



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, 2007, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celina, Mercer County, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the 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 November 4, 2008, 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.

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 schedule of federal awards expenditures is required by the 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 schedule of federal awards expenditures 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 4, 2008

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

**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, Grand Lake Road Improvement, 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 2007. 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.

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.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

Fund financial statements provide detailed information about the City's major funds, the General, Grand Lake Road Improvement, 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the City's net assets for 2007 and 2006.

Table 1  
Net Assets

	Governmental		Business-Type		2007	2006
	2007	2006	2007	2006		
<u>Assets</u>						
Current and Other Assets	\$7,381,204	\$4,926,292	\$11,630,470	\$10,981,868	\$19,011,674	\$15,908,160
Capital Assets, Net	17,692,196	14,733,823	26,580,942	23,166,721	44,273,138	37,900,544
Total Assets	<u>25,073,400</u>	<u>19,660,115</u>	<u>38,211,412</u>	<u>34,148,589</u>	<u>63,284,812</u>	<u>53,808,704</u>

(continued)



**CITY OF CELINA  
MERCER COUNTY**

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

**UNAUDITED  
(Continued)**

Table 1  
Net Assets  
(Continued)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<u>Liabilities</u>						
Current and Other Liabilities	\$3,775,414	\$1,857,272	\$3,177,399	\$1,871,003	\$6,952,813	\$3,728,275
Long-Term Liabilities	<u>2,102,558</u>	<u>803,509</u>	<u>9,443,501</u>	<u>8,239,505</u>	<u>11,546,059</u>	<u>9,043,014</u>
Total Liabilities	<u>5,877,972</u>	<u>2,660,781</u>	<u>12,620,900</u>	<u>10,110,508</u>	<u>18,498,872</u>	<u>12,771,289</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt						
Restricted	15,390,341	13,925,409	16,850,169	14,636,341	32,240,510	28,561,750
Unrestricted	1,872,482	1,059,320	936,097	1,152,891	2,808,579	2,212,211
Total Net Assets	<u>1,932,605</u>	<u>2,014,605</u>	<u>7,804,246</u>	<u>8,248,849</u>	<u>9,736,851</u>	<u>10,263,454</u>
	<u>\$19,195,428</u>	<u>\$16,999,334</u>	<u>\$25,590,512</u>	<u>\$24,038,081</u>	<u>\$44,785,940</u>	<u>\$41,037,415</u>

For governmental activities, current and other assets increased from two primary sources. Cash and cash equivalents increased significantly from unspent note proceeds and tax incremental financing revenues. Receivables relating to capital grants and payment in lieu of taxes also increased.

Net capital assets for governmental activities increased primarily from construction projects on Wayne Street, Grand Lake Road, Murlin Street and alleys, and the West Bank Walkway. Current and other liabilities increased from the issuance of notes for the Wayne Street and Grand Lake Road projects. Long-term liabilities increased from the issuance of notes for the West Bank Walkway project.

Invested in capital assets, net of related debt increased from the reconstruction of Murlin Street and alleys 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 and tax incremental financing revenues not spent as of year end. Unrestricted net assets for governmental activities did not change significantly.

For business-type activities, net capital assets increased from the construction of the granular carbon activated water treatment system, a sewer lift station, and electric, water, and sewer lines. Current and other liabilities increased from the contracts payable on the carbon activated water treatment system. Long-term liabilities also increased from the OWDA loans incurred for the construction of the carbon activated water treatment system.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for 2007 and 2006.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$987,080	\$1,053,135	\$16,940,462	\$16,218,185	\$17,927,542	\$17,271,320
Operating Grants, Contributions, and Interest	928,253	877,684	0	0	928,253	877,684
Capital Grants and Contributions	1,954,123	1,416,651	37,118	0	1,991,241	1,416,651
<b>Total Program Revenues</b>	<b>3,869,456</b>	<b>3,347,470</b>	<b>16,977,580</b>	<b>16,218,185</b>	<b>20,847,036</b>	<b>19,565,655</b>
General Revenues						
Property Taxes	415,557	425,752	0	0	415,557	425,752
Municipal Income Taxes	2,716,237	2,639,261	0	0	2,716,237	2,639,261
Payment in Lieu of Taxes	265,399	138,195	0	0	265,399	138,195
Other Local Taxes	572,172	549,933	0	0	572,172	549,933
Franchise Fees	103,693	95,901	0	0	103,693	95,901
Grants and Entitlements not Restricted to Specific Programs	702,420	822,893	0	0	702,420	822,893
Interest	545,890	408,551	113,879	85,533	659,769	494,084
Other	50,821	43,616	125,877	85,897	176,698	129,513
<b>Total General Revenues</b>	<b>5,372,189</b>	<b>5,124,102</b>	<b>239,756</b>	<b>171,430</b>	<b>5,611,945</b>	<b>5,295,532</b>
<b>Total Revenues</b>	<b>9,241,645</b>	<b>8,471,572</b>	<b>17,217,336</b>	<b>16,389,615</b>	<b>26,458,981</b>	<b>24,861,187</b>
<b>Expenses</b>						
Security of Persons and Property	3,034,090	2,855,849	0	0	3,034,090	2,855,849
Public Health	68,768	147,660	0	0	68,768	147,660
Leisure Time Activities	655,453	646,931	0	0	655,453	646,931
Community Environment	190,395	99,902	0	0	190,395	99,902
Basic Utility Services	262,601	327,443	0	0	262,601	327,443
Transportation	1,218,536	1,518,074	0	0	1,218,536	1,518,074
General Government	1,574,980	1,271,239	0	0	1,574,980	1,271,239
Interest and Fiscal Charges	112,247	50,582	0	0	112,247	50,582
Electric	0	0	11,938,512	11,512,446	11,938,512	11,512,446
Water	0	0	2,090,920	2,129,372	2,090,920	2,129,372
Sewer	0	0	1,563,954	1,553,259	1,563,954	1,553,259
<b>Total Expenses</b>	<b>7,117,070</b>	<b>6,917,680</b>	<b>15,593,386</b>	<b>15,195,077</b>	<b>22,710,456</b>	<b>22,112,757</b>
<b>Revenues Over Expenses</b>	<b>2,124,575</b>	<b>1,553,892</b>	<b>1,623,950</b>	<b>1,194,538</b>	<b>3,748,525</b>	<b>2,748,430</b>
Transfers	71,519	(145,234)	(71,519)	145,234	0	0
<b>Change in Net Assets</b>	<b>2,196,094</b>	<b>1,408,658</b>	<b>1,552,431</b>	<b>1,339,772</b>	<b>3,748,525</b>	<b>2,748,430</b>
Net Assets Beginning of Year	16,999,334	15,590,676	24,038,081	22,698,309	41,037,415	38,288,985
<b>Net Assets End of Year</b>	<b>\$19,195,428</b>	<b>\$16,999,334</b>	<b>\$25,590,512</b>	<b>\$24,038,081</b>	<b>\$44,785,940</b>	<b>\$41,037,415</b>

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

For governmental activities, capital grants increased significantly from additional grants received for the street and alley improvements in 2007.

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 42 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 65 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 financed with capital grants and State shared revenues.

The City's electric operations account for over 76 percent of the expenses of the City's business-type activities and are funded almost entirely from charges for services.

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	
	2007	2006	2007	2006
Security of Persons and Property	\$3,034,090	\$2,855,849	\$2,648,820	\$2,395,728
Public Health	68,768	147,660	68,768	57,768
Leisure Time Activities	655,453	646,931	431,169	412,111
Community Environment	190,395	99,902	(218,310)	34,273
Basic Utility Services	262,601	327,443	262,601	327,443
Transportation	1,218,536	1,518,074	(874,805)	(387,123)
General Government	1,574,980	1,271,239	817,124	679,428
Interest and Fiscal Charges	112,247	50,582	112,247	50,582
<b>Total Expenses</b>	<b>\$7,117,070</b>	<b>\$6,917,680</b>	<b>\$3,247,614</b>	<b>\$3,570,210</b>

The significant change between the total cost of services and net cost of services in the public health program occurred was due to additional funding in 2006 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. Program revenues exceeded community environment program costs from grants received for the demolition and cleanup of the old Mersman Furniture property. Transportation expenses received a significant amount of capital grants for the reconstruction of streets and alleys in 2007.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The City's major governmental funds are the General Fund and Grand Lake Road Improvement capital projects fund. The General Fund had just a slight decrease in fund balance in 2007.

The Grand Lake Road Improvement capital projects fund received \$849,212 in grants and had renewed \$770,000 in notes to finance a \$1.5 million project that included the reconstruction of the road, the construction of a new bike path, and the installation of new stormwater and water lines.

**BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS**

The City's enterprise funds are the Electric, Water, and Sewer funds. Operating revenues exceeded operating expenses for all three funds; however, the increase in net assets was not significant.

**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 budget 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 2007 were slightly higher than those estimated. Expenditures were \$309,025 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, 2007, was \$15,390,341 and \$16,850,169, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; construction in progress; 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 streets and a new walkway around the lake. In the business-type activities, the biggest change was related to the construction of a granular carbon activated water treatment system and a sewer lift station. Note 11 to the basic financial statements provides further information on the capital asset activity during 2007.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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Debt - At December 31, 2007, the City had \$1,160,000 in outstanding bond anticipation notes payable and \$1,300,000 in revenue anticipation notes payable from governmental activities and \$620,000 in bond anticipation notes payable from business-type activities.

The City had a number of long-term obligations outstanding as of December 31, 2007. These obligations included \$506,377 in rural development bonds, \$4,052,464 in general obligation bonds, \$2,704,189 in mortgage revenue bonds, \$422,838 in OPWC loans, and \$2,128,381 in OWDA loans. Of this amount, \$9,307,872 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 regarding the City's debt can be found in Notes 18 and 19 to the basic financial statements.

**CURRENT ISSUES**

On February 14, 2008, the City issued revenue anticipation notes, in the amount of \$1,250,000, to retire notes previously issued to construct a walkway within the Grand Lake tax incremental financing district. The notes have an interest rate of 3.75 percent and mature on February 12, 2009.

