,484	7,005,224	7,162,136
Public health and welfare	168,515	177,773	201,074	203,838	311,729	345,999	273,225	301,939	316,083	333,173
General government administration	920,433	1,042,598	1,036,924	1,141,425	1,315,166	1,224,797	1,288,269	1,142,990	1,420,726	1,811,826
Parks and recreation	332,486	345,985	336,564	415,926	517,545	631,079	519,258	488,074	570,221	638,382
Capital outlay	820,736	724,613	329,506	750,799	961,304	1,133,986	608,026	988,933	719,348	292,737
Other	-	-	-	-	-	9,427	37,280	16,208	16,208	16,208
Total expenditures	<u>7,190,485</u>	<u>7,656,308</u>	<u>7,599,717</u>	<u>8,238,070</u>	<u>9,077,891</u>	<u>9,486,793</u>	<u>8,910,014</u>	<u>9,485,628</u>	<u>10,047,810</u>	<u>10,254,462</u>
Transfers in	482,364	160,480	119,849	137,160	220,289	117,000	136,885	1,438,429	275,670	213,871
Transfers out	<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>	<u>(861,447)</u>	<u>(790,001)</u>	<u>(726,719)</u>
Net change in fund balance	<u>\$ 812,704</u>	<u>\$ (292,666)</u>	<u>\$ 710,977</u>	<u>\$ 377,732</u>	<u>\$ 347,288</u>	<u>\$ (2,484,030)</u>	<u>\$ (35,553)</u>	<u>\$ 1,480,920</u>	<u>\$ (447,893)</u>	<u>\$ 967,853</u>

Source: City of Piqua Finance Department

**AD VAL OREM-- PROPERTY TAX LEVIES  
AND COLLECTIONS, REAL, UTILITY AND TANGIBLE TAXES  
LAST TEN YEARS**

<u>Tax Year Collection Year</u>	<u>Total Levy</u>	<u>Current Collection</u>	<u>Percent of Total Levy Collected</u>	<u>Delinquent Collection</u>	<u>Total Collection</u>	<u>Total Collection as Percent of Total Levy</u>	<u>Cumulative Delinquency</u>
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
2002/2003	1,543,196	1,501,773	97.32	42,463	1,544,236	100.07	80,815
2003/2004	1,533,847	1,492,929	97.33	41,058	1,533,987	100.01	80,678
2004/2005	1,581,499	1,544,095	97.63	69,912	1,614,007	102.06	91,922

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	
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
2002/2003	275,053,010	785,865,743	72,398,130	289,592,520	3,991,780	11,405,086	351,442,920	1,086,863,349	32.34
2003/2004	277,754,750	793,585,000	66,273,880	265,095,520	3,868,580	11,053,086	347,897,210	1,069,733,606	32.52
2004/2005	291,828,330	833,795,229	61,396,600	245,586,400	3,762,760	10,750,743	356,987,690	1,090,132,372	32.75

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						Cemetery	County	Joint Vocational and City Schools	Total
	General Fund	Conservancy	Police Pension	Fire Pension	Total City Rate					
1995/1996	3.7	0.1	0.3	0.3	4.4	0.5	6.02	46.2	57.12	
1996/1997	3.7	0.12	0.3	0.3	4.42	0.5	7.03	45.6	57.55	
1997/1998	3.7	0.12	0.3	0.3	4.42	0.5	8.82	45.6	59.34	
1998/1999	3.7	0.13	0.3	0.3	4.43	0.5	8.82	45.52	59.27	
1999/2000	3.7	0.11	0.3	0.3	4.41	0.5	8.81	45.46	59.18	
2000/2001	3.7	0.15	0.3	0.3	4.45	0.5	8.83	45.5	59.28	
2001/2002	3.7	0.15	0.3	0.3	4.45	0.5	8.43	45.4	58.78	
2002/2003	3.7	0.13	0.3	0.3	4.43	0.5	9.13	45.32	59.38	
2003/2004	3.7	0.13	0.3	0.3	4.43	0.5	9.13	45.32	59.38	
2004/2005	3.7	0.1	0.3	0.3	4.4	0.5	9.12	50.7	64.72	

Source: Miami County Auditor's Office

**CITY OF PIQUA, OHIO**

**Table 5**

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

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Total Assessments Collected</u>	<u>Total Collections as a Percent of Current Assessments</u>	<u>Total Outstanding Assessments (1)</u>
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
2003	76,390	73,948	96.80	230,335
2004	84,301	69,367	82.28	244,539
2005	76,450	65,852	86.14	224,473

