



Dave Yost • Auditor of State

**CITY OF CELINA
MERCER COUNTY**

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Dave Yost • 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, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, Ohio, as of December 31, 2011, 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 October 15, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 15, 2012

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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, 2011. 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 non-major funds in a single column. The City's major funds are the General, Main Street Reconstruction, Tax Increment Financing, 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 2011. 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, sewer, and storm-water 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, general government, and intergovernmental activities. 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, sewer, and storm-water services are reported here.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Main Street Reconstruction, Tax Increment Financing, 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 2011 and 2010.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and Other Assets	\$ 7,420,780	\$ 6,862,842	\$15,359,184	\$11,632,223	\$22,779,964	\$18,495,065
Capital Assets, Net	21,659,261	18,083,729	35,118,808	35,803,382	56,778,069	53,887,111
Total Assets	<u>29,080,041</u>	<u>24,946,571</u>	<u>50,477,992</u>	<u>47,435,605</u>	<u>79,558,033</u>	<u>72,382,176</u>
Liabilities:						
Current and Other Liabilities	2,209,837	2,362,238	1,696,838	2,167,315	3,906,675	4,529,553
Long-Term Liabilities	6,390,926	6,060,579	13,981,177	11,293,029	20,372,103	17,353,608
Total Liabilities	<u>8,600,763</u>	<u>8,422,817</u>	<u>15,678,015</u>	<u>13,460,344</u>	<u>24,278,778</u>	<u>21,883,161</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

**Table 1
Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Net Assets:						
Invested in Capital Assets, Net of Related Debt	16,324,497	13,584,307	25,128,722	24,843,121	41,453,219	38,427,428
Restricted	2,193,831	1,474,064	708,989	816,594	2,902,820	2,290,658
Unrestricted	1,960,950	1,465,383	8,962,266	8,315,546	10,923,216	9,780,929
Total Net Assets	<u>\$20,479,278</u>	<u>\$16,523,754</u>	<u>\$34,799,977</u>	<u>\$33,975,261</u>	<u>\$55,279,255</u>	<u>\$50,499,015</u>

For governmental activities, current and other assets increased 8 percent primarily due to an increase in cash and cash equivalents as revenues exceeded expenses for 2011. Net capital assets and invested in capital assets increased due to capital acquisitions paid for with existing resources, including land, a fire truck, and other minor acquisitions. Current and other liabilities decreased 6 percent from the decrease in ongoing projects at year end.

For business-type activities, net assets increased 2 percent, which was not a substantial increase and was generally due to an increase in cash and cash equivalents. This increase is the result of a combination of the increase in revenues over expenses for the year as well as unspent bond proceeds as of year-end.

Table 2 reflects the change in net assets for 2011 and 2010.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,054,928	\$ 1,077,879	\$23,531,106	\$23,448,700	\$24,586,034	\$24,526,579
Operating Grants, Contributions, and Interest	732,477	647,848			732,477	647,848
Capital Grants, Contributions, and Interest	1,909,853	3,266,842			1,909,853	3,266,842
Total Program Revenues	<u>3,697,258</u>	<u>4,992,569</u>	<u>23,531,106</u>	<u>23,448,700</u>	<u>27,228,364</u>	<u>28,441,269</u>
General Revenues:						
Property Taxes	407,939	374,206			407,939	374,206
Municipal Income Taxes	3,979,624	2,707,370			3,979,624	2,707,370
Payment in Lieu of Taxes	876,567	860,862			876,567	860,862
Other Local Taxes	557,698	546,811			557,698	546,811
Franchise Fees	102,548	99,633			102,548	99,633
Grants and Entitlements not Restricted to Specific Programs	603,773	688,565			603,773	688,565
Interest	89,126	37,488	1,707	4,702	90,833	42,190
Other	849,442	231,620	110,817	55,095	960,259	286,715
Total General Revenues	<u>7,466,717</u>	<u>5,546,555</u>	<u>112,524</u>	<u>59,797</u>	<u>7,579,241</u>	<u>5,606,352</u>
Total Revenues	<u>11,163,975</u>	<u>10,539,124</u>	<u>23,643,630</u>	<u>23,508,497</u>	<u>34,807,605</u>	<u>34,047,621</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Expenses:						
Security of Persons and Property	3,488,744	3,183,467			3,488,744	3,183,467
Public Health	79,768	79,768			79,768	79,768
Leisure Time Activities	624,881	951,944			624,881	951,944
Community Environment	193,217	250,623			193,217	250,623
Basic Utility Services	255,052	164,573			255,052	164,573
Transportation	953,865	1,544,292			953,865	1,544,292
General Government	1,307,435	1,281,902			1,307,435	1,281,902
Intergovernmental	212,846	209,011			212,846	209,011
Interest and Fiscal Charges	171,591	255,721			171,591	255,721
Electric			17,355,998	16,011,666	17,355,998	16,011,666
Water			3,167,637	3,114,368	3,167,637	3,114,368
Sewer			2,108,531	1,741,500	2,108,531	1,741,500
Storm-water			107,800	89,770	107,800	89,770
Total Expenses	<u>7,287,399</u>	<u>7,921,301</u>	<u>22,739,966</u>	<u>20,957,304</u>	<u>30,027,365</u>	<u>28,878,605</u>
Excess of Revenues Over Expenses Before Transfers	3,876,576	2,617,823	903,664	2,551,193	4,780,240	5,169,016
Transfers	78,948	(1,687,892)	(78,948)	1,687,892		
Increase in Net Assets	<u>3,955,524</u>	<u>929,931</u>	<u>824,716</u>	<u>4,239,085</u>	<u>4,780,240</u>	<u>5,169,016</u>
Net Assets Beginning of Year	<u>16,523,754</u>	<u>15,593,823</u>	<u>33,975,261</u>	<u>29,736,176</u>	<u>50,499,015</u>	<u>45,329,999</u>
Net Assets End of Year	<u>\$20,479,278</u>	<u>\$16,523,754</u>	<u>\$34,799,977</u>	<u>\$33,975,261</u>	<u>\$55,279,255</u>	<u>\$50,499,015</u>

For governmental activities, program revenues decreased substantially. In the prior year, the City received a large contribution of capital assets constructed by the State. General revenues increased over 34 percent primarily due to an increase in municipal income taxes. The City began collecting an additional .5 percent income tax in January 2011 for police and fire operations. The tax will be in effect for seven years.