The construction of the granular carbon activated water treatment system continues. The project is being finalized with an authorized OWDA loan, in the amount of \$6,656,333.

The City finished construction on the Wayne Street improvement project in 2008. The project included widening the intersection, installing new signals and signage, adding sidewalks, and repair storm drainage structures. The Buckeye Street improvement project was postponed from ODOT rescinding the Local Let program. The City will bid the project in December 2008. The widening of State Route 29 West, along with the storm drainage project, will be constructed in 2009. This project was postponed until the City implemented the Stormwater enterprise fund and funding. The City also paved the paths in Eastview Park in 2008. The path paving project is funded by a grant through the Ohio Recreational Trails Fund Program and donations from the Bryson Trust.

City Council is currently reviewing three ordinances relating to the establishment of a Stormwater enterprise fund, establishing the rate basis and formulas to create the rates to be charged on a monthly basis, and set the rate at \$2 per month for residential properties and \$2 per month per equivalent residential unit that is based on 3,083 square feet of impervious surface. Estimated revenues based on these rates beginning January 1, 2009, is \$229,300 per year.

**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, 2007**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,187,517	\$7,459,082	\$11,646,599
Cash and Cash Equivalents with Fiscal Agent	116,710	515,626	632,336
Accounts Receivable	65,844	1,462,726	1,528,570
Due from Other Governments	1,750,922	10,567	1,761,489
Accrued Interest Receivable	81,645	17,791	99,436
Municipal Income Taxes Receivable	580,462	0	580,462
Internal Balances	(352,205)	352,205	0
Prepaid Items	17,178	27,336	44,514
Materials and Supplies Inventory	68,377	1,578,000	1,646,377
Property Taxes Receivable	394,455	0	394,455
Notes Receivable	60,697	0	60,697
Special Assessments Receivable	22,516	0	22,516
Payment in Lieu of Taxes Receivable	387,086	0	387,086
Unamortized Bond Issuance Costs	0	197,099	197,099
Investment in Joint Venture	0	10,038	10,038
Nondepreciable Capital Assets	11,937,010	3,489,931	15,426,941
Depreciable Capital Assets, Net	5,755,186	23,091,011	28,846,197
<b>Total Assets</b>	<b>25,073,400</b>	<b>38,211,412</b>	<b>63,284,812</b>
<u>Liabilities</u>			
Accrued Wages Payable	73,513	44,512	118,025
Accounts Payable	137,404	167,714	305,118
Contracts Payable	901,040	1,764,258	2,665,298
Due to Other Governments	210,070	134,442	344,512
Retainage Payable	144,412	88,964	233,376
Accrued Interest Payable	59,674	39,805	99,479
Notes Payable	1,160,000	620,000	1,780,000
Deferred Revenue	778,751	0	778,751
Claims Payable	310,550	0	310,550
Deposits Held and Due to Others	0	317,704	317,704
Long-Term Liabilities			
Due Within One Year	86,528	916,513	1,003,041
Due in More Than One Year	2,016,030	8,526,988	10,543,018
<b>Total Liabilities</b>	<b>5,877,972</b>	<b>12,620,900</b>	<b>18,498,872</b>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	15,390,341	16,850,169	32,240,510
Restricted for			
Debt Service	32,607	515,626	548,233
Capital Projects	1,067,008	0	1,067,008
Other Purposes	772,867	0	772,867
Revenue Bond Operations and Maintenance	0	117,030	117,030
Revenue Bond Renewal and Replacement	0	303,441	303,441
Unrestricted	1,932,605	7,804,246	9,736,851
<b>Total Net Assets</b>	<b>\$19,195,428</b>	<b>\$25,590,512</b>	<b>\$44,785,940</b>

See Accompanying Notes to the Basic Financial Statements

**City of Celina  
Mercer County**

**Statement of Activities  
For the Year Ended December 31, 2007**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities</u>				
Security of Persons and Property	\$3,034,090	\$350,607	\$21,449	\$13,214
Public Health	68,768	0	0	0
Leisure Time Activities	655,453	110,667	46,737	66,880
Community Environment	190,395	6	13,199	395,500
Basic Utility Services	262,601	0	0	0
Transportation	1,218,536	9,093	605,719	1,478,529
General Government	1,574,980	516,707	241,149	0
Interest and Fiscal Charges	112,247	0	0	0
Total Governmental Activities	<u>7,117,070</u>	<u>987,080</u>	<u>928,253</u>	<u>1,954,123</u>
<u>Business-Type Activities</u>				
Electric	11,938,512	12,973,543	0	0
Water	2,090,920	2,297,061	0	0
Sewer	1,563,954	1,669,858	0	37,118
Total Business-Type Activities	<u>15,593,386</u>	<u>16,940,462</u>	<u>0</u>	<u>37,118</u>
Total	<u>\$22,710,456</u>	<u>\$17,927,542</u>	<u>\$928,253</u>	<u>\$1,991,241</u>

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
(\$2,648,820)	\$0	(\$2,648,820)
(68,768)	0	(68,768)
(431,169)	0	(431,169)
218,310	0	218,310
(262,601)	0	(262,601)
874,805	0	874,805
(817,124)	0	(817,124)
(112,247)	0	(112,247)
<u>(3,247,614)</u>	<u>0</u>	<u>(3,247,614)</u>
0	1,035,031	1,035,031
0	206,141	206,141
<u>0</u>	<u>143,022</u>	<u>143,022</u>
<u>0</u>	<u>1,384,194</u>	<u>1,384,194</u>
(3,247,614)	1,384,194	(1,863,420)
319,741	0	319,741
47,908	0	47,908
47,908	0	47,908
2,716,237	0	2,716,237
265,399	0	265,399
572,172	0	572,172
103,693	0	103,693
702,420	0	702,420
545,890	113,879	659,769
50,821	125,877	176,698
<u>5,372,189</u>	<u>239,756</u>	<u>5,611,945</u>
<u>71,519</u>	<u>(71,519)</u>	<u>0</u>
<u>5,443,708</u>	<u>168,237</u>	<u>5,611,945</u>
2,196,094	1,552,431	3,748,525
<u>16,999,334</u>	<u>24,038,081</u>	<u>41,037,415</u>
<u>\$19,195,428</u>	<u>\$25,590,512</u>	<u>\$44,785,940</u>

**City of Celina  
Mercer County**

**Balance Sheet  
Governmental Funds  
December 31, 2007**

	General	Grand Lake Road Improvement	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,150,682	\$260,928	\$2,280,831	\$3,692,441
Accounts Receivable	47,237	0	408	47,645
Due from Other Governments	443,129	659,684	648,109	1,750,922
Accrued Interest Receivable	81,536	0	109	81,645
Municipal Income Taxes Receivable	580,462	0	0	580,462
Interfund Receivable	243,274	0	10,566	253,840
Prepaid Items	17,178	0	0	17,178
Materials and Supplies Inventory	17,479	0	50,898	68,377
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	5,759	0	0	5,759
Property Taxes Receivable	303,427	0	91,028	394,455
Notes Receivable	0	0	60,697	60,697
Special Assessments Receivable	0	0	22,516	22,516
Payment in Lieu of Taxes Receivable	0	0	387,086	387,086
<b>Total Assets</b>	<b>\$2,890,163</b>	<b>\$920,612</b>	<b>\$3,552,248</b>	<b>\$7,363,023</b>
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$62,535	\$0	\$10,978	\$73,513
Accounts Payable	108,400	0	29,004	137,404
Contracts Payable	4,625	688,363	208,052	901,040
Due to Other Governments	116,376	0	93,694	210,070
Retainage Payable	0	49,537	94,875	144,412
Interfund Payable	151,480	0	337,006	488,486
Accrued Interest Payable	0	3,797	3,780	7,577
Notes Payable	0	770,000	440,000	1,210,000
Deferred Revenue	997,896	17,833	895,714	1,911,443
<b>Total Liabilities</b>	<b>1,441,312</b>	<b>1,529,530</b>	<b>2,113,103</b>	<b>5,083,945</b>
<u>Fund Balance</u>				
Reserved for Encumbrances	60,313	139,562	628,860	828,735
Reserved for Unclaimed Moneys	5,759	0	0	5,759
Reserved for Notes Receivable	0	0	55,124	55,124
<u>Unreserved, Reported in</u>				
General Fund	1,382,779	0	0	1,382,779
Special Revenue Funds (Deficit)	0	0	(316,377)	(316,377)
Debt Service Fund	0	0	32,607	32,607
Capital Projects Funds (Deficit)	0	(748,480)	1,038,931	290,451
<b>Total Fund Balance (Deficit)</b>	<b>1,448,851</b>	<b>(608,918)</b>	<b>1,439,145</b>	<b>2,279,078</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$2,890,163</b>	<b>\$920,612</b>	<b>\$3,552,248</b>	<b>\$7,363,023</b>

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, 2007**

Total Governmental Fund Balance \$2,279,078

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. 17,692,196

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	34,480	
Due from Other Governments	705,150	
Accrued Interest Receivable	68,682	
Municipal Income Taxes Receivable	299,486	
Property Taxes Receivable	2,790	
Special Assessments Receivable	22,104	
	<u>1,132,692</u>	1,132,692

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (117,559)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(52,097)	
Notes Payable	(1,250,000)	
Rural Development Bonds Payable	(506,377)	
Compensated Absences Payable	(296,181)	
	<u>(2,104,655)</u>	(2,104,655)