(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**

Year	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
1996	20,612 (1)	213,260,782	\$ -	\$ -	\$ -	-	-
1997	20,612 (1)	252,051,970	-	-	-	-	-
1998	20,612 (1)	259,329,590	-	-	-	-	-
1999	20,612 (1)	272,356,420	-	-	-	-	-
2000	20,612 (1)	305,085,190	4,079,127	50,607	4,028,520	1.32	-
2001	20,738 (2)	324,321,780	3,764,594	55,885	3,708,709	1.14	178.84
2002	20,738 (2)	328,345,730	3,434,107	50,472	3,383,635	1.03	163.16
2003	20,738 (2)	343,942,070	3,083,620	49,207	3,034,413	0.88	146.32
2004	20,738 (2)	351,442,920	2,713,133	50,469	2,662,664	0.76	128.40
2005	20,738 (2)	356,987,690	2,315,740	54,411	2,261,329	0.63	109.04

(1) 1990 United States Census Bureau

(2) 2000 United States Census Bureau

Source: City of Piqua Finance Department

**COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2005**

	<u>Debt Outstanding</u>	<u>10-1/2% OF Assessed Valuation</u>	<u>5-1/2% OF Assessed Valuation</u>
Overall debt limitations	\$ 7,494,354	\$ 37,483,707	\$ 19,634,323
Gross indebtedness			
Less: debt outside limitations	5,005,221		
Less: bond retirement fund balance	66,779 (1)		
Net debt within limitations	<u>2,422,354</u>	<u>2,422,354</u>	<u>2,422,354</u>
Legal debt margin within limitations		<u>\$ 35,061,353</u>	<u>\$ 17,211,969</u>

(1) Excludes the bond retirement fund balances for business-type 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, 2005**

	<u>Gross Debt</u>	<u>Debt Service</u>	<u>Net Debt</u>	<u>Percent Applicable to City (1)</u>	<u>City's Share</u>
Piqua School District	\$ 10,227,104	\$ 491,148	\$ 9,735,956	81.74%	\$ 7,958,170
Upper Valley Joint Vocational School	5,111,650	416,112	4,695,538	15.65	734,852
Miami County	<u>14,670,000</u>	<u>100,472</u>	<u>14,569,528</u>	16.51	<u>2,405,429</u>
Total overlapping debt	30,008,754	1,007,732	29,001,022		11,098,451
City of Piqua	2,489,133	66,779	2,422,354	100.00%	2,422,354
Total net direct and overlapping debt	<u><u>\$ 32,497,887</u></u>	<u><u>\$ 1,074,511</u></u>	<u><u>\$ 31,423,376</u></u>		<u><u>\$ 13,520,805</u></u>

(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 31,2005**

**LONG-TERM DEBT:**

General obligation bonds and notes and bonds

Wastewater system	\$ 330,000	
Special assessment	175,961	
Power system	2,200,000	
Public improvement (golf)	16,740	
Public improvement (water)	92,520	
Public improvement (street)	25,740	
Recreation facility (golf)	1,713,600	
Recreation facility (swimming pool)	86,400	
Building facility ( general)	2,290,000	
Pension refunding (general)	<u>390,000</u>	
		\$ 7,320,961

Capitalized lease obligation (safety)	29,738	
Capitalized lease obligation (street)	<u>143,655</u>	<u>173,393</u>
Total long-term debt		7,494,354

**GROSS DIRECT DEBT:**

7,494,354

Deduct:

General obligation debt service fund balance 66,779

Exempt self-supporting obligation debt:

Wastewater system	\$ 330,000
Power system	2,200,000
Golf course	1,730,340
Water system	92,520
Special assessment	175,961
Pension refunding	390,000
Swimming pool	<u>86,400</u>