Overall, expenses for governmental activities decreased 8 percent with the largest decreases reflected in the leisure time activities and transportation programs due to fewer projects in 2011. The major program expense for governmental activities is security of persons and property, which includes the police and fire departments, and accounts for approximately 48 percent of all governmental activities expenses. 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. These three programs represent 79 percent of the City's governmental expenses.

For business-type activities, there were not any significant changes from the prior year.

The City's electric operations account for 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.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Security of Persons and Property	\$3,488,744	\$3,183,467	\$3,012,569	\$2,492,236
Public Health	79,768	79,768	79,768	79,768
Leisure Time Activities	624,881	951,944	435,807	372,982
Community Environment	193,217	250,623	65,786	(138,721)
Basic Utility Services	255,052	164,573	255,052	164,573
Transportation	953,865	1,544,292	(1,431,066)	(1,247,297)
General Government	1,307,435	1,281,902	787,788	740,459
Intergovernmental	212,846	209,011	212,846	209,011
Interest and Fiscal Charges	171,591	255,721	171,591	255,721
Total Expenses	\$7,287,399	\$7,921,301	\$3,590,141	\$2,928,732

General revenues provided for 49 percent of the costs of providing governmental services in 2011, an increase from the prior year. The City's most significant revenue source is municipal income taxes. Although dependence on municipal income taxes is critical to the City's operations, there are several programs which continue to be well supported through program revenues. The costs of the leisure time activities program are funded through charges for activities, donations from the Bryson Trust, and grants. The community environment program received operating grants for the CDBG and downtown revitalization programs. The transportation program receives charges for services in the form of permissive motor vehicle license monies and operating grants in the form of State levied motor vehicle license fees and gas taxes. For 2011, the transportation program also received a capital grant for the reconstruction of Main Street.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Main Street Reconstruction and Tax Increment Financing capital projects funds. Fund balance in the General Fund increased by 24 percent. Income tax revenues increased over \$1.1 million due, in part, from the additional .5 percent tax enacted in January 2011 as well as from a modestly improving economy. Although expenditures also increased from the prior year (approximately \$968,000), revenues were still in excess of expenditures.

Fund balance decreased in the Main Street Reconstruction capital projects fund due to ongoing construction.

Fund balance increased significantly in the Tax Increment Financing capital projects fund due to increased revenues from grant resources for the Buckeye Street project and for industrial park improvements and there were fewer expenditures in 2011.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, Sewer, and Storm-water funds. Operating revenues exceeded operating expenses in all of the enterprise funds.

Net assets decreased less than 1 percent in the Electric Fund.

Net assets increased almost 9 percent in the Water Fund. Revenues increased slightly and expenses remained similar to the prior year.

Net assets did not change significantly for either the Sewer Fund or the Storm-water Fund.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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. For revenues, there was a \$1.2 million increase from the original budget to the final budget for revenues, most of which was made up of other revenues sources. The change from the final budget to actual revenues was not significant. For expenditures, there was a 16 percent increase from the original budget to the final budget primarily reflected in the leisure time activities program due to a decision to acquire land. Actual expenditures were closer to the original budget estimate in total.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2011, was \$21,659,261 and \$35,118,808, respectively (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; buildings; improvements other than buildings; streets; furniture and equipment; vehicles; and electric, water, sewer, and storm-water lines. The most significant additions for governmental activities were ongoing construction on street projects and the acquisition of patrol cars and a fire truck. In the business-type activities, the largest additions are reflected ongoing construction of water and storm-water lines and the addition of electric lines. Disposals were minimal for both governmental and business-type activities. For further information on the City's capital assets, refer to Note 10 to the basic financial statements.

Debt - At December 31, 2011, the City had \$1,100,000 in outstanding revenue anticipation notes and \$1,350,000 in bond anticipation notes payable from governmental activities.

The City had a number of long-term obligations outstanding as of December 31, 2011. These obligations included \$4,976,769 in general obligation bonds, \$463,653 in OPWC loans, \$3,140,000 in mortgage revenue bonds, \$5,802,533 in OWDA loans, and \$2,416,031 to AMP-Ohio. Of this amount, \$13,778,451 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include capital leases and compensated absences. For further information on the City's long-term obligations, refer to Notes 17 and 18 to the basic financial statements.

CURRENT ISSUES

On February 7, 2012, the City issued revenue anticipation notes, in the amount of \$1,050,000, to partially retire notes previously issued to provide 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. The notes have an interest rate of 2.84 percent and mature on February 6, 2013.

On May 25, 2012, the City issued bond anticipation notes, in the amount of \$1,350,000, to retire notes previously issued to provide for the City's share of the Main Street Reconstruction project. The notes are payable from the revenues of the Electric and Storm-water enterprise funds. The notes have an interest rate of 1.1 percent and mature on May 24, 2013.

The Main Street reconstruction project has an estimated completion date of July 2012.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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 Betty Strawn, 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, 2011**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,511,387	\$10,441,219	\$13,952,606
Cash and Cash Equivalents with Fiscal Agent	703,995	378,809	1,082,804
Accounts Receivable	156,357	2,414,118	2,570,475
Due from Other Governments	597,809		597,809
Accrued Interest Receivable	141		141
Municipal Income Taxes Receivable	762,634		762,634
Internal Balances	(115,702)	115,702	
Prepaid Items	13,110	26,617	39,727
Materials and Supplies Inventory	82,183	1,930,420	2,012,603
Property Taxes Receivable	411,134		411,134
Payment in Lieu of Taxes Receivable	1,138,969		1,138,969
Notes Receivable	141,116		141,116
Special Assessments Receivable	17,647		17,647
Unamortized Bond Issuance Costs		42,334	42,334
Investment in Joint Venture		9,965	9,965
Non-depreciable Capital Assets	14,015,951	412,511	14,428,462
Depreciable Capital Assets, Net	7,643,310	34,706,297	42,349,607
Total Assets	29,080,041	50,477,992	79,558,033
Liabilities:			
Accrued Wages Payable	127,257	76,668	203,925
Accounts Payable	152,349	84,468	236,817
Contracts Payable	54,129	961,274	1,015,403
Due to Other Governments	186,559	97,033	283,592
Retainage Payable	3,078	2,936	6,014
Accrued Interest Payable	59,548	102,076	161,624
Deferred Revenue	1,506,977		1,506,977
Claims Payable	119,940		119,940
Deposits Held and Due to Others		372,383	372,383
Long-Term Liabilities:			
Due Within One Year	526,570	1,558,315	2,084,885
Due in More Than One Year	5,864,356	12,422,862	18,287,218
Total Liabilities	8,600,763	15,678,015	24,278,778
Net Assets:			
Invested in Capital Assets, Net of Related Debt	16,324,497	25,128,722	41,453,219
Restricted for:			
Debt Service	32,607	378,809	411,416
Capital Projects	1,143,516		1,143,516
Other Purposes	1,017,708		1,017,708
Revenue Bond Operations and Maintenance		11,533	11,533
Revenue Bond Renewal and Replacement		318,647	318,647
Unrestricted	1,960,950	8,962,266	10,923,216
Total Net Assets	\$20,479,278	\$34,799,977	\$55,279,255