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. 313,676

Net Assets of Governmental Activities \$19,195,428

See Accompanying Notes to the Basic Financial Statements

**City of Celina  
Mercer County**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007**

	General	Grand Lake Road Improvement	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$319,858	\$0	\$95,850	\$415,708
Municipal Income Taxes	2,708,150	0	0	2,708,150
Payment in Lieu of Taxes	0	0	265,399	265,399
Other Local Taxes	572,172	0	0	572,172
Special Assessments	0	0	13,441	13,441
Charges for Services	207,638	0	110,623	318,261
Fees, Licenses, and Permits	107,913	0	0	107,913
Fines and Forfeitures	306,495	0	82,751	389,246
Intergovernmental	938,082	849,212	1,652,502	3,439,796
Interest	546,772	19,427	73,556	639,755
Gifts and Donations	4,702	0	117,142	121,844
Other	42,156	0	4,840	46,996
<b>Total Revenues</b>	<b>5,753,938</b>	<b>868,639</b>	<b>2,416,104</b>	<b>9,038,681</b>
<u>Expenditures</u>				
Current:				
Security of Persons and Property	2,605,464	0	370,738	2,976,202
Public Health	68,768	0	0	68,768
Leisure Time Activities	280,934	0	504,895	785,829
Community Environment	51,974	0	447,339	499,313
Basic Utility Services	406,568	0	0	406,568
Transportation	197,605	1,457,690	1,781,073	3,436,368
General Government	1,324,240	0	340,362	1,664,602
Debt Service:				
Principal Retirement	0	0	12,037	12,037
Interest and Fiscal Charges	0	19,867	46,085	65,952
<b>Total Expenditures</b>	<b>4,935,553</b>	<b>1,477,557</b>	<b>3,502,529</b>	<b>9,915,639</b>
Excess of Revenues Over (Under) Expenditures	818,385	(608,918)	(1,086,425)	(876,958)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	0	0	1,250,000	1,250,000
Transfers In	0	0	920,063	920,063
Transfers Out	(895,229)	0	(24,834)	(920,063)
<b>Total Other Financing Sources (Uses)</b>	<b>(895,229)</b>	<b>0</b>	<b>2,145,229</b>	<b>1,250,000</b>
Changes in Fund Balance	(76,844)	(608,918)	1,058,804	373,042
Fund Balance Beginning of Year	1,525,695	0	380,341	1,906,036
<b>Fund Balance (Deficit) End of Year</b>	<b>\$1,448,851</b>	<b>(\$608,918)</b>	<b>\$1,439,145</b>	<b>\$2,279,078</b>

See Accompanying Notes to the Basic Financial Statements

**City of Celina  
Mercer County**

**Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2007**

Changes in Fund Balance - Total Governmental Funds		\$373,042
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	145,801	
Capital Outlay - Nondepreciable Capital Assets	3,047,347	
Capital Outlay - Depreciable Capital Assets	313,679	
Depreciation	<u>(520,451)</u>	
		2,986,376
The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities.		
		(28,003)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Property Taxes	(151)	
Municipal Income Taxes	8,087	
Fees, Licenses, and Permits	2,408	
Special Assessments	(10,985)	
Charges for Services	(468)	
Intergovernmental	186,835	
Interest	(812)	
Other	<u>3,825</u>	
		188,739
Note proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets.		
		(1,250,000)
Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.		
		12,037
Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets.		
		(46,295)
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.		
		(11,086)
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.		
		<u>(28,716)</u>
Change in Net Assets of Governmental Activities		<u><u>\$2,196,094</u></u>

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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$318,151	\$318,151	\$321,152	\$3,001
Municipal Income Taxes	2,700,000	2,700,000	2,665,861	(34,139)
Other Local Taxes	575,000	575,000	573,721	(1,279)
Charges for Services	194,000	194,000	175,646	(18,354)
Fees, Licenses, and Permits	101,700	101,700	108,028	6,328
Fines and Forfeitures	287,000	287,000	310,763	23,763
Intergovernmental	929,999	929,999	919,079	(10,920)
Interest	250,000	250,000	461,385	211,385
Gifts and Donations	0	0	4,702	4,702
Other	74,000	78,000	37,903	(40,097)
<b>Total Revenues</b>	<b>5,429,850</b>	<b>5,433,850</b>	<b>5,578,240</b>	<b>144,390</b>
<u>Expenditures</u>				
Current:				
Security of Persons and Property	2,638,969	2,662,269	2,574,737	87,532
Public Health	68,768	68,768	68,768	0
Leisure Time Activities	103,500	297,000	275,891	21,109
Community Environment	54,049	64,049	58,015	6,034
Basic Utility Services	378,649	419,649	416,942	2,707
Transportation	201,000	201,000	193,307	7,693
General Government	1,432,414	1,487,364	1,323,022	164,342
Other	101,000	48,950	29,342	19,608
<b>Total Expenditures</b>	<b>4,978,349</b>	<b>5,249,049</b>	<b>4,940,024</b>	<b>309,025</b>
Excess of Revenues Over Expenditures	451,501	184,801	638,216	453,415
<u>Other Financing Sources (Uses)</u>				
Advances In	0	0	65,748	65,748
Advances Out	0	(20,000)	(20,000)	0
Transfers Out	(1,097,902)	(1,210,902)	(895,229)	315,673
<b>Total Other Financing Sources (Uses)</b>	<b>(1,097,902)</b>	<b>(1,230,902)</b>	<b>(849,481)</b>	<b>381,421</b>
Changes in Fund Balance	(646,401)	(1,046,101)	(211,265)	834,836
Fund Balance Beginning of Year	1,314,668	1,314,668	1,314,668	0
Prior Year Encumbrances Appropriated	95,975	95,975	95,975	0
<b>Fund Balance End of Year</b>	<b>\$764,242</b>	<b>\$364,542</b>	<b>\$1,199,378</b>	<b>\$834,836</b>

See Accompanying Notes to the Basic Financial Statements

**City of Celina  
Mercer County**

**Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2007**

	Enterprise Funds			Total Enterprise Funds	Governmental Activity
	Electric	Water	Sewer		Self Insurance Internal Service
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$5,553,779	\$542,404	\$624,724	\$6,720,907	\$489,317
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0	116,710
Accounts Receivable	1,116,224	205,082	141,420	1,462,726	18,199
Due from Other Governments	7,045	1,761	1,761	10,567	0
Accrued Interest Receivable	0	0	17,791	17,791	0
Interfund Receivable	362,239	15,147	729	378,115	0
Prepaid Items	15,432	5,952	5,952	27,336	0
Materials and Supplies Inventory	1,341,974	209,192	26,834	1,578,000	0
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	317,704	0	420,471	738,175	0
Cash and Cash Equivalents with Fiscal Agent	0	0	515,626	515,626	0
Total Current Assets	<u>8,714,397</u>	<u>979,538</u>	<u>1,755,308</u>	<u>11,449,243</u>	<u>624,226</u>
<u>Non-Current Assets</u>					
Unamortized Bond Issuance Costs	50,283	19,213	127,603	197,099	0
Investment in Joint Venture	10,038	0	0	10,038	0
Nondepreciable Capital Assets	127,362	3,295,389	67,180	3,489,931	0
Depreciable Capital Assets, Net	12,885,548	5,021,120	5,184,343	23,091,011	0
Total Non-Current Assets	<u>13,073,231</u>	<u>8,335,722</u>	<u>5,379,126</u>	<u>26,788,079</u>	<u>0</u>
Total Assets	<u>21,787,628</u>	<u>9,315,260</u>	<u>7,134,434</u>	<u>38,237,322</u>	<u>624,226</u>
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	20,052	16,177	8,283	44,512	0
Accounts Payable	87,314	24,491	55,909	167,714	0
Contracts Payable	727,174	1,023,835	13,249	1,764,258	0
Compensated Absences Payable	5,761	7,102	2,407	15,270	0
Due to Other Governments	69,821	37,470	27,151	134,442	0
Retainage Payable	0	88,964	0	88,964	0
Interfund Payable	43,525	9,460	90,484	143,469	0
Accrued Interest Payable	5,462	5,977	28,366	39,805	0
Notes Payable	0	620,000	0	620,000	0
Claims Payable	0	0	0	0	310,550
General Obligation Bonds Payable	390,000	110,000	90,000	590,000	0
Mortgage Revenue Bonds Payable	0	0	275,000	275,000	0
OPWC Loans Payable	0	36,243	0	36,243	0
Total Current Liabilities	<u>1,349,109</u>	<u>1,979,719</u>	<u>590,849</u>	<u>3,919,677</u>	<u>310,550</u>
<u>Non-Current Liabilities</u>					
Deposits Held and Due to Others	317,704	0	0	317,704	0
General Obligation Bonds Payable	1,688,214	660,028	1,114,222	3,462,464	0
Mortgage Revenue Bonds Payable	0	0	2,429,189	2,429,189	0
OPWC Loans Payable	0	386,595	0	386,595	0
OWDA Loans Payable	0	2,128,381	0	2,128,381	0
Compensated Absences Payable	51,931	53,584	14,844	120,359	0
Total Non-Current Liabilities	<u>2,057,849</u>	<u>3,228,588</u>	<u>3,558,255</u>	<u>8,844,692</u>	<u>0</u>
Total Liabilities	<u>3,406,958</u>	<u>5,208,307</u>	<u>4,149,104</u>	<u>12,764,369</u>	<u>310,550</u>

(continued)

**City of Celina  
Mercer County**

**Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2007  
(continued)**

	Electric	Water	Sewer	Total Enterprise Funds	Governmental Activity Self Insurance Internal Service
<u>Net Assets</u>					
Invested in Capital Assets, Net of Related Debt	\$10,984,979	\$4,394,475	\$1,470,715	\$16,850,169	\$0
Restricted for					
Future Debt Service	0	0	515,626	515,626	0
Revenue Bond Operations and Maintenance	0	0	117,030	117,030	0
Revenue Bond Renewal and Replacement	0	0	303,441	303,441	0
Unrestricted (Deficit)	7,395,691	(287,522)	578,518	7,686,687	313,676
Total Net Assets	<u>\$18,380,670</u>	<u>\$4,106,953</u>	<u>\$2,985,330</u>	25,472,953	<u>\$313,676</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>117,559</u>	
Net assets of business-type activities				<u>\$25,590,512</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, 2007**

