



Mary Taylor, CPA
Auditor of State

**CITY OF CELINA
MERCER COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Celina
Mercer County
PO Box 297
202 North Main Street
Celina, Ohio 45822

To the Members of Council:

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 Celina, Mercer County, (the City), as of and for the year ended December 31, 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Celina, Mercer County, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund 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 October 25, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 25, 2007

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

The discussion and analysis of the City of Celina's financial performance provides an overview of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2006 are as follows:

- In total, the City's net assets increased \$2,748,430, an increase of 7 percent. The increase in governmental activities of 9 percent was from the replacement of infrastructure funded by capital grants. The increase in business-type activities was \$1,339,772, and increase of 6 percent and primarily due to a decrease in electric utility costs.
- The City received a significant amount of federal and state grants for street projects during 2006. During 2006, the improvements to Touvelle Street included roads, storm sewers, water lines, and sewer lines. These projects were almost entirely paid for with Ohio Public Works Commission grants, Ohio Department of Development grants, and Ohio Department of Transportation grants. The road improvements were not completed by year end.
- The City issued bond anticipation notes to construct a water line at the intersection of Enterprise Street and Livingston Street. Construction was completed within the year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Celina's financial position.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's nonmajor funds in a single column. The City's major funds are the General, Electric, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; electric, water, and sewer lines). These factors must be considered when assessing the overall health of the City.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 security of persons and property, public health, leisure time activities, community environment, basic utility services, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's electric, water, and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Electric, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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

Proprietary Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2006 and 2005.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$ 4,926,292	\$ 3,876,892	\$10,981,868	\$10,749,682	\$15,908,160	\$14,626,574
Capital Assets, Net	14,733,823	14,099,572	23,166,721	22,618,906	37,900,544	36,718,478
Total Assets	<u>19,660,115</u>	<u>17,976,464</u>	<u>34,148,589</u>	<u>33,368,588</u>	<u>53,808,704</u>	<u>51,345,052</u>
Liabilities						
Current and Other Liabilities	1,857,272	1,543,651	1,871,003	1,737,240	3,728,275	3,280,891
Long-Term Liabilities	803,509	842,137	8,239,505	8,933,039	9,043,014	9,775,176
Total Liabilities	<u>2,660,781</u>	<u>2,385,788</u>	<u>10,110,508</u>	<u>10,670,279</u>	<u>12,771,289</u>	<u>13,056,067</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	13,925,409	13,106,409	14,636,341	13,642,774	28,561,750	26,749,183
Restricted	1,059,320	902,426	1,152,891	1,145,100	2,212,211	2,047,526
Unrestricted	2,014,605	1,581,841	8,248,849	7,910,435	10,263,454	9,492,276
Total Net Assets	<u>\$16,999,334</u>	<u>\$15,590,676</u>	<u>\$24,038,081</u>	<u>\$22,698,309</u>	<u>\$41,037,415</u>	<u>\$38,288,985</u>

For governmental activities, current and other assets increased from two primary sources. Cash and cash equivalents increased significantly from unspent grant revenues and larger than anticipated estate taxes and interest revenues. Receivables relating to capital grants and payment in lieu of taxes also increased. Net capital assets for governmental activities increased primarily from the reconstruction of Touvelle Street. Invested in capital assets, net of related debt also increased from the reconstruction of Touvelle Street as it was funded primarily with grants from the Ohio Public Works Commission, Ohio Department of Development, and Ohio Department of Transportation. Restricted net assets increased from grant monies not spent as of year end. Unrestricted net assets for governmental activities increased from the larger than expected estate taxes and interest revenues.

The change from 2005 to 2006 for business-type activities was primarily due to a reduction in the electric utility costs for the year.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for 2006 and 2005.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues						
Charges for Services	\$ 1,053,135	\$ 918,069	\$16,218,185	\$16,295,093	\$17,271,320	\$17,213,162
Operating Grants, Contributions, and Interest	877,684	817,282			877,684	817,282
Capital Grants and Contributions	1,416,651	2,019,049		630,673	1,416,651	2,649,722
Total Program Revenues	<u>3,347,470</u>	<u>3,754,400</u>	<u>16,218,185</u>	<u>16,925,766</u>	<u>19,565,655</u>	<u>20,680,166</u>
General Revenues						
Property Taxes	425,752	384,653			425,752	384,653
Municipal Income Taxes	2,639,261	2,569,868			2,639,261	2,569,868
Payment in Lieu of Taxes	138,195	135,010			138,195	135,010
Other Local Taxes	549,933	552,139			549,933	552,139
Franchise Fees	95,901	93,994			95,901	93,994
Grants and Entitlements not Restricted to Specific Programs	822,893	690,499			822,893	690,499
Interest	408,551	206,873	85,533	46,572	494,084	253,445
Other	43,616	68,610	85,897	228,993	129,513	297,603
Total General Revenues	<u>5,124,102</u>	<u>4,701,646</u>	<u>171,430</u>	<u>275,565</u>	<u>5,295,532</u>	<u>4,977,211</u>
Total Revenues	<u>8,471,572</u>	<u>8,456,046</u>	<u>16,389,615</u>	<u>17,201,331</u>	<u>24,861,187</u>	<u>25,657,377</u>
Expenses						
Security of Persons and Property	2,855,849	2,686,077			2,855,849	2,686,077
Public Health	147,660	53,010			147,660	53,010
Leisure Time Activities	646,931	591,239			646,931	591,239
Community Environment	99,902	39,237			99,902	39,237
Basic Utility Services	327,443	205,898			327,443	205,898
Transportation	1,518,074	1,163,788			1,518,074	1,163,788
General Government	1,271,239	1,375,636			1,271,239	1,375,636
Interest and Fiscal Charges	50,582	50,070			50,582	50,070
Electric			11,512,446	12,453,697	11,512,446	12,453,697
Water			2,129,372	1,906,334	2,129,372	1,906,334
Sewer			1,553,259	1,460,339	1,553,259	1,460,339
Total Expenses	<u>6,917,680</u>	<u>6,164,955</u>	<u>15,195,077</u>	<u>15,820,370</u>	<u>22,112,757</u>	<u>21,985,325</u>
Revenues Over Expenses	<u>1,553,892</u>	<u>2,291,091</u>	<u>1,194,538</u>	<u>1,380,961</u>	<u>2,748,430</u>	<u>3,672,052</u>
Transfers	(145,234)	(41,995)	145,234	41,995		
Change in Net Assets	<u>1,408,658</u>	<u>2,249,096</u>	<u>1,339,772</u>	<u>1,422,956</u>	<u>2,748,430</u>	<u>3,672,052</u>
Net Assets Beginning of Year	<u>15,590,676</u>	<u>13,341,580</u>	<u>22,698,309</u>	<u>21,275,353</u>	<u>38,288,985</u>	<u>34,616,933</u>
Net Assets End of Year	<u>\$16,999,334</u>	<u>\$15,590,676</u>	<u>\$24,038,081</u>	<u>\$22,698,309</u>	<u>\$41,037,415</u>	<u>\$38,288,985</u>

For governmental activities, capital grants decreased significantly from fewer grants received for the street improvements in 2006.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The major program expense for governmental activities is security of persons and property, which includes the police and fire departments, and accounts for a significant portion of all governmental expenses, over 41 percent. Maintenance of the City's streets also represents a significant amount of the City's governmental expenses, along with the general business of running the City's government. The programs for security of persons and property and general government represent almost 60 percent of all of the expenses of the City of Celina and are funded almost entirely from property taxes, municipal income taxes, and State shared revenues. Transportation expenses were largely financed with capital grants and State shared revenues.