Total self-supporting general obligation debt 5,005,221

Total deductions 5,072,000

NET DIRECT DEBT \$ 2,422,354

Source: City of Piqua Finance Department

**CITY OF PIQUA, OHIO**

**Table 10**

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

<u>Year</u>	<u>Annual Debt Service General Tax Supported Debt</u>	<u>Annual Debt Service Self -Supporting Debt Service</u>	<u>General Fund Expenditures</u>	<u>Ratio of Tax Supported Debt Service to General Fund Expenditures</u>	<u>Ratio of Self-Supported Debt Service to General Fund Expenditures</u>
1996	\$ -	\$ -	7,504,379	0.00	0.00
1997	-	-	8,723,492	0.00	0.00
1998	-	-	8,149,913	0.00	0.00
1999	-	-	8,892,282	0.00	0.00
2000	145,933	-	9,760,009	1.50	0.00
2001	543,800	-	12,754,852	4.26	0.00
2002	540,592	-	9,823,637	5.50	0.00
2003	541,149	-	10,347,075	5.23	0.00
2004	541,070	-	10,837,811	4.99	0.00
2005	544,698	-	10,981,181	4.96	0.00

Source: City of Piqua Finance Department

**CITY OF PIQUA, OHIO**

**Table 11**

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

<u>YEAR</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Annual Debt Service Requirement(3)</u>	<u>Coverage</u>
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	15,639,200	2,008,901	449,075	447
2003	16,872,661	15,151,271	1,721,390	488,902	352
2004	16,768,510	15,403,238	1,365,272	403,789	338
2005	18,393,373	15,553,778	2,839,595	402,880	705

- (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 BONDS  
LAST TEN YEARS**

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
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	1,414,830	1,258,244	236,775	531
2003	2,640,767	1,532,618	1,108,150	224,813	493
2004	2,650,812	1,588,385	1,062,427	212,850	499
2005	2,690,664	1,629,290	1,061,374	200,888	528

- (1) Gross revenues include operating revenues plus interest income.
- (2) Direct operating expenses exclude depreciation.
- (3) Annual debt service requirement includes principal and interest self-supported general obligation bonds.

Source: City of Piqua Finance Department

**CITY OF PIQUA, OHIO**

**Table 13**

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

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
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	2,116,968	414,598	52,578	789
2003	2,505,710	1,845,434	660,276	50,468	1,308
2004	2,516,706	2,025,244	491,462	48,096	1,022
2005	2,545,102	2,185,363	359,739	52,910	680

(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  
BUSINESS TYPE GOLF COURSE  
LAST TEN YEARS**

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1996	\$ 478,285	\$ 302,392	\$ 175,893	\$ 228,976	77
1997	547,176	308,468	238,708	234,184	102
1998	567,804	314,923	252,881	230,284	110
1999	612,365	379,761	232,604	230,936	101
2000	583,356	324,720	258,636	231,040	112
2001	564,183	380,037	184,146	230,747	80
2002	504,753	390,479	114,274	230,774	50
2003	562,643	467,023	95,620	215,598	44
2004	594,655	541,073	53,582	265,233	20
2005	625,511	539,118	86,393	180,205	48

- (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  
BUSINESS TYPE MUNICIPAL POOL  
LAST TEN YEARS**

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1996	\$ 76,846	\$ 94,903	\$ (18,057)	\$ 11,315	(160)
1997	74,812	92,565	(17,753)	11,348	(156)
1998	60,339	81,249	(20,910)	11,132	(188)
1999	73,579	121,457	(47,878)	11,155	(429)
2000	63,883	106,287	(42,404)	11,168	(380)
2001	72,303	119,179	(46,876)	11,169	(420)
2002	91,672	116,283	(24,611)	11,156	(221)
2003	77,338	118,075	(40,737)	10,410	(391)
2004	74,383	120,242	(45,859)	12,932	(355)
2005	96,102	134,709	(38,607)	8,603	(449)

- (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 VALUES  
LAST TEN YEARS**

Year	Commercial Construction (1)		Residential Construction (1)		Estimated Actual Property Value(2)
	Number of Permits	Value	Number of Permits	Value	
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
2003	16	7,938,800	34	5,283,600	1,086,863,349
2004	18	12,618,700	50	8,557,500	1,069,733,606
2005	37	11,774,355	44	8,194,650	1,090,132,372

Sources:

- 1). City of Piqua, Ohio Engineering Department
- 2). Miami County Auditors Office