	Electric	Water	Sewer	Total Enterprise Funds	Governmental Activity Self Insurance Internal Service
<u>Operating Revenues</u>					
Charges for Services	\$12,636,845	\$2,297,061	\$0	\$14,933,906	\$1,297,364
Charges for Services Pledged as Security on Mortgage Revenue Bonds	0	0	1,669,858	1,669,858	0
Other	86,509	30,544	8,695	125,748	5
<b>Total Operating Revenues</b>	<b>12,723,354</b>	<b>2,327,605</b>	<b>1,678,553</b>	<b>16,729,512</b>	<b>1,297,369</b>
<u>Operating Expenses</u>					
Personal Services	1,120,343	928,674	489,609	2,538,626	0
Contractual Services	0	0	0	0	171,829
Materials and Supplies	9,796,027	862,419	532,037	11,190,483	0
Claims	0	0	0	0	1,171,471
Bad Debt	22,521	0	0	22,521	0
Depreciation	818,643	218,292	284,492	1,321,427	0
<b>Total Operating Expenses</b>	<b>11,757,534</b>	<b>2,009,385</b>	<b>1,306,138</b>	<b>15,073,057</b>	<b>1,343,300</b>
<b>Operating Income (Loss)</b>	<b>965,820</b>	<b>318,220</b>	<b>372,415</b>	<b>1,656,455</b>	<b>(45,931)</b>
<u>Non-Operating Revenues (Expenses)</u>					
Excise Taxes	336,698	0	0	336,698	0
Loss on Disposal of Capital Assets	(94,784)	(891)	(1,436)	(97,111)	0
Change in Joint Venture	129	0	0	129	0
Interest Revenue	0	961	112,918	113,879	0
Interest Expense	(78,048)	(74,989)	(252,966)	(406,003)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<b>163,995</b>	<b>(74,919)</b>	<b>(141,484)</b>	<b>(52,408)</b>	<b>0</b>
<b>Income (Loss) before Contributions and Transfers</b>	<b>1,129,815</b>	<b>243,301</b>	<b>230,931</b>	<b>1,604,047</b>	<b>(45,931)</b>
Capital Contributions	22,304	37,753	37,118	97,175	0
Transfers In	0	4,700	8,721	13,421	0
Transfers Out	(9,135)	(128,832)	(7,030)	(144,997)	0
<b>Changes in Net Assets</b>	<b>1,142,984</b>	<b>156,922</b>	<b>269,740</b>	<b>1,569,646</b>	<b>(45,931)</b>
<b>Net Assets Beginning of Year</b>	<b>17,237,686</b>	<b>3,950,031</b>	<b>2,715,590</b>		<b>359,607</b>
<b>Net Assets End of Year</b>	<b>\$18,380,670</b>	<b>\$4,106,953</b>	<b>\$2,985,330</b>		<b>\$313,676</b>

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.  
the internal service fund.

(17,215)

Change in net assets of business-type activities

\$1,552,431

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, 2007**

	Electric	Water	Sewer	Total Enterprise Funds	Governmental Activity Self Insurance Internal Service
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$12,286,525	\$2,314,548	\$1,726,400	\$16,327,473	\$109,771
Cash Received from Transactions with Other Funds	178,780	0	0	178,780	1,187,593
Cash Payments for Personal Services	(881,933)	(740,083)	(402,175)	(2,024,191)	0
Cash Payments for Contractual Services	0	0	0	0	(171,829)
Cash Payments for Materials and Supplies	(9,753,117)	(827,005)	(441,547)	(11,021,669)	0
Cash Payments for Claims	0	0	0	0	(1,015,095)
Cash Payments for Transactions with Other Funds	(220,548)	(238,074)	(178,725)	(637,347)	0
Cash Received from Other Revenues	82,472	14,054	7,087	103,613	49,020
Cash Received from Deposits	122,500	0	0	122,500	0
Cash Payments for Deposits Refunded	(91,982)	0	0	(91,982)	0
Net Cash Provided by Operating Activities	<u>1,722,697</u>	<u>523,440</u>	<u>711,040</u>	<u>2,957,177</u>	<u>159,460</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Cash Received from Excise Taxes	336,698	0	0	336,698	0
Interest Paid on Advance Out	0	0	(4,000)	(4,000)	0
Advances In	52,000	0	0	52,000	0
Advances Out	(131,495)	0	(20,000)	(151,495)	0
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>257,203</u>	<u>0</u>	<u>(24,000)</u>	<u>233,203</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	0	(635,000)	0	(635,000)	0
Principal Paid on General Obligation Bonds	(380,000)	(105,000)	(95,000)	(580,000)	0
Principal Paid on Mortgage Revenue Bonds	0	0	(260,000)	(260,000)	0
Principal Paid on OPWC Loans	0	(24,162)	0	(24,162)	0
Interest Paid on Bond Anticipation Notes	0	(26,912)	0	(26,912)	0
Interest Paid on General Obligation Bonds	(74,630)	(38,185)	(59,582)	(172,397)	0
Interest Paid on Mortgage Revenue Bonds	0	0	(153,268)	(153,268)	0
Proceeds of Bond Anticipation Notes	0	620,000	0	620,000	0
Proceeds of OWDA Loans	0	2,104,007	0	2,104,007	0
Issuance Costs Paid on Bond Anticipation Notes	0	(1,056)	0	(1,056)	0
Personal Services for Capital Assets	(148,752)	(18,934)	(911)	(168,597)	0
Acquisition of Capital Assets	(942,533)	(2,257,367)	(339,579)	(3,539,479)	0
Net Cash Used for Capital and Related Financing Activities	<u>(1,545,915)</u>	<u>(382,609)</u>	<u>(908,340)</u>	<u>(2,836,864)</u>	<u>0</u>
<u>Cash Flows from Investing Activities</u>					
Interest	0	961	109,955	110,916	0
Net Cash Provided by (Used for )Investing Activities	<u>0</u>	<u>961</u>	<u>109,955</u>	<u>110,916</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	433,985	141,792	(111,345)	464,432	159,460
Cash and Cash Equivalents Beginning 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>
Cash and Cash Equivalents End of Year	<u>\$5,871,483</u>	<u>\$542,404</u>	<u>\$1,560,821</u>	<u>\$7,974,708</u>	<u>\$606,027</u>

(continued)

**City of Celina  
Mercer County**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2007  
(continued)**

	Electric	Water	Sewer	Total Enterprise Funds	Governmental Activity Self Insurance Internal Service
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Operating Income (Loss)	\$965,820	\$318,220	\$372,415	\$1,656,455	(\$45,931)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Depreciation	818,643	218,292	284,492	1,321,427	0
Allowance for Uncollectible Amounts	22,521			22,521	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(163,810)	16,929	56,448	(90,433)	12,481
Increase in Due from Other Governments	(3,140)	(785)	(785)	(4,710)	0
Increase in Interfund Receivable	(7,078)	(15,147)	(729)	(22,954)	0
Decrease in Prepaid Items	1,661	660	833	3,154	0
(Increase) Decrease in Materials and Supplies Inventory	(103,311)	18,007	(24,884)	(110,188)	0
Increase in Accrued Wages Payable	2,678	3,208	1,186	7,072	0
Increase in Accounts Payable	56,099	11,538	12,124	79,761	0
Increase (Decrease) in Contracts Payable	88,088	(72,851)	(2,295)	12,942	0
Increase in Due to Other Governments	14,063	13,686	7,692	35,441	0
Increase in Retainage Payable	0	0	0	0	0
Increase (Decrease) in Interfund Payable	(1,549)	3,901	2,695	5,047	0
Increase in Claims Payable	0	0	0	0	192,910
Increase in Deposits Held and Due to Others	30,518	0	0	30,518	0
Increase in Compensated Absences Payable	1,494	7,782	1,848	11,124	0
Net Cash Provided by Operating Activities	<u>\$1,722,697</u>	<u>\$523,440</u>	<u>\$711,040</u>	<u>\$2,957,177</u>	<u>\$159,460</u>

Noncash Financing Activities

In 2005, the Electric enterprise fund received new capital assets with a fair value of \$51,583 from governmental activities. The Water and Sewer enterprise funds received capital contributions from developers, in the amount of \$398,059 and \$217,110, respectively. The Sewer enterprise fund had a receivable at December 31, 2005, for tap fees to be collected, in the amount of \$7,521.

Cash Flows from Non-Cash Capital Financing Activities

Governmental funds contributed capital assets to the Electric and Water enterprise funds, in the amount of \$22,304 and \$37,753, respectively. The Electric enterprise fund contributed capital assets to the Water enterprise fund and governmental activities, in the amount of \$4,700 and \$4,435, respectively. The Water enterprise fund contributed capital assets to the Sewer enterprise fund and to governmental activities, in the amount of \$8,721 and \$120,111, respectively. The Sewer enterprise fund contributed capital assets to governmental activities, in the amount of \$7,030. Developers contributed capital assets, in the amount of \$37,118, to the Sewer enterprise fund.

See Accompanying Notes to the Basic Financial Statements

**City of Celina  
Mercer County**

**Statement of Assets and Liabilities  
Agency Funds  
December 31, 2007**

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,128
Cash and Cash Equivalents in Segregated Accounts	<u>32,322</u>
Total Assets	<u><u>\$36,450</u></u>
 <u>Liabilities</u>	
Due to Other Governments	\$685
Payroll Withholdings	263
Deposits Held and Due to Others	<u>35,502</u>
Total Liabilities	<u><u>\$36,450</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, 2007**

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**NOTE 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 2007.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, the Grand Lake/Mercer County Research 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, 2007  
(Continued)**

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**NOTE 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.

**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, 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.

**Fund Financial Statements**

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. 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, 2007  
(Continued)**

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**NOTE 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.

**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 are the City's major governmental funds:

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.

Grand Lake Road Improvement Fund - The Grand Lake Road Improvement Fund accounts for funding through the Ohio Public Works Issue II and the ODOT Small Cities Paving programs, along with note proceeds, for the reconstruction of Grand Lake Road.

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

**Proprietary Funds**

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

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.

**CITY OF CELINA  
MERCER COUNTY**

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

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

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.

**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 2007. 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**

**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.

**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.



**CITY OF CELINA  
MERCER COUNTY**

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

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

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.