The City's electric operations account for 75 percent of the expenses of the City's business-type activities and are funded almost entirely from charges for services. Operating costs associated with the Electric fund decreased 7.6 percent with most of the decreases associated with the purchase of power costs and kilowatt hour tax expenses.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Security of Persons and Property	\$2,855,849	\$2,686,077	\$2,395,728	\$2,282,091
Public Health	147,660	53,010	57,768	47,347
Leisure Time Activities	646,931	591,239	412,111	277,969
Community Environment	99,902	39,237	34,273	27,739
Basic Utility Services	327,443	205,898	327,443	205,898
Transportation	1,518,074	1,163,788	(387,123)	(1,141,985)
General Government	1,271,239	1,375,636	679,428	661,426
Interest and Fiscal Charges	50,582	50,070	50,582	50,070
Total Expenses	\$6,917,680	\$6,164,955	\$3,570,210	\$2,410,555

The significant change between the total cost of services and net cost of services in the public health program occurred in 2006 with additional funding from a capital grant to demolish buildings left on a commercial property site that had been vacant for several years. A large portion of leisure time activities program is funded by charges for activities and donations from the Bryson Trust. Transportation expenses received a significant amount of capital grants for the reconstruction of streets in 2006.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental fund is the General Fund. The General Fund had an increase in fund balance in 2006 of 31 percent. Overall revenues increased by 9.3 percent, primarily from increases in income taxes, estate taxes, and interest revenues. Expenditures increased by 11 percent, with all programs having slight increases.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, and Sewer funds. Operating revenues exceeded operating expenses in the Electric and Sewer funds; however, an operating loss occurred in the Water fund. All of the utilities increased rates in 2004; however, the rates for the Water fund were not sufficient to cover costs.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal due to the continued financial difficulties in the City; revenues are not increasing sufficiently to cover needed expenditures. The City's actual revenues in 2006 were higher than those estimated. The most significant increase from 2005 was in intergovernmental revenues from a large settlement in estate taxes and in interest revenues due to increasing interest rates. Expenditures were \$280,620 less than the final budget. The major variances were due to keeping the overtime costs of the police and fire departments low and expenditures being less than expected for various consultants and for property and liability insurance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2006, was \$13,925,409 and \$14,636,341, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; improvements other than buildings; streets and storm sewers; furniture and equipment; vehicles; and electric, water, and sewer lines. There was a significant change to governmental activities capital assets during the year from the reconstruction of a street. In the business-type activities, the biggest change was related to electric, water, and sewer line additions. Note 11 to the basic financial statements provides details on the capital asset activity during 2006.

Debt - At December 31, 2006, the City had \$290,000 in outstanding bond anticipation notes payable from governmental activities and \$635,000 in bond anticipation notes payable from business-type activities.

The City had a number of long-term obligations outstanding as of December 31, 2006. These obligations included \$518,414 in rural development bonds, \$4,700,000 in general obligation bonds, \$3,245,000 in mortgage revenue bonds, \$447,000 in OPWC loans, and \$100,684 in OWDA loans. Of this amount, \$8,492,684 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include compensated absences. Additional information on the City's debt can be found in Notes 18 and 19 to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

CURRENT ISSUES

Bond anticipation notes were issued in 2007 for the construction of a walkway within the Grand Lake tax incremental financing district; along with improvements along Wayne Street, State Route 29 West, and Grand Lake Road.

An OWDA loan was authorized, in the amount of \$6,656,333, for the constructing and equipping a granular activated carbon water treatment system.

The City has started several construction projects, including the Martz Cabinet sewer lift station and force main, the reconstruction of storm sewer lines on Buckeye Street, the reconstruction of Grand Lake Road, the reconstruction of Market Street, and the paving of the paths in Eastview Park. The majority of the road and storm sewer projects are funded with grants from the Ohio Public Works Commission, the Ohio Department of Transportation, and the Ohio Department of Development. The path paving is funded by a grant through the Ohio Recreational Trails Fund Program and donations from the Bryson Trust.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Emily Stewart, Celina City Auditor, P.O. Box 297, Celina, Ohio 45822-0297.

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**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,585,522	\$7,004,509	\$9,590,031
Cash and Cash Equivalents with Fiscal Agent	17,790	505,767	523,557
Accounts Receivable	69,520	1,394,814	1,464,334
Due from Other Governments	990,675	82,167	1,072,842
Accrued Interest Receivable	74,809	14,828	89,637
Municipal Income Taxes Receivable	529,423		529,423
Internal Balances	(251,952)	251,952	
Prepaid Items	19,134	30,490	49,624
Materials and Supplies Inventory	87,321	1,467,812	1,555,133
Property Taxes Receivable	422,873		422,873
Notes Receivable	81,868		81,868
Special Assessments Receivable	33,089		33,089
Payment in Lieu of Taxes Receivable	266,220		266,220
Unamortized Bond Issuance Costs		219,620	219,620
Investment in Joint Venture		9,909	9,909
Nondepreciable Capital Assets	9,340,696	339,952	9,680,648
Depreciable Capital Assets, Net	5,393,127	22,826,769	28,219,896
Total Assets	<u>19,660,115</u>	<u>34,148,589</u>	<u>53,808,704</u>
Liabilities			
Accrued Wages Payable	56,046	37,440	93,486
Accounts Payable	115,638	47,963	163,601
Contracts Payable	366,578	721,186	1,087,764
Matured Compensated Absences Payable	15,631		15,631
Due to Other Governments	152,675	99,001	251,676
Retainage Payable	49,557		49,557
Accrued Interest Payable	7,355	43,227	50,582
Notes Payable	290,000	635,000	925,000
Deferred Revenue	686,152		686,152
Claims Payable	117,640		117,640
Deposits Held and Due to Others		287,186	287,186
Long-Term Liabilities			
Due Within One Year	37,518	905,077	942,595
Due in More Than One Year	765,991	7,334,428	8,100,419
Total Liabilities	<u>2,660,781</u>	<u>10,110,508</u>	<u>12,771,289</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	13,925,409	14,636,341	28,561,750
Restricted for			
Debt Service	32,607	505,767	538,374
Capital Projects	187,718		187,718
Other Purposes	838,995		838,995
Revenue Bond Operations and Maintenance		85,124	85,124
Revenue Bond Renewal and Replacement		562,000	562,000
Unrestricted	2,014,605	8,248,849	10,263,454
Total Net Assets	<u>\$16,999,334</u>	<u>\$24,038,081</u>	<u>\$41,037,415</u>

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
Governmental Activities				
Security of Persons and Property	\$2,855,849	\$332,689	\$62,067	\$65,365
Public Health	147,660		89,892	
Leisure Time Activities	646,931	111,814	74,329	48,677
Community Environment	99,902		12,629	53,000
Basic Utility Services	327,443			
Transportation	1,518,074	77,066	578,522	1,249,609
General Government	1,271,239	531,566	60,245	
Interest and Fiscal Charges	50,582			
Total Governmental Activities	6,917,680	1,053,135	877,684	1,416,651
Business-Type Activities				
Electric	11,512,446	12,650,921		
Water	2,129,372	1,944,392		
Sewer	1,553,259	1,622,872		
Total Business-Type Activities	15,195,077	16,218,185		
Total	\$22,112,757	\$17,271,320	\$877,684	\$1,416,651

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Police Pension
Property Taxes Levied for Fire Pension
Municipal Income Taxes
Payment in Lieu of Taxes
Other Local Taxes
Franchise Fees
Grants and Entitlements not Restricted to Specific Programs
Interest
Other
Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

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

Governmental Activities	Business-Type Activities	Total
(\$2,395,728)		(\$2,395,728)
(57,768)		(57,768)
(412,111)		(412,111)
(34,273)		(34,273)
(327,443)		(327,443)
387,123		387,123
(679,428)		(679,428)
(50,582)		(50,582)
<u>(3,570,210)</u>		<u>(3,570,210)</u>
	\$1,138,475	1,138,475
	(184,980)	(184,980)
	69,613	69,613
	<u>1,023,108</u>	<u>1,023,108</u>
<u>(3,570,210)</u>	<u>1,023,108</u>	<u>(2,547,102)</u>
327,502		327,502
49,125		49,125
49,125		49,125
2,639,261		2,639,261
138,195		138,195
549,933		549,933
95,901		95,901
822,893		822,893
408,551	85,533	494,084
43,616	85,897	129,513
<u>5,124,102</u>	<u>171,430</u>	<u>5,295,532</u>
<u>(145,234)</u>	<u>145,234</u>	
<u>4,978,868</u>	<u>316,664</u>	<u>5,295,532</u>
1,408,658	1,339,772	2,748,430
<u>15,590,676</u>	<u>22,698,309</u>	<u>38,288,985</u>
<u>\$16,999,334</u>	<u>\$24,038,081</u>	<u>\$41,037,415</u>