**PRINCIPAL MANUFACTURING EMPLOYERS  
DECEMBER 31, 2005**

Name of Employer	NATURE OF BUSINESS	TOTAL EMPLOYMENT
Spalding and Evenflo Company Inc.	Manufacturer of juvenile furniture	315
Jackson Tube Service Inc.	Manufacturer of steel tubing	310
Crane Pumps & Systems Inc.	Manufacturer of industrial, wastewater, water supply pumps and cleaning systems	300
Charter Corporation	Manufacturer of aircraft propellers	293
Industry Products	Manufacturer of die cutting equipment	283
Hartzell Industries Inc.	Manufacturer of industrial fans	275
Piqua Technologies Inc.	Manufacturer of automotive gaskets and insulating products	200
Illinois Tool Works Inc.	Manufacturer of welding wire	178
Miami Valley Steel Services (div Esmark Inc.)	Manufacturer of split coiled steel	150
Orr Felt Company	Manufacturer of paper maker felts	125

Source: Piqua Chamber of Commerce

**CITY OF PIQUA, OHIO**

**Table 18**

**PRINCIPAL PROPERTY TAXPAYERS  
DECEMBER 31, 2005**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Jackson Tube Service Inc.	Manufacturer of steel tubing	\$ 9,498,430	2.66%
Midamco	Shopping mall	8,792,120	2.46
Spalding & Evenflo Co., Inc.	Manufacturer of juvenile furniture	7,502,000	2.10
Miami Valley Steel	Manufacturer of split rolled steel	6,144,020	1.72
Paul Sherry Chevrolet/Chrysler	Automobile and recreation vehicle retailer	5,770,180	1.62
Charter Corporation	Manufacturer of aircraft propellers	4,781,320	1.34
Crane Pumps & Systems Inc.	Manufacturer of industrial, wastewater, water supply pumps and cleaning systems	4,258,480	1.19
Illinois Tool Works Inc.	Manufacturer of Kitchen Aide appliances	3,438,160	0.96
Home Depot Inc.	Retailer of hardware	3,240,210	0.91
Berwick Steele	Manufacturer of slit steel	<u>2,854,270</u>	0.80
<b>TOTAL</b>		<u><u>56,279,190</u></u>	<u><u>15.76%</u></u>
<b>TOTAL ASSESSED VALUATION</b>		<u><u>\$ 356,987,690</u></u>	

Source: Miami County Auditor's Office

**MISCELLANEOUS STATISTICS  
FOR YEAR ENDED DECEMBER 31, 2005**

**NET INCOME TAX COLLECTIONS**

2005	\$ 8,285,031
2004	\$ 7,291,145
2003	\$ 7,377,796
2002	\$ 6,987,530
2001	\$ 7,080,816

**ELECTRIC AND WATER CUSTOMER STATISTICS**

	Electric		Water	
	<u>Kwh Sold</u>	<u>Customers</u>	<u>Gallons</u>	<u>Customers</u>
2005	308,138,088	11,124	662,094,000	8,828
2004	292,182,506	11,072	652,820,000	8,811
2003	287,866,523	11,015	642,855,000	8,733
2002	296,243,404	10,941	672,169,000	8,670
2001	284,133,231	10,474	652,125,000	8,635

**GENERAL INFORMATION**

Date of Incorporation	1823
Form of government	Commission-Manager
Population (2000 census)	20,738
Area in square miles	11.35
School enrollment	3,922
Miles of streets	150
Number of street lights	2,943
Miami county unemployment rate	5.40%
One fire station with	29 firefighters
One police station with	34 officers
Building permits issued	81
Recreation and culture:	
Acreage of 19 parks and recreational facilities	441.8
1 Public library with	137,389 volumes
Total city employees	220



**CITY OF PIQUA, OHIO**

Reports Issued Pursuant to  
*Government Auditing Standards*  
and  
OMB Circular A-133

For the year ended December 31, 2005



**CITY OF PIQUA, OHIO  
MIAMI COUNTY**

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**DECEMBER 31, 2005**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Commission  
City of Piqua, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piqua, Miami County, Ohio (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2005-1.

We also noted certain additional matters that we reported to management of the City in a separate letter dated May 26, 2006.

This report is intended for the information and use of the audit committee, management, City Commission, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates  
May 26, 2006



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

To the City Commission  
City of Piqua, Ohio

**Compliance**

We have audited the compliance of The City of Piqua, Miami County, Ohio (the City) 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, 2005. The City'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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City'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's compliance with those requirements.

In our opinion, the City 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, 2005.