Revenues - Exchange and Nonexchange 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.

Nonexchange 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 nonexchange 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 fees), grants, and interest.

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, 2007, but were levied to finance 2008 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.

**CITY OF CELINA  
MERCER COUNTY**

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

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

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.

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, department, and object level for some funds and at the fund level for other funds. Budgetary allocations at the department and object level within these 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".

**CITY OF CELINA  
MERCER COUNTY**

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

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

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".

During 2007, the City invested in nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. 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, 2007.

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 2007 was \$546,772, which includes \$449,026 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, 2007, 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 expended/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.

**CITY OF CELINA  
MERCER COUNTY**

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

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

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.

**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 and are generally paid from debt proceeds. 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:

**CITY OF CELINA  
MERCER COUNTY**

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

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

	<u>Governmental</u>	<u>Business-Type</u>
Land Improvements	20-40 years	30 years
Buildings	5-30 years	30 years
Improvements Other than Buildings	10-23 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

**M. Interfund Receivables/Payables**

On the 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 governmental-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 policy and length of service.

**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.

**CITY OF CELINA  
MERCER COUNTY**

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

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

**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.

**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, 2007.

**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 nonoperating.

**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.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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. Payments for interfund services provided and used are not eliminated.

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

During 2007, the Electric, Water, and Sewer enterprise funds donated capital assets for governmental operations, in the amount of \$4,435, \$120,111, and \$7,030, respectively. Governmental activities donated capital assets to the Electric and Water enterprise funds, in the amount of \$22,304 and \$37,753, 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for the Ohio Public Employees Retirement System and the Ohio Police and Fire Pension Fund postemployment healthcare plans, in the amount of \$16,222, \$13,016, and \$13,108, respectively, which are the same as the previously reported liabilities.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At December 31, 2007, the Police Pension, Fire Pension, and Mersman Demolition special revenue funds and the CDBG and OPWC Ward 2 and 4 Alley Improvement capital projects funds had deficit fund balances, in the amount of \$39,501, \$48,478, \$189,014, \$27,307, and \$5,102, 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, 2007, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$21,159, 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, 2007, the State Route 29 West Improvement, Wayne Street Improvement, Grand Lake Road Improvement, and Capital Improvements capital projects funds had deficit fund balances, in the amount of \$706, \$353, \$608,918, and \$60,098, 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, 2007, the Mersman Demolition special revenue fund and the CDBG, Sidewalk/Curb, and the OPWC Ward 2 and 4 Alley Improvement capital projects funds had deficit cash balances, in the amount of \$16,336, \$15,552, \$21,571, and \$144,251, respectively.

For the year ended December 31, 2007, the Sidewalk/Curb and OPWC Ward 2 and 4 Alley Improvement capital projects funds had final appropriations in excess of estimated resources and available balances, in the amount of \$2,125 and \$156,321, respectively.



**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

For the year ended December 31, 2007, 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			
Other Expenses	\$144,947	\$146,561	\$1,614
Basic Utility Services			
Other			
Capital Outlay	82,000	145,037	63,037
General Government			
Council			
Other Expenses	11,500	12,302	802
Other			
Other Expenses	5,000	5,459	459
Street Fund			
Transportation			
Capital Outlay	168,402	177,087	8,685
Parks and Recreation Fund			
Leisure Time Activities			
Parks			
Other Expenses	132,539	134,055	1,516
Capital Outlay	15,700	37,165	21,465
General Obligation Bond Retirement	339,462	339,551	89
CDBG	400,000	408,539	8,539
SR 29 West Road Improvement	220,000	227,004	7,004
Wayne Street Improvement	110,000	113,502	3,502
Touville Street Improvement	437,045	461,214	24,169
Grand Lake Road Improvement	1,445,000	2,386,024	941,024
Electric Fund			
Customer Accounts			
Supplies	398,885	401,423	2,538
Administration			
Utility Refunds	90,000	91,982	1,982
Water Fund			
Plant			
Capital Outlay	7,131,215	7,671,331	540,116
Debt Service			
Interest Expense	66,184	67,877	1,693

The City will monitor the activity of their funds to ensure that appropriations are within estimated resources and that expenditures are within appropriations.

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 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).
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:

Change in Fund Balance	
GAAP Basis	(\$76,844)
Increases (Decreases) Due To	
Revenue Accruals:	
Accrued 2006, Received in Cash 2007	394,120
Accrued 2007, Not Yet Received in Cash	(497,654)
Expenditure Accruals:	
Accrued 2006, Paid in Cash 2007	(235,635)
Accrued 2007, Not Yet Paid in Cash	291,863
Cash Adjustments:	
Unrecorded Activity 2006	6,705
Unrecorded Activity 2007	(79,532)
Prepaid Items	1,956
Materials and Supplies Inventory	13,249
Advances In	65,748
Advances Out	(20,000)
Encumbrances Outstanding at Year End (Budget Basis)	(75,241)
Budget Basis	(\$211,265)

**CITY OF CELINA  
MERCER COUNTY**

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

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such moneys 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 moneys. Interim moneys are those moneys 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.

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, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim moneys 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;
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);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time.

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$817,024 of the City's bank balance of \$1,891,896 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public moneys deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments**

As of December 31, 2007, 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 Home Loan Mortgage Corporation Notes	\$3,721,100	\$1,999,420	\$0	\$672,534	\$1,049,146
Federal Agricultural Mortgage Corporation Notes	152,197	0	0	152,197	0
Federal National Mortgage Association Notes	1,390,994	0	300,063	589,404	501,527
Federal Home Loan Bank Bonds	918,743	64,939	429,264	150,000	274,540
Federal Home Loan Bank Notes	382,141	85,016	0	165,825	131,300
Mutual Funds	686,704	686,704	0	0	0
STAR Ohio	3,463,734	3,463,734	0	0	0
<b>Total</b>	<u>\$10,715,613</u>	<u>\$6,299,813</u>	<u>\$729,327</u>	<u>\$1,729,960</u>	<u>\$1,956,513</u>

**CITY OF CELINA  
MERCER COUNTY**

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

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 Home Loan Mortgage Corporation Notes, Federal Agricultural Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, and 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 mutual funds consist exclusively of obligations described in division 1 or 2 on page 39 and must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Ohio law requires 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.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Mortgage Corporation	\$3,721,100	34.73%
Federal Agricultural Mortgage Corporation	152,197	1.42%
Federal National Mortgage Association	1,390,994	12.98%
Federal Home Loan Bank	978,743	12.14%

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2007, 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 property taxes, notes, special assessments, and the allowance for uncollectibles related to utility services. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments, in the amount of \$16,459, will not be received within one year. Delinquent special assessments were \$1,048 at December 31, 2007.

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 \$21,171, was repaid during 2007. Notes outstanding at December 31, 2007, were \$60,697. Notes receivable, in the amount of \$55,124, will not be received within one year.

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 7 – RECEIVABLES (Continued)**

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

	Electric	Water	Sewer	Total Enterprise Funds
Accounts Receivable	\$1,387,156	\$253,835	\$175,135	\$1,816,126
Less Allowance for Uncollectibles	(270,932)	(48,753)	(33,715)	(353,400)
Net Accounts Receivable	\$1,116,224	\$205,082	\$141,420	\$1,462,726

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Fund	
General Fund	
Property Tax Allocations	\$26,265
Local Government	232,020
Estate Tax	109,111
Lodging Tax	1,299
Liquor Licenses	440
Fire Protection	30,225
Mental Health Transport	101
Court Costs	41,953
Fines and Forfeitures	210
Other	1,505
Total General Fund	443,129
Grand Lake Road Improvement	
Ohio Department of Transportation	659,684
Total Major Funds	1,102,813
Nonmajor Funds	
Street	
Gasoline Tax	192,647
Motor Vehicle License Tax	66,959
Total Street	259,606
State Highway	
Gasoline Tax	15,620
Motor Vehicle License Tax	5,429
Total State Highway	21,049

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 7 – RECEIVABLES (Continued)**

	Amount
Governmental Activities	
Parks and Recreation	
Reimbursement	78
Police Pension	
Property Tax Allocations	3,940
Fire Pension	
Property Tax Allocations	3,940
Permissive MVL	
Permissive MVL	1,968
Police Training	
Department of Criminal Justice	2,400
Southwest City Distress	
Community Development Block Grant	46,000
Mersman Demolition	
Ohio Department of Development	152,808
OPWC Ward 2 and 4 Alley Improvement	
Ohio Public Works Commission	156,320
Total Nonmajor Funds	648,109
Total Governmental Activities	\$1,750,922
 Business-Type Activities	
Electric	\$7,045
Water	1,761
Sewer	1,761
Total Business-Type Activities	\$10,567

**NOTE 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, 2007  
(Continued)**

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**NOTE 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2005, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 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, 2007, 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 2007 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.