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities:				
Security of Persons and Property	\$3,488,744	\$421,185	\$26,642	\$28,348
Public Health	79,768			
Leisure Time Activities	624,881	110,408	76,066	2,600
Community Environment	193,217		4,757	122,674
Basic Utility Services	255,052			
Transportation	953,865	8,168	620,532	1,756,231
General Government	1,307,435	515,167	4,480	
Intergovernmental	212,846			
Interest and Fiscal Charges	171,591			
Total Governmental Activities	7,287,399	1,054,928	732,477	1,909,853
Business-Type Activities:				
Electric	17,355,998	17,317,499		
Water	3,167,637	3,803,273		
Sewer	2,108,531	2,164,590		
Storm-water	107,800	245,744		
Total Business-Type Activities	22,739,966	23,531,106		
Total	\$30,027,365	\$24,586,034	\$732,477	\$1,909,853

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
(\$3,012,569)		(\$3,012,569)
(79,768)		(79,768)
(435,807)		(435,807)
(65,786)		(65,786)
(255,052)		(255,052)
1,431,066		1,431,066
(787,788)		(787,788)
(212,846)		(212,846)
(171,591)		(171,591)
<u>(3,590,141)</u>		<u>(3,590,141)</u>
	(\$38,499)	(38,499)
	635,636	635,636
	56,059	56,059
	<u>137,944</u>	<u>137,944</u>
	<u>791,140</u>	<u>791,140</u>
<u>(3,590,141)</u>	<u>791,140</u>	<u>(2,799,001)</u>
313,797		313,797
47,071		47,071
47,071		47,071
3,979,624		3,979,624
876,567		876,567
557,698		557,698
102,548		102,548
603,773		603,773
89,126	1,707	90,833
849,442	110,817	960,259
<u>7,466,717</u>	<u>112,524</u>	<u>7,579,241</u>
<u>78,948</u>	<u>(78,948)</u>	
<u>7,545,665</u>	<u>33,576</u>	<u>7,579,241</u>
3,955,524	824,716	4,780,240
<u>16,523,754</u>	<u>33,975,261</u>	<u>50,499,015</u>
<u>\$20,479,278</u>	<u>\$34,799,977</u>	<u>\$55,279,255</u>

**CITY OF CELINA
MERCER COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Main Street Reconstruction	Tax Increment Financing	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,137,827	\$1,499	\$1,124,529	\$828,196	\$3,092,051
Cash and Cash Equivalents with Fiscal Agents		703,995			703,995
Accounts Receivable	62,868			9,768	72,636
Due from Other Governments	292,689			305,120	597,809
Accrued Interest Receivable	141				141
Municipal Income Taxes Receivable	762,634				762,634
Interfund Receivable	122,135				122,135
Prepaid Items	13,110				13,110
Materials and Supplies Inventory	19,278			62,905	82,183
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	33,570				33,570
Property Taxes Receivable	308,458			102,676	411,134
Payment in Lieu of Taxes Receivable			1,138,969		1,138,969
Notes Receivable				141,116	141,116
Special Assessments Receivable				17,647	17,647
Total Assets	<u>2,752,710</u>	<u>705,494</u>	<u>2,263,498</u>	<u>1,467,428</u>	<u>7,189,130</u>
Liabilities and Fund Balance:					
Liabilities:					
Accrued Wages Payable	110,921			16,336	127,257
Accounts Payable	125,869		6,500	19,980	152,349
Contracts Payable				54,129	54,129
Due to Other Governments	79,218			107,341	186,559
Retainage Payable				3,078	3,078
Interfund Payable	14,036			92,798	106,834
Accrued Interest Payable			1,559		1,559
Notes Payable			50,000		50,000
Deferred Revenue	890,432		1,138,969	405,205	2,434,606
Total Liabilities	<u>1,220,476</u>		<u>1,197,028</u>	<u>698,867</u>	<u>3,116,371</u>
Fund Balance:					
Non-spendable	65,958			62,905	128,863
Restricted		705,494	1,066,470	771,294	2,543,258
Committed				174,800	174,800
Assigned	15,379				15,379
Unassigned (Deficit)	1,450,897			(240,438)	1,210,459
Total Fund Balance	<u>1,532,234</u>	<u>705,494</u>	<u>1,066,470</u>	<u>768,561</u>	<u>4,072,759</u>
Total Liabilities and Fund Balance	<u>\$2,752,710</u>	<u>\$705,494</u>	<u>\$2,263,498</u>	<u>\$1,467,428</u>	<u>\$7,189,130</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

Total Governmental Fund Balance	\$4,072,759
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,659,261
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$14,482	
Due from Other Governments	451,611	
Accrued Interest Receivable	60	
Municipal Income Taxes Receivable	400,703	
Property Taxes Receivable	43,126	
Special Assessments Receivable	17,647	
		927,629

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(131,003)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(57,989)	
Notes Payable	(2,400,000)	
General Obligation Bonds Payable	(2,883,070)	
Loans Payable	(137,465)	
Capital Leases Payable	(508,735)	
Compensated Absences Payable	(411,656)	
		(6,398,915)