**Internal Control over Compliance**

The management of the City 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'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 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 26, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, City Commission, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Kennedy, Cottrell + Associates LLC*

Kennedy, Cottrell + Associates  
May 26, 2006

CITY OF PIQUA, OHIO  
MIAMI COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF HUD</u></b>			
<i>Pass-through State Department of Development:</i>			
Community Development Block Grant - 2004 CHIP	14.228	a-c-01-165-1	\$ 144,938
Community Development Block Grant - 2002 Formula Program	14.228	a-f-02-165-1	2,683
Community Development Block Grant - 2003 Formula Program	14.228	a-f-03-165-1	53,962
Community Development Block Grant - 2004 Formula Program	14.228	a-f-04-165-1	105,630
Community Development Block Grant - 2005 Formula Program	14.228	a-f-05-a65-1	1,429
Community Development Block Grant - 2002 Downtown Revitalization	14.228	a-t-02-165-1	45,413
HOME Investments Partnership Program	14.239	a-c-01-165-2	49,816
Total U.S. Department of HUD			<u>403,871</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Pass-through Ohio Office of Justice Programs:</i>			
Bulletproof Vest Partnership Program	16.607	2003BUBX04021793	3,365
Public Safety Partnership and Community Policing Grant	16.710	Oh05502-2003Shwx0048	40,000
Total U.S. Department of Justice			<u>43,365</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Pass-through Governor's Highway Safety Office:</i>			
Formula Grants for Other than Urbanized Areas	20.509	RPT-4055-023-041	122,527
Total U.S. Department of Transportation			<u>122,527</u>
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>			
<i>Pass-through Ohio Emergency Management Agency:</i>			
State and Community Highway Safety	20.600	5116.0	22,535
Public Assistance Grants	83.544		24,983
Large Projects PW111	97.036	fema-3198-em-109-62848	54,119
Total Federal Emergency Management Agency			<u>101,637</u>
<b>Total Federal Awards Expenditures</b>			<u>\$ 671,400</u>

The accompanying notes are an integral part of this schedule.

**CITY OF PIQUA, OHIO  
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**DECEMBER 31, 2005**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the City of Piqua, Ohio (City) as the primary government and is presented on the accrual basis of accounting. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule.

**Note 2. Matching Requirements**

Certain federal programs require that the City contribute non-federal funds (matching funds) to support the federally-funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

**Note 3. Loans Outstanding**

The City of Piqua had the following loan balances, net of allowance for uncollectible loans, outstanding at December 31, 2005:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
CDBG Microenterprise Program	14.228	\$9,985
HOME Investment Partnerships Program	14.239	\$10,729

**CITY OF PIQUA, OHIO  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505**

**DECEMBER 31, 2005**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes



CITY OF PIQUA, OHIO  
MIAMI COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505

DECEMBER 31, 2005

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

**2005-1 NONCOMPLIANCE – EXPENDITURES EXCEEDED APPROPRIATIONS**

Ohio Revised Code Section 5705.41(B) provides, in part, that no subdivision or taxing unit shall “make any expenditure of money unless it has been appropriated as provided in such chapter.”

As of the end of the year, the City had expended amounts in excess of appropriations in certain funds. Material amounts of excess expenditures, detailed by fund, department and object (the City’s legal level of budgetary control) are as follows:

<u>Fund</u>	<u>Excess</u>
Street Levy Construction Operating Expenditures	\$ 30,735
General Fund Parks & Recreation Capital Outlay	\$ 39,921

We recommend that City management take appropriate steps to ensure that adequate internal controls are in place to prevent expenditures and encumbrances from being made that exceed amounts appropriated. Procedures should include periodic monitoring (at least monthly) of budgeted versus actual expenditure reports. The City should also implement a system to track open purchase orders throughout the year to ensure that amounts are not encumbered that exceed amounts appropriated. Supplemental appropriation measures should be completed, as necessary, and submitted to the City Commission and County for approval as soon as expenditures (including encumbrances) are anticipated to exceed amounts appropriated.

Official’s Response

City Management reviewed the internal controls in place to prevent expenditures from being made that exceed amounts appropriated. During 2005, monthly monitoring took place and supplemental appropriation measures were completed by the City Commission and the County as needed. The Street Levy Construction Fund over expenditure was caused by a typographical error in the final revised appropriation which lowered the original appropriation below the expended funds. City management does not believe there was an over expenditure in the Parks and Recreation Capital Outlay.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

CITY OF PIQUA, OHIO  
MIAMI COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2005

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Status</u>
2004	2004-1	Partially Corrected.



**Auditor of State  
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**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  
JULY 20, 2006**