**CITY OF CELINA  
MERCER COUNTY**

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

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**NOTE 9 - PROPERTY TAXES (Continued)**

The full tax rate for all City operations for the year ended December 31, 2007, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	
Residential/Agricultural	\$117,249,620
Commercial/Industrial	42,051,250
Public Utility Property	
Real	5,610
Personal	1,249,940
Tangible Personal Property	18,602,380
Total Assessed Value	<u>\$179,158,800</u>

**NOTE 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.

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 11 - CAPITAL ASSETS**

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

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
<b>Governmental Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$1,814,314	\$204,922	\$0	\$2,019,236
Land Improvements	6,785,151	539,288	(12,138)	7,312,301
Construction in Progress	741,231	3,064,891	(1,200,649)	2,605,473
<b>Total Nondepreciable Capital Assets</b>	<b>9,340,696</b>	<b>3,809,101</b>	<b>(1,212,787)</b>	<b>11,937,010</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	378,456	111,137	0	489,593
Buildings	224,100	64,322	0	288,422
Improvements Other than Buildings	1,680,016	21,977	(17,700)	1,684,293
Streets and Storm Sewers	9,560,578	475,532	(58,145)	9,977,965
Furniture and Equipment	670,376	41,672	(111,540)	600,508
Vehicles	2,103,548	183,735	(106,982)	2,180,301
<b>Total Depreciable Capital Assets</b>	<b>14,617,074</b>	<b>898,375</b>	<b>(294,367)</b>	<b>15,221,082</b>
<b>Less Accumulated Depreciation for</b>				
Land Improvements	(209,157)	(8,281)	0	(217,438)
Buildings	(180,282)	(8,041)	0	(188,323)
Improvements Other than Buildings	(773,052)	(52,503)	15,930	(809,625)
Streets and Storm Sewers	(6,220,238)	(328,045)	58,145	(6,490,138)
Furniture and Equipment	(455,049)	(35,714)	97,865	(392,898)
Vehicles	(1,386,169)	(87,867)	106,562	(1,367,474)
<b>Total Accumulated Depreciation</b>	<b>(9,223,947)</b>	<b>(520,451)</b>	<b>278,502</b>	<b>(9,465,896)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>5,393,127</b>	<b>377,924</b>	<b>(15,865)</b>	<b>5,755,186</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$14,733,823</b>	<b>\$4,187,025</b>	<b>(\$1,228,652)</b>	<b>\$17,692,196</b>

During 2007, the City accepted contributions of capital assets from outside sources, in the amount of \$14,225. The City also received capital assets from the Electric, Water, and Sewer enterprise funds, in the amount of \$4,435, \$120,111, and \$7,030, respectively.

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 11 - CAPITAL ASSETS (Continued)**

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
<b>Business-Type Activities</b>				
<b>Nondepreciable Capital Assets</b>				
Land	\$157,815	\$74,202	\$0	\$232,017
Construction in Progress	182,137	3,194,877	(119,100)	3,257,914
<b>Total Nondepreciable Capital Assets</b>	<b>339,952</b>	<b>3,269,079</b>	<b>(119,100)</b>	<b>3,489,931</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	8,762	9,000	0	17,762
Buildings	20,234,859	403,336	0	20,638,195
Electric, Water, and Sewer Lines	25,869,884	1,006,622	(357,583)	26,518,923
Furniture and Equipment	607,661	68,902	(36,813)	639,750
Vehicles	1,658,170	204,671	(395)	1,862,446
<b>Total Depreciable Capital Assets</b>	<b>48,379,336</b>	<b>1,692,531</b>	<b>(394,791)</b>	<b>49,677,076</b>
<b>Less Accumulated Depreciation for</b>				
Land Improvements	(6,737)	(92)	0	(6,829)
Buildings	(13,891,049)	(341,721)	0	(14,232,770)
Electric, Water, and Sewer Lines	(10,215,881)	(840,545)	263,701	(10,792,725)
Furniture and Equipment	(396,179)	(37,380)	23,833	(409,726)
Vehicles	(1,042,721)	(101,689)	395	(1,144,015)
<b>Total Accumulated Depreciation</b>	<b>(25,552,567)</b>	<b>(1,321,427)</b>	<b>287,929</b>	<b>(26,586,065)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>22,826,769</b>	<b>371,104</b>	<b>(106,862)</b>	<b>23,091,011</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$23,166,721</b>	<b>\$3,640,183</b>	<b>(\$225,962)</b>	<b>\$26,580,942</b>

Business-type activities received capital assets from governmental activities and developers, in the amount of \$60,057 and \$37,118, respectively.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$57,312
Leisure Time Activities	69,212
Community Environment	2,593
Transportation	384,661
General Government	6,673
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$520,451</b>

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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**NOTE 12 - INTERFUND RECEIVABLES/PAYABLES**

At December 31, 2007, the General Fund had an interfund receivable, in the amount of \$243,274; \$199,482 from providing cash flow resources to other governmental funds, \$43,525 from the Electric enterprise fund for the City's portion of the kilowatt hour tax, and \$267 from the Sewer enterprise fund for the interest due on loans. Other governmental funds had an interfund receivable, in the amount of \$10,566, \$5,732 from the General Fund to reimburse for project costs and \$4,834 from other governmental funds to provide cash flow resources.

The Electric enterprise fund had an interfund receivable, in the amount of \$362,239. Of this amount, \$19,827 was for services provided by the Electric enterprise fund, in the amount of \$150 to other governmental funds, in the amount of \$9,460 to the Water enterprise fund, and in the amount of \$10,217 to the Sewer enterprise fund; \$2,917 was from other governmental funds to reimburse for project costs. During 2007, the Electric enterprise fund also provided loans to the General Fund, other governmental funds, and the Sewer enterprise fund, in the amount of \$145,748, \$113,747, and \$80,000, respectively. Of the \$362,239, \$101,262 is expected to be repaid within one year.

The Water enterprise fund had an interfund receivable, in the amount of \$15,147, from other governmental funds to reimburse for project costs.

The Sewer enterprise fund had an interfund receivable, in the amount of \$729, from other governmental funds to reimburse for project costs.

**NOTE 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 2007, 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)	\$35,666,823	\$1,000
Equipment	1,649,816	1,000
Electronic Data Processing	222,075	1,000
General Liability - Aggregate	6,000,000	0
Public Official Liability - Aggregate	6,000,000	5,000
Law Enforcement Liability - Aggregate	6,000,000	5,000
Employee Benefits Liability - Aggregate	3,000,000	0
Automobile Liability	4,000,000	0

There has been no significant reduction in insurance coverage from 2006, and no insurance settlement has exceeded insurance coverage during the last three years.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 13 - RISK MANAGEMENT (Continued)**

**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, 2007, 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 2006 and 2007 were:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Stop-Loss Reimbursement	Claims Payments	Balance at Year End
2006	\$43,369	\$1,025,736	\$90,278	(\$1,041,743)	\$117,640
2007	117,640	1,171,471	36,534	(1,015,095)	310,550

**C. Workers' Compensation**

For 2007, 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.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS**

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2007:

Vendor	Contract Amount	Amount Paid as of 12/31/07	Outstanding Balance
Shinn Brothers	\$2,002,579	\$1,022,421	\$980,158
32 Ford, Lincoln Mercury	36,432	0	36,432
CRS Demolition	715,000	75,696	639,304
Peterson Construction	6,270,000	950,089	5,319,911
Floyd Browne	184,650	99,875	84,775

**NOTE 15 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional 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 stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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**NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)**

The City's contribution rate for 2007 was 13.85 percent of covered payroll. For the period January 1 through June 30, 2007, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment health care plan; for the period July 1 through December 31, 2007, this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 was \$263,195, \$286,157, and \$279,877, respectively; 92 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$4,657 made by the City and \$3,194 made by the plan members.

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

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan.

The City's required contribution for pension obligations for police and firefighters for the year ended December 31, 2007, was \$100,937 and \$140,444, for the year ended December 31, 2006, was \$91,494 and \$128,409, and for the year ended December 31, 2005, was \$58,028 and \$60,026. For 2007, 76 percent has been contributed for police and 76 percent has been contributed for firefighters. The full amount has been contributed for 2006 and 2005.

**NOTE 16 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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**NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)**

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2007, 2006, and 2005 was \$176,717, \$139,968, and \$117,226, respectively; 91 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium reimbursement, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.



**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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**NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)**

OPF provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit, or is a spouse or eligible dependent child of such person. The Ohio Revised Code permits, but does not require, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code. OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy - OPF's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of section 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters for the year ended December 31, 2007, was \$53,437 and \$54,956, for the year ended December 31, 2006, was \$60,347 and \$61,241, and for the year ended December 31, 2005, was \$58,028 and \$60,026. For 2007, 76 percent has been contributed for police and 76 percent has been contributed for firefighters. The full amount has been contributed for 2006 and 2005.

**NOTE 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.

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

**NOTE 17 - OTHER EMPLOYEE BENEFITS (Continued)**

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 Sun Life Financial Insurance Company.

**NOTE 18 - SHORT-TERM OBLIGATIONS**

The City's note activity for the year ended December 31, 2007, was as follows:

	Interest	Balance January 1,	Additions	Reductions	Balance December 31,
<u>Governmental Activities</u>					
Fire Truck					
November 14, 2007	4.25%	\$100,000	\$0	\$100,000	\$0
Industrial Park					
November 14, 2007	4.25	90,000	0	90,000	0
November 13, 2008	3.75	0	60,000	0	60,000
Total Industrial Park		90,000	60,000	90,000	60,000
Park Land Acquisition					
November 14, 2007	4.25	100,000	0	100,000	0
State Route 29 West Improvement					
November 14, 2007	4.625	0	220,000	220,000	0
November 13, 2008	3.75	0	220,000	0	220,000
Total State Route 29 West					
Wayne Street Improvements					
November 14, 2007	4.625	0	110,000	110,000	0
November 13, 2008	3.75	0	110,000	0	110,000
Total Wayne Street Improvement		0	220,000	110,000	110,000
Grand Lake Road Improvement					
November 14, 2007	4.625	0	770,000	770,000	0
November 13, 2008	3.75	0	770,000	0	770,000
Total Grand Lake Road					
Total Governmental Activities		\$290,000	\$2,260,000	\$1,390,000	\$1,160,000

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 18 - SHORT-TERM OBLIGATIONS (Continued)**

	Interest	Balance January 1.	Additions	Reductions	Balance December
<u>Business-Type Activities</u>					
Water Tower					
November 14, 2007	4.25%	\$400,000	\$0	\$400,000	\$0
November 13, 2008	3.75		390,000	0	390,000
Livingston Water Line					
November 14, 2007	4.25	235,000	0	235,000	0
November 13, 2008	3.75	0	230,000	0	230,000
Total Business-Type Activities		<u>\$635,000</u>	<u>\$620,000</u>	<u>\$635,000</u>	<u>\$620,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds.

All of the City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year. The Fire Truck notes were issued for the purchase of a fire truck. The Industrial Park and Park Land Acquisition notes were issued for the purchase of land. The State Route 29 West, Wayne Street, and Grand Lake Road Improvement notes were issued for the replacement of infrastructure. The Water Tower and Livingston Water Line notes were issued for the construction of capital assets in the Water enterprise fund. As of December 31, 2007, unspent proceeds, in the amount of \$217,155, remained for the Grand Lake Improvement.