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.	349,547
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Net Assets of Governmental Activities	<u><u>\$20,479,278</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Main Street Reconstruction</u>	<u>Tax Increment Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Taxes	\$282,260			\$84,680	\$366,940
Municipal Income Taxes	3,845,942				3,845,942
Payment in Lieu of Taxes			\$876,567		876,567
Other Local Taxes	557,698				557,698
Special Assessments				5,502	5,502
Charges for Services	222,094			115,670	337,764
Fees, Licenses, and Permits	131,431				131,431
Fines and Forfeitures	296,540			73,882	370,422
Intergovernmental	986,370		338,900	794,283	2,119,553
Interest	92,954		7	4,757	97,718
Gifts and Donations	960			73,032	73,992
Other	756,688		30,616	48,013	835,317
Total Revenues	<u>7,172,937</u>		<u>1,246,090</u>	<u>1,199,819</u>	<u>9,618,846</u>
Expenditures:					
Current:					
Security of Persons and Property	3,048,712			1,337,324	4,386,036
Public Health	79,768				79,768
Leisure Time Activities	721,814			499,388	1,221,202
Community Environment	30,544			160,054	190,598
Basic Utility Services	201,351		45,282		246,633
Transportation	159,572	\$442,201	106,605	731,327	1,439,705
General Government	1,303,755			51,971	1,355,726
Intergovernmental			212,846		212,846
Debt Service:					
Principal Retirement		1,350,000	205,000	59,047	1,614,047
Current Refunding			50,000		50,000
Interest and Fiscal Charges			174,098	23,481	197,579
Total Expenditures	<u>5,545,516</u>	<u>1,792,201</u>	<u>793,831</u>	<u>2,862,592</u>	<u>10,994,140</u>
Excess of Revenues Over (Under) Expenditures	<u>1,627,421</u>	<u>(1,792,201)</u>	<u>452,259</u>	<u>(1,662,773)</u>	<u>(1,375,294)</u>
Other Financing Sources (Uses):					
Notes Issued		1,350,000	1,050,000		2,400,000
OPWC Loan Issued			137,465		137,465
Current Refunding			(1,050,000)		(1,050,000)
Inception of Capital Lease				508,735	508,735
Sale of Capital Assets	13,900				13,900
Transfers In			141,940	1,294,407	1,436,347
Transfers Out	(1,342,407)		(17,468)		(1,359,875)
Total Other Financing Sources (Uses)	<u>(1,328,507)</u>	<u>1,350,000</u>	<u>261,937</u>	<u>1,803,142</u>	<u>2,086,572</u>
Changes in Fund Balance	298,914	(442,201)	714,196	140,369	711,278
Fund Balance Beginning of Year	<u>1,233,320</u>	<u>1,147,695</u>	<u>352,274</u>	<u>628,192</u>	<u>3,361,481</u>
Fund Balance End of Year	<u>\$1,532,234</u>	<u>\$705,494</u>	<u>\$1,066,470</u>	<u>\$768,561</u>	<u>\$4,072,759</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Changes in Fund Balance - Total Governmental Funds \$711,278

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.

Assets Transferred from Business-Type Activities	\$2,476	
Capital Contribution - Nondepreciable Capital Assets	1,547,692	
Capital Contribution - Depreciable Capital Assets	28,379	
Capital Outlay - Nondepreciable Capital Assets	1,336,563	
Capital Outlay - Depreciable Capital Assets	1,233,408	
Depreciation	<u>(565,946)</u>	3,582,572

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a gain on disposal of capital assets on the statement of activities.

Sale of Capital Assets	(13,900)	
Gain on Disposal of Capital Assets	<u>6,860</u>	(7,040)

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

Property Taxes	40,999	
Municipal Income Taxes	133,682	
Fees, Licenses, and Permits	(24,663)	
Fines and Forfeitures	(581)	
Special Assessments	(2,596)	
Charges for Services	5,691	
Intergovernmental	(193,771)	
Interest	(3,828)	
Other	<u>7,265</u>	(37,802)

Note and loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (2,537,465)

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

Notes Payable	2,450,000	
General Obligation Bonds Payable	244,930	
Equipment Loan Payable	<u>19,117</u>	2,714,047

The inception of a capital lease is reported as an other financing source in governmental funds but increases long-term liabilities on the statement of net assets. (508,735)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. 25,988