**CITY OF CELINA
MERCER COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,376,717	\$772,199	\$2,148,916
Accounts Receivable	38,398	442	38,840
Due from Other Governments	352,847	637,828	990,675
Accrued Interest Receivable	74,770	39	74,809
Municipal Income Taxes Receivable	529,423		529,423
Interfund Receivable	77,876		77,876
Prepaid Items	19,134		19,134
Materials and Supplies Inventory	30,728	56,593	87,321
Restricted Assets			
Equity in Pooled Cash and Cash Equivalents	7,829		7,829
Property Taxes Receivable	325,287	97,586	422,873
Notes Receivable		81,868	81,868
Special Assessments Receivable		33,089	33,089
Payment in Lieu of Taxes Receivable		266,220	266,220
Total Assets	<u>2,833,009</u>	<u>1,945,864</u>	<u>4,778,873</u>
Liabilities and Fund Balance			
Liabilities			
Accrued Wages Payable	47,649	8,397	56,046
Accounts Payable	100,214	15,424	115,638
Contracts Payable	5,488	361,090	366,578
Matured Compensated Absences Payable	15,631		15,631
Due to Other Governments	66,320	86,355	152,675
Retainage Payable		49,557	49,557
Interfund Payable	100,333	94,721	195,054
Accrued Interest Payable		1,553	1,553
Notes Payable		290,000	290,000
Deferred Revenue	971,679	658,426	1,630,105
Total Liabilities	<u>1,307,314</u>	<u>1,565,523</u>	<u>2,872,837</u>
Fund Balance			
Reserved for Encumbrances	80,033	57,255	137,288
Reserved for Unclaimed Moneys	7,829		7,829
Reserved for Notes Receivable		60,697	60,697
Unreserved, Reported in			
General Fund	1,437,833		1,437,833
Special Revenue Funds		479,066	479,066
Debt Service Fund		32,607	32,607
Capital Projects Funds (Deficit)		(249,284)	(249,284)
Total Fund Balance	<u>1,525,695</u>	<u>380,341</u>	<u>1,906,036</u>
Total Liabilities and Fund Balance	<u>\$2,833,009</u>	<u>\$1,945,864</u>	<u>\$4,778,873</u>

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006**

Total Governmental Fund Balance	\$1,906,036
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,733,823
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$28,321	
Due from Other Governments	518,709	
Accrued Interest Receivable	69,494	
Municipal Income Taxes Receivable	291,399	
Property Taxes Receivable	2,941	
Special Assessments Receivable	<u>33,089</u>	
		943,953

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(134,774)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(5,802)	
Rural Development Bonds Payable	(518,414)	
Compensated Absences Payable	<u>(285,095)</u>	
		(809,311)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.	<u>359,607</u>
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Net Assets of Governmental Activities	<u><u>\$16,999,334</u></u>
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See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$325,930	\$97,780	\$423,710
Municipal Income Taxes	2,651,049		2,651,049
Payment in Lieu of Taxes		138,195	138,195
Other Local Taxes	549,933		549,933
Special Assessments		38,058	38,058
Charges for Services	230,196	117,476	347,672
Fees, Licenses, and Permits	103,718		103,718
Fines and Forfeitures	300,676	70,378	371,054
Intergovernmental	1,070,155	2,072,532	3,142,687
Interest	358,667	20,072	378,739
Gifts and Donations	14,829	115,388	130,217
Other	41,343	4,620	45,963
Total Revenues	<u>5,646,496</u>	<u>2,674,499</u>	<u>8,320,995</u>
Expenditures			
Current:			
Security of Persons and Property	2,402,740	394,357	2,797,097
Public Health	57,768	89,892	147,660
Leisure Time Activities	93,651	492,748	586,399
Community Environment	56,346	53,000	109,346
Basic Utility Services	355,278		355,278
Transportation	199,566	2,034,452	2,234,018
General Government	1,258,141	38,317	1,296,458
Debt Service:			
Principal Retirement		94,749	94,749
Interest and Fiscal Charges	333	51,877	52,210
Total Expenditures	<u>4,423,823</u>	<u>3,249,392</u>	<u>7,673,215</u>
Excess of Revenues Over (Under) Expenditures	<u>1,222,673</u>	<u>(574,893)</u>	<u>647,780</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	1,833		1,833
Transfers In		867,208	867,208
Transfers Out	(865,594)	(1,614)	(867,208)
Total Other Financing Sources (Uses)	<u>(863,761)</u>	<u>865,594</u>	<u>1,833</u>
Changes in Fund Balance	358,912	290,701	649,613
Fund Balance Beginning of Year	<u>1,166,783</u>	<u>89,640</u>	<u>1,256,423</u>
Fund Balance End of Year	<u>\$1,525,695</u>	<u>\$380,341</u>	<u>\$1,906,036</u>

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Changes in Fund Balance - Total Governmental Funds \$649,613

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Contributions	\$165,183	
Capital Outlay - Nondepreciable Capital Assets	723,126	
Capital Outlay - Depreciable Capital Assets	293,260	
Depreciation	<u>(545,265)</u>	636,304

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the book value of the capital assets is removed from the capital assets account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(1,833)	
Loss on Disposal of Capital Assets	<u>(220)</u>	(2,053)

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

Property Taxes	2,042	
Municipal Income Taxes	(11,788)	
Fees, Licenses, and Permits	722	
Fines and Forfeitures	516	
Special Assessments	8,354	
Charges for Services	(1,891)	
Intergovernmental	44,507	
Interest	49,227	
Other	<u>(2,347)</u>	89,342

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

General Obligation Bonds	80,000	
Rural Development Bonds	<u>14,749</u>	94,749

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. 1,628

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (56,121)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (4,804)

Change in Net Assets of Governmental Activities \$1,408,658

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
Property Taxes	\$323,861	\$323,861	\$325,930	\$2,069
Municipal Income Taxes	2,600,000	2,600,000	2,671,116	71,116
Other Local Taxes	550,000	550,000	550,849	849
Charges for Services	194,000	194,000	230,288	36,288
Fees, Licenses, and Permits	102,500	102,500	103,765	1,265
Fines and Forfeitures	297,000	297,000	297,470	470
Intergovernmental	874,807	874,807	1,110,128	235,321
Interest	200,000	200,000	345,554	145,554
Gifts and Donations			14,829	14,829
Other	79,000	79,000	35,851	(43,149)
Total Revenues	<u>5,221,168</u>	<u>5,221,168</u>	<u>5,685,780</u>	<u>464,612</u>
Expenditures				
Current:				
Security of Persons and Property	2,504,103	2,521,939	2,441,863	80,076
Public Health	53,010	57,768	57,768	
Leisure Time Activities	96,600	96,600	92,398	4,202
Community Environment	57,663	67,663	52,423	15,240
Basic Utility Services	312,207	342,707	371,128	(28,421)
Transportation	156,200	203,700	185,846	17,854
General Government	1,295,323	1,448,873	1,280,170	168,703
Other	110,688	53,880	30,914	22,966
Total Expenditures	<u>4,585,794</u>	<u>4,793,130</u>	<u>4,512,510</u>	<u>280,620</u>
Excess of Revenues Over Expenditures	<u>635,374</u>	<u>428,038</u>	<u>1,173,270</u>	<u>745,232</u>
Other Financing Sources (Uses)				
Sale of Capital Assets			1,833	1,833
Advances In			102,400	102,400
Transfers Out	(1,012,775)	(1,083,275)	(865,594)	217,681
Total Other Financing Sources (Uses)	<u>(1,012,775)</u>	<u>(1,083,275)</u>	<u>(761,361)</u>	<u>321,914</u>
Changes in Fund Balance	(377,401)	(655,237)	411,909	1,067,146
Fund Balance Beginning of Year	867,363	867,363	867,363	
Prior Year Encumbrances Appropriated	35,396	35,396	35,396	
Fund Balance End of Year	<u>\$525,358</u>	<u>\$247,522</u>	<u>\$1,314,668</u>	<u>\$1,067,146</u>

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006**

	<u>Enterprise Funds</u>			<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>		
Assets					
Current Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,150,312	\$400,612	\$519,275	\$6,070,199	\$428,777
Cash and Cash Equivalents with Fiscal Agent					17,790
Accounts Receivable	974,935	222,011	197,868	1,394,814	30,680
Due from Other Governments	3,905	77,286	976	82,167	
Accrued Interest Receivable			14,828	14,828	
Interfund Receivable	275,666			275,666	
Prepaid Items	17,093	6,612	6,785	30,490	
Materials and Supplies Inventory	1,238,663	227,199	1,950	1,467,812	
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	287,186		647,124	934,310	
Cash and Cash Equivalents with Fiscal Agent			505,767	505,767	
Total Current Assets	<u>7,947,760</u>	<u>933,720</u>	<u>1,894,573</u>	<u>10,776,053</u>	<u>477,247</u>
Non-Current Assets					
Unamortized Bond Issuance Costs	59,603	21,659	138,358	219,620	
Investment in Joint Venture	9,909			9,909	
Nondepreciable Capital Assets	49,610	141,180	149,162	339,952	
Depreciable Capital Assets, Net	12,771,374	5,097,795	4,957,600	22,826,769	
Total Non-Current Assets	<u>12,890,496</u>	<u>5,260,634</u>	<u>5,245,120</u>	<u>23,396,250</u>	
Total Assets	<u>20,838,256</u>	<u>6,194,354</u>	<u>7,139,693</u>	<u>34,172,303</u>	<u>477,247</u>
Liabilities					
Current Liabilities					
Accrued Wages Payable	17,374	12,969	7,097	37,440	
Accounts Payable	30,316	12,503	5,144	47,963	
Contracts Payable	639,086	79,305	2,795	721,186	
Compensated Absences Payable	14,986	8,429	5,419	28,834	
Due to Other Governments	55,758	23,784	19,459	99,001	
Interfund Payable	45,074	5,559	107,855	158,488	
Accrued Interest Payable	6,134	6,583	30,510	43,227	
Notes Payable		635,000		635,000	
Claims Payable					117,640
General Obligation Bonds Payable	380,000	105,000	95,000	580,000	
Mortgage Revenue Bonds Payable			260,000	260,000	
OPWC Loans Payable		36,243		36,243	
Total Current Liabilities	<u>1,188,728</u>	<u>925,375</u>	<u>533,279</u>	<u>2,647,382</u>	<u>117,640</u>
Non-Current Liabilities					
Deposits Held and Due to Others	287,186			287,186	
General Obligation Bonds Payable	2,083,444	763,032	1,201,111	4,047,587	
Mortgage Revenue Bonds Payable			2,679,729	2,679,729	
OPWC Loans Payable		410,757		410,757	
OWDA Loans Payable		100,684		100,684	
Compensated Absences Payable	41,212	44,475	9,984	95,671	
Total Non-Current Liabilities	<u>2,411,842</u>	<u>1,318,948</u>	<u>3,890,824</u>	<u>7,621,614</u>	
Total Liabilities	<u>3,600,570</u>	<u>2,244,323</u>	<u>4,424,103</u>	<u>10,268,996</u>	<u>117,640</u>