**NOTE 19 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
Revenue Anticipation Notes						
West Bank Walkway	4.25%	\$0	\$1,300,000	\$0	\$1,300,000	\$50,000
Rural Development Bonds						
2000 Rural Development Bonds	4.75	518,414	0	12,037	506,377	12,609
Other Long-Term Obligations						
Compensated Absences Payable		285,095	25,722	14,636	296,181	23,919
Total Governmental Activities		<u>\$803,509</u>	<u>\$1,325,722</u>	<u>\$26,673</u>	<u>\$2,102,558</u>	<u>\$86,528</u>

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 19 - LONG-TERM OBLIGATIONS (Continued)**

	Interest Rate	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2004 Electric Improvement	2 - 4.25%	\$2,430,000	\$0	\$380,000	\$2,050,000	\$390,000
Bond Premium		33,444	0	5,230	28,214	0
2005 Waterworks	3 - 5	930,000	0	105,000	825,000	110,000
Bond Premium		25,164	0	2,841	22,323	0
Accounting Loss		(87,132)	0	(9,837)	(77,295)	0
2005 Wastewater	3 - 5	1,340,000	0	95,000	1,245,000	90,000
Bond Premium		56,928	0	4,036	52,892	0
Accounting Loss		(100,817)	0	(7,147)	(93,670)	0
Total General Obligation Bonds		<u>4,627,587</u>	<u>0</u>	<u>575,123</u>	<u>4,052,464</u>	<u>590,000</u>
Mortgage Revenue Bonds						
1999 Wastewater Refunding	3.25-4.95	3,245,000	0	260,000	2,985,000	275,000
Bond Discount		(3,663)	0	(294)	(3,369)	0
Accounting Loss		(301,608)	0	(24,166)	(277,442)	0
Total Mortgage Revenue Bonds		<u>2,939,729</u>	<u>0</u>	<u>235,540</u>	<u>2,704,189</u>	<u>275,000</u>
Other Long-Term Obligations						
OPWC Loans Payable	0	447,000	0	24,162	422,838	36,243
OWDA Loans Payable	3.25 - 4.99	100,684	2,027,697	0	2,128,381	0
Compensated Absences Payable		124,505	32,202	21,078	135,629	15,270
Total Business-Type Activities		<u>\$8,239,505</u>	<u>\$2,059,899</u>	<u>\$855,903</u>	<u>\$9,443,501</u>	<u>\$916,513</u>

**Revenue Anticipation Notes**

The City issued revenue anticipation notes in 2007, in the amount of \$1,300,000, to provide funds for the acquisition of property and the construction and installation of the West Bank Walkway. The notes are payable from the revenues of the Grand Lake tax incremental financing district. As of December 31, 2007, unspent proceeds, in the amount of \$447,367, remained for the West Bank Walkway. The notes will mature on February 14, 2008.

**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 bonds are general 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.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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**NOTE 19 - LONG-TERM OBLIGATIONS (Continued)**

General Obligation Bonds

The general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment to the extent resources are not available from the applicable enterprise fund to make principal and interest payments. The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

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.

Mortgage Revenue Bonds

Mortgage revenue bonds are special obligations of the City secured by a mortgage upon the assets of the sewer system. The bonds are payable solely from the gross revenues of the system after provisions for reasonable operations and maintenance expenses.

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, 2007:

	<u>Restricted Assets</u>
	<u>Wastewater Refunding</u>
<u>Restricted Assets held by the City for:</u>	
Revenue Bond Operations and Maintenance	\$117,030
Revenue Bond Renewal and Replacement	303,441
<u>Restricted Assets held by Fiscal Agent for:</u>	
Revenue Bond Debt Service	\$515,626

**CITY OF CELINA  
MERCER COUNTY**

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

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**NOTE 19 - LONG-TERM OBLIGATIONS (Continued)**

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:

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

The mortgage revenue bonds will be paid solely from the revenues of the Sewer enterprise fund. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the mortgage revenue bonds are \$2,985,000 and \$764,130, respectively. Principal and interest for the current year and total net revenues were \$413,268 and \$554,232, respectively.

**OPWC Loans Payable**

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

The OPWC loan will be paid solely from the revenues of the Water enterprise fund. Annual principal payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal remaining on the OPWC loan is \$422,838. Principal for the current year and total net revenues were \$24,162, and \$375,214, respectively.

**OWDA Loans Payable**

On April 11, 2005, the City obtained a loan from the Ohio Water Development Authority, in the amount of \$1,878,426, for the design of the granular activated carbon process. The loan has an interest rate of 4.99 percent. Only \$472,574 had been drawn on the loan as of December 31, 2007. The first payment is not due until July 1, 2010. An amortization schedule is not yet available for the repayment of this loan.

On August 13, 2007, the City obtained a loan from the Ohio Water Development Authority, in the amount of \$6,656,333, for the construction of the granular activated carbon process. The loan has an interest rate of 3.25 percent. Only \$1,655,807 had been drawn on the loan as of December 31, 2007. An amortization schedule is not yet available for the repayment of this loan.

The OWDA loans are to be repaid from the net revenues of the Water enterprise fund. The total obligation on these loans will not be determined until the projects are completed. Repayment on the loans has not started.

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 19 - LONG-TERM OBLIGATIONS (Continued)**

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.

The City's legal debt margin was \$17,112,690 at December 31, 2007.

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

Year	Governmental	
	Rural Development	
	Principal	Interest
2008	\$12,609	\$24,053
2009	13,208	23,454
2010	13,835	22,827
2011	14,492	22,169
2012	15,180	21,481
2013-2017	87,428	95,879
2018-2022	110,261	73,047
2023-2027	139,056	44,251
2028-2030	100,308	9,677
	\$506,377	\$336,838

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

Year	Business-Type Activities					
	Electric Improvement		Waterworks		Wastewater	
	Principal	Interest	Principal	Interest	Principal	Interest
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	450,000	16,875	115,000	14,085	105,000	38,557
2013-2017	0	0	255,000	15,088	605,000	124,575
2018	0	0	0	0	140,000	7,000
	\$2,050,000	\$221,035	\$825,000	\$136,063	\$1,245,000	\$368,812

**CITY OF CELINA  
MERCER COUNTY**

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

**NOTE 19 - LONG-TERM OBLIGATIONS (Continued)**

Year	Wastewater Refunding Mortgage Revenue Bonds		OPWC Loans
	Principal	Interest	Principal
2008	\$275,000	\$141,827	\$36,243
2009	285,000	129,590	24,162
2010	300,000	116,623	24,162
2011	315,000	102,672	24,162
2012	330,000	87,868	24,162
2013-2017	1,480,000	185,550	120,811
2018-2022	0	0	120,811
2023-2024	0	0	48,325
	<u>\$2,985,000</u>	<u>\$764,130</u>	<u>\$422,838</u>

**NOTE 20 - INTERFUND TRANSFERS**

During 2007, the General Fund made transfers to other governmental funds, in the amount of \$895,229, 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 \$24,834, to subsidize various programs in other funds.

The Electric, Water, and Sewer enterprise funds transferred capital assets for governmental operations, in the amount of \$4,435, \$120,111, and \$7,030, respectively. The Electric enterprise fund transferred capital assets to the Water enterprise fund, in the amount of \$4,700. The Water enterprise fund transferred capital assets to the Sewer enterprise fund, in the amount of \$8,721.

**NOTE 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, 2007  
(Continued)**

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**NOTE 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 its 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. Grand Lake/Mercer County Research Corporation

The Grand Lake/Mercer County Research Corporation (Corporation) was created to enhance the economic environment of Mercer County by attracting new business and industry, retaining existing business and industry, and thereby creating and retaining job opportunities. The twenty-one members of the Corporation consist of representatives based on the eight largest cumulative private contributors, two representatives from the City of Celina, two representatives from Mercer County, one representative from the villages within the County, any contributor of \$5,000 or more in one year, and four representatives from the community. The Corporation adopts its own budget, authorizes expenditures, hires and fires staff, and does not rely on the City to finance deficits. Financial information can be obtained from the Grand Lake/Mercer County Research Corporation, Wright State University, 7600 State Route 703, Celina, Ohio 45822.

C. 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.

**NOTE 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, 2007  
(Continued)**

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**NOTE 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.

**NOTE 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, 2007, to December 31, 2007, 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.

**NOTE 25 - SUBSEQUENT EVENTS**

On February 14, 2008, the City issued revenue anticipation notes, in the amount of \$1,250,000, to retire notes previously issued to construct a walkway within the Grand Lake tax incremental financing district. The notes have an interest rate of 3.75 percent and mature on February 12, 2009.

**CITY OF CELINA  
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Project Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY ADMINISTRATION</u></b>				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	N068(07)	20.205	\$207,360	\$207,360
	N059(06)		451,483	451,483
<b>Total U.S. Department of Transportation</b>			<b>658,843</b>	<b>658,843</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
<i>Passed Through Ohio Department of Development</i>				
Small Cities Community Development Block Grant	A-F-07-103-1	14.228	-	46,000
	A-F-06-103-1	14.228	348,000	339,052
<b>Total U.S. Department of Housing and Urban Development</b>			<b>348,000</b>	<b>385,052</b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Justice Assistance Grant - Law Enforcement Grant	2006-JG-E0V-6570	16.738	11,964	11,964
<b>Total U.S. Department of Justice</b>			<b>11,964</b>	<b>11,964</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$1,018,807</b>	<b>\$1,055,859</b>

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

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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, 2007, the gross amount of loans outstanding under this program was \$60,697. There were no delinquent amounts due at December 31, 2007.

**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, (the City), as of and for the year ended December 31, 2007 which collectively comprise the City's basic financial statements and have issued our report thereon dated November 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001 and 2007-002.

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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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001 and 2007-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated November 4, 2008.