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. 1,806

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. \$10,875

Change in Net Assets of Governmental Activities \$3,955,524

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
Property Taxes	\$305,562	\$305,156	\$282,260	(\$22,896)
Municipal Income Taxes	3,700,000	3,700,000	3,737,985	37,985
Other Local Taxes	270,000	540,000	557,427	17,427
Charges for Services	210,800	210,800	200,355	(10,445)
Fees, Licenses, and Permits	99,350	99,350	106,198	6,848
Fines and Forfeitures	310,000	310,000	295,390	(14,610)
Intergovernmental	680,288	949,726	957,310	7,584
Interest	96,811	36,811	47,723	10,912
Gifts and Donations			960	960
Other	115,200	835,606	735,730	(99,876)
Total Revenues	<u>5,788,011</u>	<u>6,987,449</u>	<u>6,921,338</u>	<u>(66,111)</u>
Expenditures:				
Current:				
Security of Persons and Property	3,225,556	3,285,859	3,060,027	225,832
Public Health	79,768	79,768	79,768	
Leisure Time Activities	75,372	831,781	722,296	109,485
Community Environment	51,436	36,186	34,533	1,653
Basic Utility Services	217,558	227,583	202,003	25,580
Transportation	173,215	169,079	159,933	9,146
General Government	1,447,700	1,490,536	1,278,447	212,089
Other	5,500	12,600	11,502	1,098
Total Expenditures	<u>5,276,105</u>	<u>6,133,392</u>	<u>5,548,509</u>	<u>584,883</u>
Excess of Revenues Over Expenditures	<u>511,906</u>	<u>854,057</u>	<u>1,372,829</u>	<u>518,772</u>
Other Financing Sources (Uses):				
Sale of Capital Assets			13,900	13,900
Advances Out	(33,882)	(33,882)	(33,707)	175
Transfers Out	(727,291)	(1,384,280)	(1,342,407)	41,873
Total Other Financing Sources (Uses)	<u>(761,173)</u>	<u>(1,418,162)</u>	<u>(1,362,214)</u>	<u>55,948</u>
Changes in Fund Balance	<u>(249,267)</u>	<u>(564,105)</u>	<u>10,615</u>	<u>574,720</u>
Fund Balance Beginning of Year	1,153,668	1,153,668	1,153,668	
Prior Year Encumbrances Appropriated	34,362	34,362	34,362	
Fund Balance (Deficit) End of Year	<u>\$938,763</u>	<u>\$623,925</u>	<u>\$1,198,645</u>	<u>\$574,720</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	<u>Enterprise Funds</u>				<u>Total Enterprise Funds</u>	<u>Self Insurance Internal Service Fund</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>		
Assets:						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$6,113,913	\$1,513,252	\$1,824,710	\$286,781	\$9,738,656	\$385,766
Accounts Receivable	1,515,505	512,777	365,941	19,895	2,414,118	83,721
Interfund Receivable	53,666	41			53,707	
Prepaid Items	12,713	6,952	6,952		26,617	
Materials and Supplies Inventory	1,316,180	569,305	35,899	9,036	1,930,420	
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	372,383		330,180		702,563	
Cash and Cash Equivalents with Fiscal Agents			378,809		378,809	
Total Current Assets	<u>9,384,360</u>	<u>2,602,327</u>	<u>2,942,491</u>	<u>315,712</u>	<u>15,244,890</u>	<u>469,487</u>
Non-Current Assets:						
Unamortized Bond Issuance Costs	11,038	8,617	22,679		42,334	
Investment in Joint Venture	9,965				9,965	
Non-depreciable Capital Assets	199,641	65,352	142,180	5,338	412,511	
Depreciable Capital Assets, Net	14,591,498	13,278,724	4,121,641	2,714,434	34,706,297	
Total Non-Current Assets	<u>14,812,142</u>	<u>13,352,693</u>	<u>4,286,500</u>	<u>2,719,772</u>	<u>35,171,107</u>	
Total Assets	<u>24,196,502</u>	<u>15,955,020</u>	<u>7,228,991</u>	<u>3,035,484</u>	<u>50,415,997</u>	<u>469,487</u>
Liabilities:						
Current Liabilities:						
Accrued Wages Payable	30,159	28,461	18,048		76,668	
Accounts Payable	37,849	40,238	6,348	33	84,468	
Contracts Payable	961,274				961,274	
Compensated Absences Payable	30,764	25,974	13,434		70,172	
Due to Other Governments	56,529	24,947	15,557		97,033	
Retainage Payable		2,936			2,936	
Interfund Payable	43,554	12,587	12,867		69,008	
Accrued Interest Payable	1,406	96,769	3,901		102,076	
Claims Payable						119,940
General Obligation Bonds Payable	450,000	130,000	105,000		685,000	
Mortgage Revenue Bonds Payable			335,000		335,000	
OPWC Loans Payable		24,162			24,162	
OWDA Loans Payable		260,742			260,742	
AMP-Ohio Payable	183,239				183,239	
Total Current Liabilities	<u>1,794,774</u>	<u>646,816</u>	<u>510,155</u>	<u>33</u>	<u>2,951,778</u>	<u>119,940</u>
Non-Current Liabilities:						
Deposits Held and Due to Others	372,383				372,383	
General Obligation Bonds Payable	6,193	685,346	717,160		1,408,699	
Mortgage Revenue Bonds Payable			2,805,000		2,805,000	
OPWC Loans Payable		302,026			302,026	
OWDA Loans Payable		5,541,791			5,541,791	
AMP-Ohio Payable	2,232,792				2,232,792	
Compensated Absences Payable	55,881	54,095	22,578		132,554	
Total Non-Current Liabilities	<u>2,667,249</u>	<u>6,583,258</u>	<u>3,544,738</u>		<u>12,795,245</u>	
Total Liabilities	<u>4,462,023</u>	<u>7,230,074</u>	<u>4,054,893</u>	<u>33</u>	<u>15,747,023</u>	<u>119,940</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$14,345,984	\$6,408,626	\$1,654,340	\$2,719,772	\$25,128,722	
Restricted for:						
Revenue Bond Operations and Maintenance			11,533		11,533	
Revenue Bond Renewal and Replacement			318,647		318,647	
Revenue Bond Future Debt Service			378,809		378,809	
Unrestricted	5,388,495	2,316,320	810,769	315,679	8,831,263	349,547
Total Net Assets	<u>\$19,734,479</u>	<u>\$8,724,946</u>	<u>\$3,174,098</u>	<u>\$3,035,451</u>	<u>34,668,974</u>	<u>\$349,547</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.

131,003

Net assets of business-type activities

\$34,799,977

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, 2011**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm-water</u>	<u>Total Enterprise Funds</u>	<u>Self Insurance Internal Service Fund</u>
Operating Revenues:						
Charges for Services	\$17,010,103	\$3,803,273		\$245,744	\$21,059,120	\$1,728,550
Charges for Services Pledged as Security on Mortgage Revenue Bonds			\$2,164,590		2,164,590	
Other	25,279	39,793	45,745		110,817	87,861
Total Operating Revenues	<u>17,035,382</u>	<u>3,843,066</u>	<u>2,210,335</u>	<u>245,744</u>	<u>23,334,527</u>	<u>1,816,411</u>
Operating Expenses:						
Personal Services	1,200,629	1,022,858	670,279		2,893,766	436,399
Contractual Services	2,416,031				2,416,031	
Materials and Supplies	12,497,332	1,330,145	554,878	35,218	14,417,573	343,255
Claims						1,019,363
Bad Debt		19,973	22,353		42,326	
Other	344,883	43,875	37,768		426,526	
Depreciation	861,100	418,224	309,628	75,058	1,664,010	
Total Operating Expenses	<u>17,319,975</u>	<u>2,835,075</u>	<u>1,594,906</u>	<u>110,276</u>	<u>21,860,232</u>	<u>1,799,017</u>
Operating Income	<u>(284,593)</u>	<u>1,007,991</u>	<u>615,429</u>	<u>135,468</u>	<u>1,474,295</u>	<u>17,394</u>
Non-Operating Revenues (Expenses):						
Excise Taxes	307,396				307,396	
Loss on Disposal of Capital Assets	(1,838)		(923)		(2,761)	
Change in Joint Venture	(9)				(9)	
Interest Revenue			1,707		1,707	
Interest Expense	(37,261)	(334,703)	(513,995)		(885,959)	
Total Non-Operating Revenues (Expenses)	<u>268,288</u>	<u>(334,703)</u>	<u>(513,211)</u>		<u>(579,626)</u>	
Income before Transfers	<u>(16,305)</u>	<u>673,288</u>	<u>102,218</u>	<u>135,468</u>	<u>894,669</u>	<u>17,394</u>
Transfers In	48,000	17,468			65,468	
Transfers Out	(35,601)			(106,339)	(141,940)	
Changes in Net Assets	<u>(3,906)</u>	<u>690,756</u>	<u>102,218</u>	<u>29,129</u>	<u>818,197</u>	<u>17,394</u>
Net Assets Beginning of Year	<u>19,738,385</u>	<u>8,034,190</u>	<u>3,071,880</u>	<u>3,006,322</u>		<u>332,153</u>
Net Assets End of Year	<u>\$19,734,479</u>	<u>\$8,724,946</u>	<u>\$3,174,098</u>	<u>\$3,035,451</u>		<u>\$349,547</u>