(Continued)

CITY OF CELINA
MERCER COUNTY

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006
(Continued)

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	\$10,417,143	\$3,209,918	\$1,009,280	\$14,636,341	
Restricted for					
Future Debt Service			505,767	505,767	
Revenue Bond Operations and Maintenance			85,124	85,124	
Revenue Bond Renewal and Replacement			562,000	562,000	
Unrestricted	<u>6,820,543</u>	<u>740,113</u>	<u>553,419</u>	<u>8,114,075</u>	<u>359,607</u>
Total Net Assets	<u>\$17,237,686</u>	<u>\$3,950,031</u>	<u>\$2,715,590</u>	23,903,307	<u>\$359,607</u>
Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the net assets of the internal service fund.				<u>134,774</u>	
Net assets of business-type activities				<u>\$24,038,081</u>	

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Operating Revenues					
Charges for Services	\$12,344,746	\$1,944,392		\$14,289,138	\$1,204,519
Charges for Services Pledged as Security on Mortgage Revenue Bonds			\$1,622,872	1,622,872	
Other	59,998	16,254	9,645	85,897	
Total Operating Revenues	<u>12,404,744</u>	<u>1,960,646</u>	<u>1,632,517</u>	<u>15,997,907</u>	<u>1,204,519</u>
Operating Expenses					
Personal Services	1,103,517	861,461	466,699	2,431,677	
Contractual Services					186,467
Materials and Supplies	9,333,023	961,466	528,536	10,823,025	
Claims					1,025,736
Bad Debt		8,416	7,812	16,228	
Depreciation	820,889	215,130	286,489	1,322,508	
Total Operating Expenses	<u>11,257,429</u>	<u>2,046,473</u>	<u>1,289,536</u>	<u>14,593,438</u>	<u>1,212,203</u>
Operating Income (Loss)	<u>1,147,315</u>	<u>(85,827)</u>	<u>342,981</u>	<u>1,404,469</u>	<u>(7,684)</u>
Non-Operating Revenues (Expenses)					
Excise Taxes	306,175			306,175	
Loss on Disposal of Capital Assets	(168,138)	(412)	(253)	(168,803)	
Change in Joint Venture	(112)			(112)	
Interest Revenue	2,396	5,571	77,566	85,533	
Interest Expense	(85,406)	(81,539)	(262,899)	(429,844)	
Total Non-Operating Revenues (Expenses)	<u>54,915</u>	<u>(76,380)</u>	<u>(185,586)</u>	<u>(207,051)</u>	
Income (Loss) before Contributions and Transfers	1,202,230	(162,207)	157,395	1,197,418	(7,684)
Capital Contributions		190,201	58,981	249,182	
Transfers Out	(69,298)	(17,325)	(17,325)	(103,948)	
Changes in Net Assets	1,132,932	10,669	199,051	1,342,652	(7,684)
Net Assets Beginning of Year	<u>16,104,754</u>	<u>3,939,362</u>	<u>2,516,539</u>		<u>367,291</u>
Net Assets End of Year	<u>\$17,237,686</u>	<u>\$3,950,031</u>	<u>\$2,715,590</u>		<u>\$359,607</u>

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.

(2,880)

Change in net assets of business-type activities

\$1,339,772

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash Received from Customers	\$12,538,495	\$1,919,440	\$1,606,884	\$16,064,819	\$96,093
Cash Received from Transactions with Other Funds					1,108,426
Cash Payments for Personal Services	(878,288)	(691,248)	(377,417)	(1,946,953)	
Cash Payments for Contractual Services					(186,467)
Cash Payments for Materials and Supplies	(9,662,725)	(952,624)	(529,078)	(11,144,427)	
Cash Payments for Claims					(1,041,743)
Cash Payments for Transactions with Other Funds	(218,242)	(151,782)	(82,822)	(452,846)	
Cash Received from Other Revenues	56,093	15,113	8,669	79,875	76,231
Cash Received from Deposits	127,350			127,350	
Cash Payments for Deposits Refunded	(81,495)			(81,495)	
Net Cash Provided by Operating Activities	<u>1,881,188</u>	<u>138,899</u>	<u>626,236</u>	<u>2,646,323</u>	<u>52,540</u>
Cash Flows from Noncapital Financing Activities					
Cash Received from Excise Taxes	306,175			306,175	
Advances In			100,000	100,000	
Advances Out	(260,000)			(260,000)	
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>46,175</u>		<u>100,000</u>	<u>146,175</u>	
Cash Flows from Capital and Related Financing Activities					
Principal Paid on Bond Anticipation Notes		(650,000)		(650,000)	
Principal Paid on General Obligation Bonds	(370,000)	(110,000)	(90,000)	(570,000)	
Principal Paid on Mortgage Revenue Bonds			(250,000)	(250,000)	
Principal Paid on OPWC Loans		(12,081)		(12,081)	
Interest Paid on Bond Anticipation Notes		(21,984)		(21,984)	
Interest Paid on General Obligation Bonds	(82,030)	(43,685)	(64,083)	(189,798)	
Interest Paid on Mortgage Revenue Bonds			(163,879)	(163,879)	
Proceeds of Bond Anticipation Notes		885,000		885,000	
Proceeds of OWDA Loans		24,374		24,374	
Issuance Costs Paid on Bond Anticipation Notes		(4,546)		(4,546)	
Personal Services for Capital Assets	(256,728)	(17,325)	(17,325)	(291,378)	
Acquisition of Capital Assets	(1,006,291)	(387,566)	(208,657)	(1,602,514)	
Net Cash Used for Capital and Related Financing Activities	<u>(1,715,049)</u>	<u>(337,813)</u>	<u>(793,944)</u>	<u>(2,846,806)</u>	
Cash Flows from Investing Activities					
Interest		7,443	75,861	83,304	
Net Increase (Decrease) in Cash and Cash Equivalents	212,314	(191,471)	8,153	28,996	52,540
Cash and Cash Equivalents Beginning of Year	<u>5,225,184</u>	<u>592,083</u>	<u>1,664,013</u>	<u>7,481,280</u>	<u>394,027</u>
Cash and Cash Equivalents End of Year	<u>\$5,437,498</u>	<u>\$400,612</u>	<u>\$1,672,166</u>	<u>\$7,510,276</u>	<u>\$446,567</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$1,147,315	(\$85,827)	\$342,981	\$1,404,469	(\$7,684)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	820,889	215,130	286,489	1,322,508	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	190,365	(16,701)	(8,176)	165,488	(14,047)
Decrease in Interfund Receivable	4,300			4,300	
Increase in Due from Other Governments	(3,905)	(976)	(976)	(5,857)	
Decrease in Prepaid Items	680	286	113	1,079	
Increase in Materials and Supplies Inventory	(92,465)	(56,322)	(1,197)	(149,984)	
Increase in Accrued Wages Payable	891	1,596	528	3,015	
Increase (Decrease) in Accounts Payable	(14,288)	1,573	(6,381)	(19,096)	
Increase (Decrease) in Contracts Payable	(224,654)	62,045	2,795	(159,814)	
Increase in Due to Other Governments	9,796	10,065	10,623	30,484	
Decrease in Interfund Payable	(916)	(1,192)	(3,175)	(5,283)	
Increase in Claims Payable					74,271
Increase in Deposits Held and Due to Others	45,855			45,855	
Increase (Decrease) in Compensated Absences Payable	(2,675)	9,222	2,612	9,159	
Net Cash Provided by Operating Activities	<u>\$1,881,188</u>	<u>\$138,899</u>	<u>\$626,236</u>	<u>\$2,646,323</u>	<u>\$52,540</u>

Cash Flows from Non-Cash Capital Financing Activities

Governmental funds contributed capital assets to the Water and Sewer enterprise funds, in the amount of \$190,201 and \$58,981, respectively.