### **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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 4, 2008.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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.



**Mary Taylor, CPA**  
Auditor of State

November 4, 2008



# 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 the 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, 2007. 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.

As described in findings 2007-003 and 2007-004 in the accompanying schedule of findings, the City did not comply with requirements regarding Reporting and Cash Management applying to its Small Cities Community Distress Grant. Compliance with these requirements is necessary, in our opinion, for the City to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Celina complied, in all material respects, with the requirements referred to above applying to its major federal program for the year ended December 31, 2007.

### **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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 2007-003 and 2007-004 to be significant deficiencies.

A material weakness is significant deficiency, or combination of significant deficiencies, that result 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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider findings 2007-003 and 2007-004 to be material weaknesses.

We also noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated November 4, 2008.

The City's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

November 4, 2008



**CITY OF CELINA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2007**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Small Cities Community Block Grant / CFDA 14.228
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2007-001**

**Noncompliance / Material Weakness**

**Ohio Rev. Code Section 5705.10 (D)** states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

**Intergovernmental Revenue:**

- three transactions related to a portion of the Federal share for the Touvelle Street and Grand Lake Road grant projects were not recorded as intergovernmental revenue or capital outlay expenditures on the City's records, which resulted in an understatement of both revenues and expenditures totaling \$241,688.

**FINDING NUMBER 2007-001  
(Continued)**

- the 1st half 10 percent property tax rollback net allocation of \$18,970 was recorded entirely to the General Fund rather than being allocated between the General Fund, Police Fund, and Fire Fund. The gross amounts that should have been recorded are: General Fund \$14,711, Police Fund \$2,207 and Fire Fund \$2,207.

**Loan Proceeds:**

- four transactions related to the Ohio Water Development Authority loans were not recorded as loan proceeds or capital outlay expenditures on the City's records, which resulted in an understatement of both revenues and expenditures totaling \$735,138.

The City contracted with the Auditor of State's Local Government Services (LGS) for assistance in the preparation of the annual compilation report. LGS identified the understatement of revenues and expenditures mentioned in the first bullet point under Intergovernmental Revenue and Loan Proceeds above and recorded the necessary adjustments to reflect the appropriate revenues and expenditures in the basic financial statements. The other issues identified in the bullet points above were not significant and no adjustments were made. In order to become better acquainted with appropriate accounting procedures, Auditor of State Bulletin 2000-008 should be reviewed which outlines the Accounting for Cash Basis Local Government Participation in On-Behalf Grants or Improvement Projects (in addition to Bulletin 2002-004 may also be referenced). In addition, the City should develop procedures for periodic monitoring and reviewing of the financial records to determine the accuracy of the reporting.

**OFFICIALS' RESPONSE**

**Intergovernmental Revenue:**

- The City recognizes the failure to allocate payments made directly from the State of Ohio to the Contractor on the specific projects noted. The turnover of key staff in early 2007 as well as a new City Auditor in late 2006 provided for inadequate knowledge on the subject, and subsequent lapse in process. The City Auditor's office will maintain a close working relationship to the City's Grant/Project Coordinator to ensure all requests made to the State for disbursement requests are booked appropriately. As mentioned, the City Auditor's staff will review Auditor of State Bulletins 2002-004 and 2000-008 to become better acquainted with the appropriate accounting procedures on behalf of Grants or Improvement Projects.
- Regretfully, the error as stated occurred due to an oversight on part of the Auditor's office. In the future, tax revenues will be systematically reviewed for accurate revenue receipt, and noted on the original documentation.

**Loan Proceeds:**

- The City recognizes the failure to allocate payments made directly from the Ohio Water Development Authority to the contractor as noted. The turnover of key staff in early 2007 as well as a new City Auditor in late 2006 provided for inadequate knowledge on the subject, and subsequent lapse in process. The City Auditor's office will maintain a close working relationship to the City's Grant/Project Coordinator to ensure all requests made to the State for disbursement requests are booked appropriately. As mentioned, the City Auditor's staff will review Auditor of State Bulletins 2002-004 and 2000-008 to become better acquainted with the appropriate accounting procedures on behalf of Grants or Improvement Projects.

## FINDING NUMBER 2007-002

### Material Weakness - Bank to Book Reconciliations

To reduce the risk of financial errors and/or irregularities occurring and going undetected, the management and governing body of an entity should obtain and review financial information that is accurate and timely. The City Auditor and/or Treasurer did not perform accurate monthly bank to book reconciliations during the year, nor was there evidence that the Finance Committee performed any procedures to monitor the bank to book reconciliations.

The following issues were identified which could have been prevented through the preparation of accurate month end bank/book reconciliations or by the monitoring procedures described above:

- \$12,244 in net gain/loss on several government security investments were not appropriately accounted for on the City's records
- \$16,857 in accrued interest for several government security investments were not appropriately accounted for on the City's records
- The Bank of New York accounts were not reconciled to the respective City debt funds.

Failure to prepare and review/monitor the bank to book reconciliations in a timely manner had allowed for reconciling differences to remain undetected. Also, the failure to receive complete and accurate financial information in a timely manner could inhibit the ability of Council and administration to perform their duty to monitor the financial activity of the City.

Additionally, utilizing a non-system defined report increased the risk that key financial information could be omitted and not be detected in a timely manner.

The Auditor and/or Treasurer should prepare the monthly bank / book reconciliations timely and sign as preparer. The monthly bank to book reconciliations should be provided to the Finance Committee members who should periodically perform a detail review that would include verifying the validity, completeness and accuracy of the data on the reconciliation

### OFFICIALS' RESPONSE

The City recognizes the failure of reconciling the monthly bank/book reconciliations, which was an oversight of the new City Auditor. The City Treasurer performs monthly reconciliations on the checking accounts, and the City Auditor mistakenly believed that the City Treasurer also reconciled all other bank accounts held by the City. This oversight was corrected in April 2008. Concerning the Bank of New York account, the oversight has been corrected as of February 2008. All bank reconciliations and current account balances have been reported to the entire Council and Administration as of June 2008.

**3. FINDINGS FOR FEDERAL AWARDS**

**FINDING NUMBER 2007-003**

<b>CFDA Title and Number</b>	CFDA #14.228 – Community Development Block Grant
<b>Federal Award Number / Year</b>	A-F-06-103-1 and A-F-07-103-1
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance / Material Weakness - Reporting**

**Ohio Department of Development, Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations, Section (A) Introduction** states that grantees must establish financial records and financial management and recordkeeping systems that are in accordance with state and federal regulations. Records must be maintained by activity as awarded on Attachment A of the grant agreement or as later amended.

**Required Financial Records**

- a. General Ledger: This ledger must be maintained to summarize cash receipts and disbursements on an activity basis.
- b. Cash Receipts Journal: This journal must be maintained to record the receipt of all funds (local, state, and federal) used for program activities. The journal must include the date funds were received, the amount of funds received, the source of funds, and the activities for which the funds were received.
- c. Cash Disbursements Journal: This journal must be maintained to record checks issued for payment of program costs. It must include the date of payment, the payee, check number, amount, and the activity which the disbursement was made against.

The grant coordinator did not maintain the required financial records as indicated above throughout 2007.

The grant coordinator should maintain the required financial records for each Community Development Block Grant as stated in the Financial Management Rules and Regulations. City officials should also consider implementing procedures in which to monitor that compliance requirements are being followed.

**OFFICIALS' RESPONSE:**

The CDBG Grant Coordinator's journal included check numbers, amounts and dates for program costs with the amount being paid against the grant, but did not detail the amounts by the grant activities. More defined detailed reports for the breakdown of disbursements per activity are being drafted for this grant, and will be maintained with all future projects.

**FINDING NUMBER 2007-004**

<b>CFDA Title and Number</b>	CFDA #14.228 Community Development Block Grant
<b>Federal Award Number / Year</b>	A-F-06-103-1
<b>Federal Agency</b>	U.S. Department of Housing and Urban Development
<b>Pass-Through Agency</b>	Ohio Department of Development

**Noncompliance / Material Weakness - Cash Management**

**Ohio Department of Development, Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations, Section (A)(3)(f)** states that grantee must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

On June 13, 2007, the City received \$348,000 for grant AF-06-103-1 and expended \$2,891 in September, \$42,944 in October and \$293,217 in December. On December 31, 2007, the grant had a balance of \$8,948.

The grant coordinator should develop a cash management system to monitor the fifteen day rule regarding the prompt disbursement of funds. Requests for Payments should be submitted for current cash needs and the receipts, disbursements, and balances of the Community Development Block Grant funds should be monitored to avoid excessive federal fund cash balances and to meet compliance requirements. City officials should also consider implementing procedures in which to monitor that compliance requirements are being followed.

**OFFICIALS' RESPONSE:**

The City was verbally notified by the State that their finance department would be temporarily shut down due to the switch of computer systems and programs. To be sure to have money on hand to pay the contractors, the City drew down all of the funding prior to the State's system shut down. The City will keep the fifteen day rule in mind for future funding.

**CITY OF CELINA  
MERCER COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
FISCAL YEAR END DECEMBER 31, 2007**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2007-001	The City Auditor's office will maintain a close working relationship to the City's Grant/Project Coordinator to ensure all requests made to the State for disbursement requests are booked appropriately. Additionally, in the future, tax revenues will be systematically reviewed for accurate revenue receipt, and noted on the original documentation.	Fall/Winter 2008	Emily Stewart, City Auditor
2007-002	All bank reconciliations and current account balances have been reported to the entire Council and Administration as of June 2008.	April 2008	Emily Stewart, City Auditor
2007-003	More defined detailed reports for the breakdown of disbursements per activity are being drafted for this grant, and will be maintained with all future projects.	Fall/Winter 2008	Joan Wurster, Administrative Asst. and Jeffrey S. Hazel, Safety Service Director
2007-004	The City will keep the fifteen day rule in mind for future funding.	Fall/Winter 2008	Joan Wurster, Administrative Asst. and Jeffrey S. Hazel, Safety Service Director



**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  
DECEMBER 9, 2008**