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

6,519

Change in net assets of business-type activities

\$824,716

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, 2011**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Self Insurance Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents						
Cash Flows from Operating Activities:						
Cash Received from Customers	\$16,839,431	\$3,590,472	\$1,950,257	\$245,910	\$22,626,070	\$358,178
Cash Received from Transactions with Other Funds	268,972				268,972	1,370,372
Cash Received from Other Revenues	25,779	40,151	45,947		111,877	4,408
Cash Received from Deposits	124,293				124,293	
Cash Payments for Personal Services	(1,209,579)	(1,024,245)	(671,798)		(2,905,622)	(436,399)
Cash Payments for Materials and Supplies	(12,710,982)	(1,028,371)	(309,433)	(36,671)	(14,085,457)	(343,255)
Cash Payments for Claims						(1,024,690)
Cash Payments for Other Expenses	(317,381)	(43,875)	(37,768)		(399,024)	
Cash Payments for Transactions with Other Funds	(314,193)	(314,200)	(283,703)		(912,096)	
Cash Payments for Deposits Refunded	(113,458)				(113,458)	
Net Cash Provided by (Used for) Operating Activities	<u>2,592,882</u>	<u>1,219,932</u>	<u>693,502</u>	<u>209,239</u>	<u>4,715,555</u>	<u>(71,386)</u>
Cash Flows from Non-capital Financing Activities:						
Cash Received from Excise Taxes	307,396				307,396	
Interest Paid on Advance Out			(800)		(800)	
Advances In	79,414				79,414	
Advances Out			(20,000)		(20,000)	
Transfers In	48,000	17,468			65,468	
Transfers Out	(35,601)			(106,339)	(141,940)	
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>399,209</u>	<u>17,468</u>	<u>(20,800)</u>	<u>(106,339)</u>	<u>289,538</u>	
Cash Flows from Capital and Related Financing Activities:						
Principal Paid on General Obligation Bonds	(410,000)	(150,000)	(105,000)		(665,000)	
Principal Paid on Mortgage Revenue Bonds			(2,125,000)		(2,125,000)	
Principal Paid on OPWC Loans		(24,162)			(24,162)	
Principal Paid on OWDA Loans		(254,557)			(254,557)	
Interest Paid on General Obligation Bonds	(34,300)	(34,548)	(42,233)		(111,081)	
Interest Paid on Mortgage Revenue Bonds			(214,495)		(214,495)	
Interest Paid on OWDA Loans		(196,562)			(196,562)	
Mortgage Revenue Bonds Issued			3,140,000		3,140,000	
Acquisition of Capital Assets	(700,317)	(161,017)	(115,525)	(5,338)	(982,197)	
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,144,617)</u>	<u>(820,846)</u>	<u>537,747</u>	<u>(5,338)</u>	<u>(1,433,054)</u>	
Cash Flows from Investing Activities:						
Interest			1,707		1,707	
Net Increase (Decrease) in Cash and Cash Equivalents	1,847,474	416,554	1,212,156	97,562	3,573,746	(71,386)
Cash and Cash Equivalents Beginning of Year	<u>4,638,822</u>	<u>1,096,698</u>	<u>1,321,543</u>	<u>189,219</u>	<u>7,246,282</u>	<u>457,152</u>
Cash and Cash Equivalents End of Year	<u>\$6,486,296</u>	<u>\$1,513,252</u>	<u>\$2,533,699</u>	<u>\$286,781</u>	<u>\$10,820,028</u>	<u>\$385,766</u>

(Continued)

CITY OF CELINA
MERCER COUNTY

STATEMENT OF CASH FLOWS
PRPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	Electric	Water	Sewer	Stormwater	Total Enterprise Funds	Self Insurance Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:						
Operating Income (Loss)	(\$284,593)	\$1,007,991	\$615,429	\$135,468	\$1,474,295	\$17,394
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:						
Depreciation	861,100	418,224	309,628	75,058	1,664,010	
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	97,054	(192,821)	(191,980)	166	(287,581)	(83,453)
Decrease in Due from Other Governments	500	353	202		1,055	
(Increase) Decrease in Interfund Receivable	975	(2)			973	
Decrease in Prepaid Items	1,041	570	570		2,181	
(Increase) Decrease in Materials and Supplies Inventory	(16,056)	24,623	(12,516)	(792)	(4,741)	
Decrease in Accrued Wages Payable	(2,234)	(43)	(1,147)		(3,424)	
Increase (Decrease) in Accounts Payable	15,107	(29,456)	(20,730)	(219)	(35,298)	
Decrease in Contracts Payable	(366,877)	(1,480)	(225)	0	(368,582)	
Decrease in Due to Other Governments	(1,498)	(8,069)	(7,294)	(442)	(17,303)	
Increase (Decrease) in Retainage Payable	(134,261)	2,936			(131,325)	
Increase (Decrease) in Interfund Payable	271	(2,042)	1,064		(707)	
Decrease in Claims Payable						(5,327)
Increase in Deposits Held and Due to Others	10,835				10,835	
Increase in AMP-Ohio Payable	2,416,031				2,416,031	
Increase (Decrease) in Compensated Absences Payable	(4,513)	(852)	501		(4,864)	
Net Cash Provided by (Used for) Operating Activities	<u>\$2,592,882</u>	<u>\$1,219,932</u>	<u>\$693,502</u>	<u>\$209,239</u>	<u>\$4,715,555</u>	<u>(\$71,386)</u>

Non-Cash Capital Financing Activities:

The Stormwater enterprise fund purchased capital assets, in the amount of \$2,476, and donated them to governmental activities.