See accompanying notes to the basic financial statements.

CITY OF CELINA
MERCER COUNTY

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2006

Assets

Equity in Pooled Cash and Cash Equivalents	\$8,152
Cash and Cash Equivalents in Segregated Accounts	<u>25,816</u>
Total Assets	<u><u>\$33,968</u></u>

Liabilities

Accounts Payable	\$685
Due to Other Governments	5,494
Payroll Withholdings	808
Deposits Held and Due to Others	<u>26,981</u>
Total Liabilities	<u><u>\$33,968</u></u>

See accompanying notes to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. DESCRIPTION OF THE CITY OF CELINA AND THE REPORTING ENTITY

A. The City

The City of Celina is a statutory municipal corporation operating under the laws of the State of Ohio. The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Service-Safety Director, are elected positions. The Service-Safety Director is appointed by the Mayor.

The City of Celina is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, parks and recreation, street maintenance and repair, and electric, water, and sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

The primary government of the City of Celina consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Celina in 2006.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, and the Mercer County Planning Commission, jointly governed organizations; and the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program and the Ohio Government Risk Management Plan, insurance purchasing pools. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

2. Fund Financial Statements

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

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

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

3. Enterprise Funds

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

Electric Fund - This fund accounts for the provision of electric distribution to residential and commercial users within the City.

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

Sewer Fund - This fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

4. Internal Service Fund

The internal service fund accounts for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The City's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2006. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for insurance proceeds to secure proper handling of fire damaged structures, the activity of the municipal court due to third-parties, and employee deductions not yet remitted to their specific vendors in the payroll account.

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2006, but were levied to finance 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

3. Expenses/Expenditures

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund level or at the object level within a fund based on City Council requirements. All funds having personal services expenditures are at the object level. Budgetary allocations at the department and object level within the funds are made by the City Auditor.

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

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

F. Cash and Investments

To improve cash management, cash received by the City, except cash held by fiscal agents, is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The City utilizes financial institutions as trustees to service its mortgage revenue bonded debt as principal and interest payments come due. Money held by trustees is invested in mutual funds and is presented as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents held by the City's third-party administrator for health care is presented as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately within departments of the City are recorded as "Cash and Cash Equivalents in Segregated Accounts".

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2006, the City invested in nonnegotiable certificates of deposit, federal agency securities, STAR Ohio, and mutual funds. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2006 was \$358,667, which includes \$301,711 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

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

Restricted assets represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Utility deposits from customers are classified as restricted assets on the statement of fund net assets because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

Unclaimed monies that have a legal restriction on their use are reported as restricted.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Notes Receivable

Notes receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. Reported notes receivable is offset by a fund balance reserve in the governmental funds for the long-term portion, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

K. Unamortized Issuance Costs, Bond Premium, and Bond Discount

Issuance costs, bond premiums, and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction to the face amount of bonds payable.

L. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land, some land improvements, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	20-40 years	30 years
Buildings	5-30 years	30 years
Improvements Other than Buildings	10-20 years	N/A
Streets and Storm Sewers	15-50 years	N/A
Furniture and Equipment	10 years	10 years
Vehicles	3-25 years	3-25 years
Electric, Water, and Sewer Lines	N/A	20-50 years

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are presented as "Internal Balances".

N. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on department and length of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

O. Accrued Liabilities and Long-Term Obligations

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

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

P. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of December 31, 2006.

R. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, unclaimed moneys, and notes receivable.

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, water, and sewer services, and internal service fund charges for health insurance. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

T. Capital Contributions

Capital contributions arise from contributions from other funds, outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction.

U. Interfund Activities

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

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2006, the Electric, Water, and Sewer enterprise funds donated capital assets for governmental operations, in the amount of \$69,298, \$17,325, and \$17,325, respectively. Therefore, transfers in and out do not equal within the fund financial statements.

V. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLE

For 2006, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 47, "Accounting for Termination Benefits". This Statement establishes accounting and financial reporting standards for benefits associated with either voluntary or involuntary terminations. The implementation of this statement did not result in any change to the City's financial statements.

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2006, the Police Pension, Fire Pension, and Mersman Demolition special revenue funds and the Touvelle Street Improvement capital projects fund had deficit fund balances, in the amount of \$37,174, \$46,081, \$2,247, and \$79,873, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At December 31, 2006, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$32,802, due to reporting special assessments as deferred revenue on the modified accrual basis. The deficit will be alleviated when the special assessments are received.

At December 31, 2006, the Capital Improvements capital projects fund had a deficit fund balance, in the amount of \$290,616, due to reporting notes payable as a fund liability. The deficit will be alleviated when sufficient revenues are received to retire the notes.

B. Compliance

At December 31, 2006, the Special Assessment debt service fund and Sidewalk/Curb capital projects fund had deficit cash balances, in the amount of \$369 and \$32,433, respectively.

The Sidewalk and Curb capital projects fund had final appropriations in excess of estimated resources and available balances, in the amount of \$2,420.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

For the year ended December 31, 2006, the following funds had expenditures plus encumbrances in excess of appropriations at the legal level of budgetary control as follows:

	<u>Appropriations</u>	<u>Expenditures And Encumbrances</u>	<u>Excess</u>
General Fund			
Security of Persons and Property			
Police Department			
Capital Outlay	\$34,516	\$38,553	\$4,037
Basic Utility Services			
Other			
Capital Outlay	50,000	126,799	76,799
General Government			
Law Director			
Personal Services	19,700	19,835	135
Materials and Supplies	7,500	7,624	124
Street Fund			
Transportation			
Capital Outlay	141,659	175,242	33,583
State Highway Fund			
Transportation			
Capital Outlay	7,000	11,420	4,420
Parks and Recreation Fund			
Leisure Time Activities			
Parks			
Capital Outlay		38,670	38,670
Police Pension Fund	156,500	157,838	1,338
Electric Fund			
Administration			
Utility Refunds	80,000	81,495	1,495
Water Fund			
Debt Service			
Principal Retirement	752,163	772,061	19,898
Interest Expense	61,685	70,215	8,530

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

Changes in Fund Balance

GAAP Basis	\$358,912
Increases (Decreases) Due To	
Revenue Accruals:	
Accrued 2005, Received in Cash 2006	441,084
Accrued 2006, Not Yet Received in Cash	(394,120)
Expenditure Accruals:	
Accrued 2005, Paid in Cash 2006	(210,536)
Accrued 2006, Not Yet Paid in Cash	235,635
Cash Adjustments:	
Unrecorded Activity 2005	(4,251)
Unrecorded Activity 2006	(6,705)
Prepaid Items	505
Materials and Supplies Inventory	(15,040)
Advances In	102,400
Encumbrances Outstanding at Year End (Budget Basis)	(95,975)
Budget Basis	<u><u>\$411,909</u></u>

6. DEPOSITS AND INVESTMENTS

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

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

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Treasurer by the financial institution.

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

A. Investments

As of December 31, 2006, the City had the following investments:

	Total	Less Than Six Months	Six Months To One Year	One Year to Two Years	More Than Two Years
Federal Farm Credit Bank Bonds	\$ 99,375	\$ 99,375	\$ 0	\$ 0	\$ 0
Federal Farm Credit Bank Notes	99,375	99,375	0	0	0
Federal Home Loan Bank Bonds	856,021	0	374,975	326,288	154,758
Federal Home Loan Bank Notes	1,782,028	149,063	1,279,943	198,506	154,516
Federal Home Loan Mortgage Corporation Notes	3,623,930	0	0	3,227,806	396,124
Federal National Mortgage Association Notes	481,475	0	92,854	199,750	188,871
STAR Ohio	2,410,762	2,410,762	0	0	0
Mutual Funds	513,270	513,270	0	0	0
Total	\$9,866,236	\$3,271,845	\$1,747,772	\$3,952,350	\$894,269

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code. All investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

The Federal Farm Credit Bank Bonds, Federal Farm Credit Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and the mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy for credit risk beyond the requirements of State statutes. Ohio law requires that no-load money market mutual funds consist exclusively of obligations described in division 1 or 2 on page 38 and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the City's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank Bonds	\$ 99,375	1.01%
Federal Farm Credit Bank Notes	99,375	1.01
Federal Home Loan Bank Bonds	856,021	8.68
Federal Home Loan Bank Notes	1,782,028	18.06
Federal Home Loan Mortgage Corporation Notes	3,623,930	36.73
Federal National Mortgage Association Notes	481,475	4.88

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

7. RECEIVABLES

Receivables at December 31, 2006, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; accrued interest, municipal income taxes; interfund; property taxes; notes; special assessments, and payment in lieu of taxes. All receivables are considered collectible in full and within one year, except for special assessments and the allowance for uncollectibles related to utility services. Delinquent special assessments were \$1,102 at December 31, 2006. Special assessments, in the amount of \$12,703, will not be received within one year.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Block Grant program. The loans have an annual interest rate of 4.75 to 5 percent and are to be repaid over periods ranging from seven to twenty years. Principal, in the amount of \$21,521, was repaid during 2006. Notes outstanding at December 31, 2006, were \$81,868. Notes receivable, in the amount of \$60,697, will not be received within one year.

A summary of accounts receivable related to utility services is as follows:

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Accounts Receivable	\$1,223,346	\$279,893	\$249,571	\$1,752,810
Less Allowance for Uncollectibles	(248,411)	(57,882)	(51,703)	(357,996)
Net Accounts Receivable	<u>\$ 974,935</u>	<u>\$222,011</u>	<u>\$197,868</u>	<u>\$1,394,814</u>

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Fund	
General Fund	
Homestead and Rollback	\$14,710
Tangible Reimbursement	6,583
Local Government	213,581
Local Government Revenue Assistance	18,439
Estate Tax	74,840
Mental Health Transport	495
Court Cost Reimbursement	22,882
Lodging Tax	1,247
Other	70
Total General Fund	<u>352,847</u>
	(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

7. RECEIVABLES (Continued)

	Amount
Non-major Funds	
Street	
Gasoline Tax	189,107
Motor Vehicle License Tax	59,135
Total Street	248,242
State Highway	
Gasoline Tax	15,333
Motor Vehicle License Tax	4,795
Total State Highway	20,128
Parks and Recreation	
Reimbursement	78
Police Pension	
Homestead and Rollback	2,207
Tangible Reimbursement	987
Total Police Pension	3,194
Fire Pension	
Homestead and Rollback	2,207
Tangible Reimbursement	987
Total Fire Pension	3,194
Permissive MVL	
Permissive MVL	1,902
Touvelle Street Improvement	
Ohio Department of Transportation	355,027
Ohio Public Works Commission	6,063
Total Touvelle Street Improvement	361,090
Total Non-major Funds	637,828
Total Governmental Activities	990,675
 Business-Type Activities	
Electric	3,905
Water	77,286
Sewer	976
Total Business-Type Activities	\$82,167

8. MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax is credited to the General Fund.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

9. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, tangible personal property, and outstanding delinquent taxes which were measurable as of December 31, 2006, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2006 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable has been deferred.

The full tax rate for all City operations for the year ended December 31, 2006, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	
Residential/Agricultural	\$115,896,860
Commercial/Industrial	41,585,820
Public Utility Property	
Real	5,700
Personal	1,349,900
Tangible Personal Property	21,702,832
Total Assessed Value	<u>\$180,541,112</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

10. PAYMENT IN LIEU OF TAXES

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax abatements and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 1,814,314	\$0	\$0	\$ 1,814,314
Land Improvements	6,785,151	0	0	6,785,151
Construction in Progress	101,404	827,074	(187,247)	741,231
Total Non-depreciable Capital Assets	<u>8,700,869</u>	<u>827,074</u>	<u>(187,247)</u>	<u>9,340,696</u>
Depreciable Capital Assets				
Land Improvements	378,456	0	0	378,456
Buildings	224,100	0	0	224,100
Improvements Other than Buildings	1,680,016	0	0	1,680,016
Streets and Storm Sewers	9,373,331	187,247	0	9,560,578
Furniture and Equipment	611,435	64,360	(5,419)	670,376
Vehicles	1,885,127	290,135	(71,714)	2,103,548
Total Depreciable Capital Assets	<u>14,152,465</u>	<u>541,742</u>	<u>(77,133)</u>	<u>14,617,074</u>
Less Accumulated Depreciation for				
Land Improvements	(200,876)	(8,281)	0	(209,157)
Buildings	(172,240)	(8,042)	0	(180,282)
Improvements Other than Buildings	(718,778)	(54,274)	0	(773,052)
Streets and Storm Sewers	(5,877,119)	(343,119)	0	(6,220,238)
Furniture and Equipment	(417,977)	(40,865)	3,793	(455,049)
Vehicles	(1,366,772)	(90,684)	71,287	(1,386,169)
Total Accumulated Depreciation	<u>(8,753,762)</u>	<u>(545,265)</u>	<u>75,080</u>	<u>(9,223,947)</u>
Total Depreciable Capital Assets, Net	<u>5,398,703</u>	<u>(3,523)</u>	<u>(2,053)</u>	<u>5,393,127</u>
Governmental Activities Capital Assets, Net	<u>\$14,099,572</u>	<u>\$823,551</u>	<u>(\$189,300)</u>	<u>\$14,733,823</u>

During 2006, the City accepted contributions of capital assets from outside sources, in the amount of \$61,235. The City also received capital assets from the Electric, Water, and Sewer enterprise funds, in the amount of \$69,298, \$17,325, and \$17,325, respectively.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

11. CAPITAL ASSETS (Continued)

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>
Business-Type Activities				
Non-depreciable Capital Assets				
Land	\$ 157,815			\$ 157,815
Construction in Progress		\$431,319	(\$249,182)	182,137
Total Non-depreciable Capital Assets	<u>157,815</u>	<u>431,319</u>	<u>(249,182)</u>	<u>339,952</u>
Depreciable Capital Assets				
Land Improvements	8,762			8,762
Buildings	20,234,859			20,234,859
Electric, Water, and Sewer Lines	24,883,696	1,519,919	(533,731)	25,869,884
Furniture and Equipment	606,802	8,674	(7,815)	607,661
Vehicles	1,341,407	328,396	(11,633)	1,658,170
Total Depreciable Capital Assets	<u>47,075,526</u>	<u>1,856,989</u>	<u>(553,179)</u>	<u>48,379,336</u>
Less Accumulated Depreciation for				
Land Improvements	(6,644)	(93)		(6,737)
Buildings	(13,547,839)	(343,210)		(13,891,049)
Electric, Water, and Sewer Lines	(9,762,206)	(819,772)	366,097	(10,215,881)
Furniture and Equipment	(360,600)	(42,225)	6,646	(396,179)
Vehicles	(937,146)	(117,208)	11,633	(1,042,721)
Total Accumulated Depreciation	<u>(24,614,435)</u>	<u>(1,322,508)</u>	<u>384,376</u>	<u>(25,552,567)</u>
Total Depreciable Capital Assets, Net	<u>22,461,091</u>	<u>534,481</u>	<u>(168,803)</u>	<u>22,826,769</u>
Business-Type Activities Capital Assets, Net	<u>\$22,618,906</u>	<u>\$965,800</u>	<u>(\$417,985)</u>	<u>\$23,166,721</u>

Business-type activities received capital assets from governmental activities, in the amount of \$249,182.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$ 58,948
Leisure Time Activities	73,731
Community Environment	2,592
Transportation	399,735
General Government	10,259
Total Depreciation Expense - Governmental Activities	<u>\$545,265</u>

12. INTERFUND RECEIVABLES/PAYABLES

At December 31, 2006, the General Fund had an interfund receivable, in the amount of \$77,876; \$32,802 from providing cash flow resources to other governmental funds and \$45,074 from the Electric enterprise fund for the City's portion of the kilowatt hour tax.

The Electric enterprise fund had an interfund receivable, in the amount of \$275,666. Of this amount, \$13,270 was for services provided by the Electric enterprise fund, in the amount of \$189 to other governmental funds, in the amount of \$5,559 to the Water enterprise fund, and in the amount of \$7,522 to the Sewer enterprise fund. During 2006, the Electric enterprise fund also provided loans to the General Fund, other governmental funds, and the Sewer enterprise fund, in the amount of \$100,333, \$61,730, and \$100,333, respectively. Of the \$262,396 in loans, \$54,396 is expected to be repaid within one year.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

13. RISK MANAGEMENT

A. Property and Liability

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. During 2006, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	\$35,103,075	\$1,000
Equipment	1,146,553	1,000
Electronic Data Processing	222,075	1,000
General Liability - Aggregate	5,000,000	0
Public Official Liability - Aggregate	5,000,000	5,000
Law Enforcement Liability - Aggregate	5,000,000	5,000
Employee Benefits Liability - Aggregate	3,000,000	0
Automobile Liability	3,000,000	0

There has been no significant reduction in insurance coverage from 2005, and no insurance settlement has exceeded insurance coverage during the last three years.