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2011**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$52,169
Cash and Cash Equivalents in Segregated Accounts	41,997
Total Assets	<u>\$94,166</u>

Liabilities:

Due to Other Governments	\$1,522
Payroll Withholdings	48,823
Deposits Held and Due to Others	43,821
Total Liabilities	<u>\$94,166</u>

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, sewer, and storm-water 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 2011.

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, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

Main Street Reconstruction Fund - The Main Street Reconstruction Fund accounts for note proceeds restricted for the restoration of Main Street.

Tax Increment Financing Fund - The Tax Increment Financing Fund accounts for payment in lieu of tax revenues restricted for infrastructure and recreational improvement and construction.

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

2. Proprietary Funds

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

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 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.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 2011. 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.

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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.

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2011, but which were levied to finance 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, 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 final amended certificate of estimated resources requested by the City prior to year end.

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".

Cash and cash equivalents that are held separately for the City by financial institutions acting as trustees to service its mortgage revenue bonded debt as principal and interest payments come due and invested in mutual funds, along with cash and cash equivalents held by the Ohio Department of Transportation for infrastructure projects is presented as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately within departments of the City, and not included in the city treasury, are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2011, the City invested in federal agency securities, mutual funds, nonnegotiable certificates of deposit, 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 net asset value per share, which is the price the investment could be sold for on December 31, 2011.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011 was \$92,954, which includes \$81,997 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, 2011, 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, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

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.

Restricted assets also 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.

J. 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

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

<u>Description</u>	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15-40 years	20-30 years
Buildings	10-30 years	5-100 years
Improvements Other than Buildings	10-25 years	N/A
Streets	5-50 years	N/A
Electric, Water, Sewer, and Storm-water Lines	N/A	10-50 years
Furniture and Equipment	10 years	10 years
Vehicles	3-25 years	3-25 years

L. Interfund Assets/Liabilities

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

M. 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. 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. Long-term notes, bonds, loans, and capital leases are recognized as liabilities on the fund financial statements when due.

O. 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.

P. 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.

Q. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinance).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance or resolution) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or by a City official delegated that authority by ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

R. 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, sewer, and storm-water 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. 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.

T. Interfund Transactions

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.

U. Estimates

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2011, the Police Pension, Fire Pension, JAG Law Enforcement, and the Ohio Department of Youth Services Grant special revenue funds and the Downtown Revitalization capital projects fund had deficit fund balances, in the amount of \$47,569, \$59,247, \$14,038, \$11,523, and \$94,860, 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, 2011, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$13,201, due to reporting special assessments as deferred revenue on the modified accrual basis. The deficit will be alleviated when the special assessments are received.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

4. 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 restricted, committed, or assigned fund balance (GAAP basis).

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

Changes in Fund Balance	
GAAP Basis	\$298,914
Increases (Decreases) Due To	
Revenue Accruals:	
Accrued 2010, Received in Cash 2011	379,109
Accrued 2011, Not Yet Received in Cash	(580,013)
Expenditure Accruals:	
Accrued 2010, Paid in Cash 2011	(289,620)
Accrued 2011, Not Yet Paid in Cash	316,041
Cash Adjustments:	
Unrecorded Activity 2010	(28,525)
Unrecorded Activity 2011	(22,170)
Prepaid Items	1,074
Materials and Supplies Inventory	(1,426)
Advances Out	(33,707)
Encumbrances Outstanding at Year End (Budget Basis)	(29,062)
Budget Basis	\$ 10,615

5. DEPOSITS AND INVESTMENTS

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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 monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. 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 monies available for investment at any one time.

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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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.

A. 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, \$7,971,088 of the City's bank balance of \$13,997,479 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, noncompliance 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 monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of December 31, 2011, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$ 99,999	1/18/12
Federal National Mortgage Association Notes	99,996	3/7/12
Federal Home Loan Bank Notes	125,000	1/11/12
Federal Home Loan Bank Notes	99,998	2/10/12
Federal Home Loan Bank Notes	99,995	4/9/12
Mutual Funds	31,945	51 days
Mutual Funds	56,008	54 days
STAR Ohio	138,065	57 days
Total Investments	<u>\$751,006</u>	

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 and that 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 National Mortgage Association Notes, Federal Home Loan Bank Notes, and the mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy for credit risk beyond the requirements of State statutes. Ohio law requires that mutual funds and must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Fair Value	Percentage of Portfolio
Federal National Mortgage Association	\$199,995	26.63%
Federal Home Loan Bank	324,993	43.27

6. RECEIVABLES

Receivables at December 31, 2011, 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; payment in lieu of taxes; notes; and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, interfund, property taxes, notes, special assessments, and the allowance for un-collectibles related to utility services. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments, in the amount of \$7,739, will not be received within one year. Delinquent special assessments were \$4,937 at December 31, 2011.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant program. The loans have an annual interest rate of 2.41 to 5 percent and are to be repaid over twenty years. Principal, in the amount of \$7,559, was repaid during 2011. Notes outstanding at December 31, 2011, were \$141,116. Notes receivable, in the amount of \$133,278, will not be received within one year.