B. Employee Medical Benefits

In 1985, the City established a Self-Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for employee medical, vision, and dental benefits. Under this program, the Self-Insurance fund provides coverage for up to a maximum of \$55,000 per year for each individual, with a \$1,409,381 aggregate coverage over the employee's life. The City purchased commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have exceeded this fund's coverage; however, these claims have not exceeded the stop loss coverage. Excess costs have been reimbursed by the stop loss insurance coverage.

All funds of the City participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The liability for unpaid claims costs reported in the fund at December 31, 2006, is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability was based on a review of all claims paid after the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claim liability in 2005 and 2006 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Stop-Loss Reimbursement</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2005	\$82,979	\$ 896,841	\$16,633	(\$953,084)	\$43,369
2006	43,369	1,025,736	90,278	(1,041,743)	117,640

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

13. RISK MANAGEMENT (Continued)

C. Workers' Compensation

For 2006, the City participated in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity redistribution" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to participants that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Program.

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2006:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/06</u>	<u>Outstanding Balance</u>
Tumbusch Construction, Inc.	\$1,238,932	\$786,622	\$452,310
Floyd Browne Associations, Inc.	307,655		307,655

15. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

For the year ended December 31, 2006, members of all three plans were required to contribute 9 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 was \$286,157, \$279,877, and \$275,179, respectively; 87 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. The unpaid contribution for 2006, in the amount of \$36,369, is recorded as a liability. No contributions were made to the member-directed plan for 2006.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contribution to the OPF for the years ended December 31, 2006, 2005, and 2004 was \$219,903, \$213,840, and \$208,354, respectively; 77 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. The unpaid contribution for 2006, in the amount of \$51,136, is recorded as a liability.

16. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 employer contribution rate was 13.7 percent of covered payroll; 4.5 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase .5 to 6 percent annually for the next nine years and 4 percent annually after nine years.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

16. POST-EMPLOYMENT BENEFITS (Continued)

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

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund post-employment benefits was \$249,787. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2005 (the latest information available), was \$11.1 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

In September 2004, the OPERS Retirement Board adopted a 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 increasing health care costs. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OPF) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by OPF is considered an Other Post-employment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll and for firefighters is 24 percent of covered payroll; 7.75 percent was applied to the post-employment health care program during 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund post-employment benefits were \$70,195 for police and \$98,572 for firefighters. The OPF's total health care expense for the year ended December 31, 2005 (the latest information available), was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OPF participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

17. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Upon retirement, employees are entitled to the value of their accumulated unused sick leave at varying percentages to a maximum of eighty to one hundred twenty days based on City policy and union contracts.

B. Health Care Benefits

Medical, vision, and dental insurance are provided to most employees through the City's self insurance program. The employees share the cost of the monthly premium with the City. The premium varies with employee depending on the terms of the union agreements or City policy.

The City provides life and accidental death and dismemberment insurance through Commercial Union Life Insurance Company.

18. NOTES PAYABLE

The City's note activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Governmental Activities					
Fire Truck					
November 15, 2006	3.75%	\$180,000		\$180,000	
November 14, 2007	4.25		\$100,000		\$100,000
Total Fire Truck		<u>180,000</u>	<u>100,000</u>	<u>180,000</u>	<u>100,000</u>
Industrial Park					
November 15, 2006	3.75	130,000		130,000	
November 14 2007	4.25		90,000		90,000
Total Industrial Park		<u>130,000</u>	<u>90,000</u>	<u>130,000</u>	<u>90,000</u>
Park Land Acquisition					
November 15, 2006	3.75	150,000		150,000	
November 16, 2007	4.25		100,000		100,000
Total Park Land Acquisition		<u>150,000</u>	<u>100,000</u>	<u>150,000</u>	<u>100,000</u>
Total Governmental Activities		<u><u>460,000</u></u>	<u><u>\$290,000</u></u>	<u><u>460,000</u></u>	<u><u>290,000</u></u>
Business-Type Activities					
Water Tower					
November 15, 2006	3.75	400,000		400,000	
November 14, 2007	4.25		400,000		400,000
Enterprise Livingston Water Line					
November 15, 2006	4.75		250,000	250,000	
November 14, 2007	4.25		235,000		235,000
Total Business-Type Activities		<u><u>\$400,000</u></u>	<u><u>\$885,000</u></u>	<u><u>\$650,000</u></u>	<u><u>\$635,000</u></u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

18. NOTES PAYABLE (Continued)

The City purchased a fire truck and originally issued notes in 2001. The General Fund provides resources for the repayment of the note.

The City purchased additional land for the Industrial Park in 2001. The General Fund provides resources for the repayment of the note.

The City purchased additional land for recreational purposes in 1998. A combination of City resources and donations are retiring the note.

The City constructed a new water tower. The Water enterprise fund will provide resources for the repayment of the note.

The City constructed a new water line at the intersection of Enterprise Street and Livingston Street. The Water enterprise fund will provide resources for the repayment of the note.

All of the City's bond anticipation notes are backed by the full faith and credit of the City of Celina and have a maturity of one year.

19. LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Governmental Activities						
General Obligation Bonds						
1985 Knowlton Ditch	6 - 7.75%	\$80,000		\$80,000		
Rural Development Bonds						
2000 Rural Development Bonds	4.75	529,905		11,491	\$518,414	\$12,037
2000 Rural Development Bonds	4.75	3,258		3,258		
Total Rural Development Bonds		533,163		14,749	518,414	12,037
Other Long-Term Obligations						
Compensated Absences Payable		228,974	\$82,516	26,395	285,095	25,481
Total Governmental Activities		842,137	82,516	121,144	803,509	37,518

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2006</u>	<u>Due Within One Year</u>
Business-Type Activities						
General Obligation Bonds						
Electric Improvement	2 - 4.25%	\$2,800,000		\$370,000	\$2,430,000	\$380,000
Bond Premium		38,536		5,092	33,444	
2005 Waterworks	3 - 5	1,040,000		110,000	930,000	105,000
Bond Premium		28,140		2,976	25,164	
Accounting Loss		(97,438)		(10,306)	(87,132)	
2005 Wastewater	3 - 5	1,430,000		90,000	1,340,000	95,000
Bond Premium		60,752		3,824	56,928	
Accounting Loss		(107,588)		(6,771)	(100,817)	
Total General Obligation Bonds		<u>5,192,402</u>		<u>564,815</u>	<u>4,627,587</u>	<u>580,000</u>
Mortgage Revenue Bonds						
1999 Wastewater Refunding	3.25-4.95	3,495,000		250,000	3,245,000	260,000
Bond Discount		(3,945)		(282)	(3,663)	
Accounting Loss		(324,845)		(23,237)	(301,608)	
Total Mortgage Revenue Bonds		<u>3,166,210</u>		<u>226,481</u>	<u>2,939,729</u>	<u>260,000</u>
Other Long-Term Obligations						
OPWC Loans Payable	0	459,081		12,081	447,000	36,243
OWDA Loans Payable	4.99		\$100,684		100,684	
Compensated Absences Payable		115,346	30,164	21,005	124,505	28,834
Total Business-Type Activities		<u>\$8,933,039</u>	<u>\$130,848</u>	<u>\$824,382</u>	<u>\$8,239,505</u>	<u>\$905,077</u>

A. General Obligation Bonds

All general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

The Knowlton Ditch general obligation bonds were issued for \$285,000 in 1985 and are paid from revenues generated by an agreement between the City and Shir-Will Acres, Inc. These bonds were paid in full in 2006.

In 2004, the City issued \$3,160,000 in general obligation bonds in the Electric enterprise fund. The bonds provided funds to construct and improve substations and electric lines within the City's electric system. The bonds will be paid from the Electric enterprise fund.

On April 1, 2005, the City issued general obligation refunding bonds in the Water enterprise fund, in the amount of \$1,145,000, to refund \$1,340,000 of 1994 Waterworks Mortgage Revenue bonds. The bonds will be paid from the Water enterprise fund. The refunded bonds were fully retired.

On April 1, 2005, the City issued general obligation refunding bonds in the Sewer enterprise fund, in the amount of \$1,530,000, to refund \$1,755,000 of 1993 Wastewater Mortgage Revenue bonds. The bonds will be paid from the Sewer enterprise fund. The refunded bonds were fully retired.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

B. Rural Development Bonds

The City issued rural development bonds in 2000, in the amount of \$580,000 and \$51,000, to provide funds for the acquisition of property for the development of an industrial park. These general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The rural development bonds, in the original amount of \$51,000, were fully retired in 2006. The rural development bonds, in the original amount of \$580,000, will be paid from transfers from the General Fund.

C. Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds are the General Fund, the Street and the Parks and Recreation special revenue funds, and the Electric, Water, and Sewer enterprise funds.

D. Mortgage Revenue Bonds

The City issued bonds which pledge Sewer enterprise fund income derived from the acquired and constructed assets to pay the debt. In 1999, the City issued \$4,940,000 in Wastewater Refunding bonds. The refunded bonds were fully retired in 2001.

The bond indentures have certain restrictive covenants and principally require that bond reserves be maintained and charges for services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties.

Fund assets, whose use are restricted under the bond indenture to improvement and replacement and debt service requirements are presented as restricted assets on the statement of fund net assets. These assets are further segregated between those held by the City and those held by the trustee. Restricted assets relating to the mortgage revenue bond issue were as follows as of December 31, 2006:

	Restricted Assets
	Wastewater Refunding
Restricted Assets held by the City for:	
Revenue Bond Operations and Maintenance	\$85,124
Revenue Bond Renewal and Replacement	562,000
 Restricted Assets held by Fiscal Agent for:	
Revenue Bond Debt Service	505,767

The mortgage revenue bond issue contains optional redemption provisions that may be exercised by the City. The bonds may be called either in whole or in part in integral multiples of \$5,000. The date each bond issue may be called and the redemption prices, expressed as percentages of the principal amount redeemed, are set forth below:

Redemption Dates	Wastewater Refunding
December 1, 2008, to October 31, 2009	101%
December 1, 2009, and thereafter	100

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

E. OPWC Loans Payable

On August 26, 2002, the City obtained a \$483,243 Ohio Public Works Commission interest free loan for the construction of a 1.5 million gallon water tower and installation of a twenty inch water line. The loan will be paid from the Water enterprise fund.

F. OWDA Loans Payable

On April 11, 2005, the City obtained a \$1,878,426 Ohio Water Development Authority loan for the design of the granular activated carbon process. Only \$100,684 had been drawn on the loan as of December 31, 2006. The first payment is not due until July 1, 2010. An amortization schedule is not yet available for the repayment of this loan.

The City's legal debt margin was \$18,148,403 at December 31, 2006.

The following is a summary of the City's future annual debt service requirements for governmental activities:

	Governmental Activities	
	Rural Development Bonds	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 12,037	\$ 24,625
2008	12,609	24,053
2009	13,208	23,454
2010	13,835	22,827
2011	14,492	22,169
2012-2016	83,463	99,844
2017-2021	105,261	78,047
2022-2026	132,751	50,557
2027-2030	130,758	15,887
	<u>\$518,414</u>	<u>\$361,463</u>

The City's future annual debt service requirements, including mandatory sinking fund requirements, payable from the business-type activities are as follows:

	Business-Type Activities					
	Electric Improvement General Obligation Bonds		Waterworks General Obligation Bonds		Wastewater General Obligation Bonds	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 380,000	\$ 74,630	\$ 05,000	\$ 38,185	\$ 95,000	\$ 59,583
2008	390,000	66,460	110,000	35,035	90,000	56,732
2009	400,000	57,100	110,000	29,535	95,000	52,233
2010	400,000	46,300	115,000	24,035	105,000	47,482
2011	410,000	34,300	120,000	18,285	105,000	42,233
2012-2016	450,000	16,875	370,000	29,173	580,000	149,632
2017-2018					270,000	20,500
	<u>\$2,430,000</u>	<u>\$295,665</u>	<u>\$930,000</u>	<u>\$174,248</u>	<u>\$1,340,000</u>	<u>\$428,395</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

Year	Wastewater Refunding Mortgage Revenue Bonds		OPWC Loans
	Principal	Interest	Principal
2007	\$ 260,000	\$153,268	\$ 36,243
2008	275,000	141,827	24,162
2009	285,000	129,590	24,162
2010	300,000	116,623	24,162
2011	315,000	102,672	24,162
2012-2016	1,810,000	273,418	120,811
2017-2021			120,811
2022-2024			72,487
	\$3,245,000	\$917,398	\$447,000

20. INTERFUND TRANSFERS

During 2006, the General Fund made transfers to other governmental funds, in the amount of \$865,594, to move receipts as debt payments became due and to subsidize various programs in other funds.

Other governmental funds made transfers to other governmental funds, in the amount of \$1,614, to move receipts as debt payments became due.

The Electric, Water, and Sewer enterprise funds transferred capital assets for governmental operations, in the amount of \$69,298, \$17,325, and \$17,325, respectively.

21. JOINT VENTURE

The City of Celina purchased capital stock of the Grand Lake/Mercer County Development Corporation (Corporation) in 1995. The Corporation was incorporated for purchasing land, developing land to entice new industries, and potentially constructing buildings to rent to interested industries. The Corporation is governed by a Board of Directors elected on an annual basis from the pool of current shareholders. The City does not currently sit on the Board of Directors.

The Corporation issued additional shares of capital stock in 1998 reducing the City's interest from 20 to 19 percent. The City's net investment and its share of the operating results of the Corporation are reported in the City's Electric enterprise fund. The Corporation has not accumulated significant financial resources nor is the Corporation experiencing fiscal stress that may cause an additional financial benefit to or burden on the City in the future. Complete financial statements for the Corporation can be obtained from Grand Lake/Mercer County Development Corporation, 112 West Main Street, Coldwater, Ohio 45828, or from the City Auditor's Office.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Community Improvement Corporation

The Mercer County Community Improvement Corporation (Corporation) was designated as an agency of Mercer County for industrial, commercial, distribution, and research development in Mercer County. The seventeen members of the Corporation consist of representatives from the County, the City, and villages within the county, along with additional appointments as established by the bylaws. The Corporation has not been in operation for the last few years; however, the Corporation is to receive land from the City of Celina for the benefit of a company. The Corporation adopts their own budget, authorizes expenditures, hires and fires staff, and currently relies on Mercer County to finance deficits. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

B. Mercer County Planning Commission

The City participates in the Mercer County Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Mercer County, and the municipalities and townships within the County. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services within the County. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

23. INSURANCE PURCHASING POOLS

A. Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program

The City is a participant in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

23. INSURANCE PURCHASING POOLS (Continued)

B. Ohio Government Risk Management Plan

The City participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from the Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

24. CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2006, to December 31, 2006, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

25. SUBSEQUENT EVENTS

On February 15, 2007, the City issued Celina Walkway Grand Lake TIF revenue anticipation notes, in the amount of \$1,300,000, to construct a walkway within the Grand Lake tax incremental financing district. The notes have an interest rate of 4.25 percent and mature on February 14, 2008.

On May 30, 2007, the City issued various purpose bond anticipation notes, in the amount of \$1,100,000, to install sidewalks, curbing, pavement, and traffic signals on Wayne Street, widen State Route 29 West and install storm sewers and drainage ditches, and reconstruct and pave Grand Lake Road. The notes have an interest rate of 4.625 percent and mature on November 14, 2007.

On August 13, 2007, the City obtained a loan from the Ohio Water Development Authority, in the amount of \$6,656,333, to construct and equip a granular activated carbon water treatment system. The loan has an interest rate of 3.25 percent and matures on July 1, 2028.

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Project Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION				
FEDERAL HIGHWAY ADMINISTRATION				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	MER-TR142A-00.00 N059(06)	20.205	\$165,317 465,665	\$165,317 465,665
Total Highway Planning and Construction			630,982	630,982
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed Through Ohio Department of Development</i>				
Small Cities Community Development Block Grant	A-F-05-103-1	14.228	53,000	53,000
U.S. DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Edward Byrne Memorial Justice Assistance Grant	2005-JG-LE-5116	16.738	20,000	20,000
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>Passed Through Ohio State Fire Marshal</i>				
Assistance to Firefighters Grant	EMW-2004-FP-01899 EMW-2005-FG-06144	97.044	917 25,641	917 25,641
Total Assistance to Firefighters Grant			26,558	26,558
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$730,540	\$730,540

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on a true cash basis of accounting.

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property and equipment. At December 31, 2006, the gross amount of loans outstanding under this program was \$81,868. There were no delinquent amounts due at December 31, 2006.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Celina
Mercer County
PO Box 297
202 North Main Street
Celina, Ohio 45822

To the Members of Council:

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 Celina, Mercer County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the City's management in a separate letter dated October 25, 2007.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated October 25, 2007

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

October 25, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Celina
Mercer County
PO Box 297
202 North Main Street
Celina, Ohio 45822

To the Members of Council:

Compliance

We have audited the compliance of City of Celina, Mercer County, (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 apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 of Celina complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 25, 2007

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning & Construction CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

CITY OF CELINA

MERCER 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
NOVEMBER 29, 2007**