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

	Electric	Water	Sewer	Storm-water	Total Enterprise Funds
Accounts Receivable	\$1,724,176	\$582,211	\$415,489	\$22,589	\$2,744,465
Less Allowance for Uncollectibles	(208,671)	(69,434)	(49,548)	(2,694)	(330,347)
Net Accounts Receivable	\$1,515,505	\$512,777	\$365,941	\$19,895	\$2,414,118

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Major Fund:	
General Fund:	
Property Tax Allocations	\$ 20,842
Local Government	145,890
Estate Tax	94,197
Lodging Tax	1,280
Fire Protection	27,269
Ambulance Fees	1,487
Mental Health Transport	1,724
Total General Fund	292,689

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

6. RECEIVABLES (Continued)

	Amount
Non-major Funds:	
Street:	
Gasoline Tax	128,710
Motor Vehicle License Tax	74,856
Total Street	203,566
State Highway:	
Gasoline Tax	15,069
Motor Vehicle License Tax	63,210
Total State Highway	78,279
Police Pension:	
Property Tax Allocations	3,545
Fire Pension:	
Property Tax Allocations	3,545
Permissive MVL:	
Permissive MVL	2,100
Indigent Special:	
Restitution	14
JAG Law Enforcement:	
Grant	14,071
Total Non-major Funds	305,120
Total Governmental Activities	\$597,809

7. MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1.5 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. Of the total income tax collected, 1 percent is credited to the General Fund and .5 percent is to be used to fund the Police and Fire special revenue fund. The additional .5 percent will be collected for a period of seven years and began collections on January 1, 2011.

8. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2009, were levied after October 1, 2010, 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

8. PROPERTY TAXES (Continued)

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 and public utility property which were measurable as of December 31, 2011, 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 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable has been deferred.

The full tax rate for all City operations for the year ended December 31, 2011, was \$2.60 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

Category	Amount
Real Property:	
Residential/Agricultural	\$126,958,970
Commercial/Industrial	37,072,950
Public Utility Property:	
Real	9,075,548
Personal	441,720
Total Assessed Value	\$173,549,188

9. 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 exemptions 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 exempted. 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.

10. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 1/1/2011	Additions	Reductions	Balance 12/31/2011
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$2,002,179	\$729,384		\$ 2,731,563
Land Improvements	8,034,311			8,034,311
Construction in Progress	2,399,245	2,154,871	(\$1,304,039)	3,250,077
Total Non-depreciable Capital Assets	12,435,735	2,884,255	(1,304,039)	14,015,951

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. CAPITAL ASSETS (Continued)

	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>
Governmental Activities: (Continued)				
Depreciable Capital Assets:				
Land Improvements	1,064,695	61,618		1,126,313
Buildings	733,292	48,166		781,458
Improvements Other than Buildings	1,706,773			1,706,773
Streets	8,083,377	1,415,024	(5,673)	9,492,728
Furniture and Equipment	910,635	53,743	(6,108)	958,270
Vehicles	2,317,247	989,751	(245,127)	3,061,871
Total Depreciable Capital Assets	<u>14,816,019</u>	<u>2,568,302</u>	<u>(256,908)</u>	<u>17,127,413</u>
Less Accumulated Depreciation for:				
Land Improvements	(308,164)	(35,303)		(343,467)
Buildings	(221,790)	(35,492)		(257,282)
Improvements Other than Buildings	(970,940)	(53,039)		(1,023,979)
Streets	(5,725,664)	(269,887)	5,673	(5,989,878)
Furniture and Equipment	(419,027)	(66,431)	5,313	(480,145)
Vehicles	(1,522,440)	(105,794)	238,882	(1,389,352)
Total Accumulated Depreciation	<u>(9,168,025)</u>	<u>(565,946)</u>	<u>249,868</u>	<u>(9,484,103)</u>
Total Depreciable Capital Assets, Net	<u>5,647,994</u>	<u>2,002,356</u>	<u>(7,040)</u>	<u>7,643,310</u>
Governmental Activities Capital Assets, Net	<u>\$18,083,729</u>	<u>\$4,886,611</u>	<u>(\$1,311,079)</u>	<u>\$21,659,261</u>

During 2011, the City received a contribution of capital assets, in the amount of \$1,576,071, from outside sources. The Storm-water enterprise fund purchased capital assets, in the amount of \$2,476, and donated them to governmental activities.

	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$ 312,246	\$ 75,000		\$ 387,246
Construction in Progress	2,322,307	448,846	(\$2,745,888)	25,265
Total Non-depreciable Capital Assets	<u>2,634,553</u>	<u>523,846</u>	<u>(2,745,888)</u>	<u>412,511</u>
Depreciable Capital Assets:				
Land Improvements	207,823	28,276		236,099
Buildings	28,345,246	10,616		28,355,862
Electric, Water, Sewer, and Storm-water Lines	33,644,229	3,004,464	(55,132)	36,593,561
Furniture and Equipment	830,600	104,712	(28,887)	906,425
Vehicles	1,986,928	56,171	(9,364)	2,033,735
Total Depreciable Capital Assets	<u>65,014,826</u>	<u>3,204,239</u>	<u>(93,383)</u>	<u>68,125,682</u>
Less Accumulated Depreciation for:				
Land Improvements	(27,011)	(9,895)		(36,906)
Buildings	(15,606,446)	(509,444)		(16,115,890)
Electric, Water, Sewer, and Storm-water Lines	(14,382,663)	(986,842)	53,294	(15,316,211)
Furniture and Equipment	(518,706)	(50,859)	27,964	(541,601)
Vehicles	(1,311,171)	(106,970)	9,364	(1,408,777)
Total Accumulated Depreciation	<u>(31,845,997)</u>	<u>(1,664,010)</u>	<u>90,622</u>	<u>(33,419,385)</u>
Total Depreciable Capital Assets, Net	<u>33,168,829</u>	<u>1,540,229</u>	<u>(2,761)</u>	<u>34,706,297</u>
Business-Type Activities Capital Assets, Net	<u>\$35,803,382</u>	<u>\$2,064,075</u>	<u>(\$2,748,649)</u>	<u>\$35,118,808</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Security of Persons and Property	\$ 84,799
Leisure Time Activities	119,618
Community Environment	2,619
Basic Utility Services	8,419
Transportation	334,116
General Government	16,375
Total Depreciation Expense - Governmental Activities	\$565,946

11. INTERFUND RECEIVABLES/PAYABLES

At December 31, 2011, the General Fund had an interfund receivable, in the amount of \$122,135; \$78,581 from providing cash flow resources to other governmental funds and \$43,554 from the Electric enterprise fund for the City's portion of the kilowatt hour tax. The entire amount is expected to be repaid within one year.

The Electric enterprise fund had an interfund receivable, in the amount of \$53,666. Of this amount, \$25,661 was for services provided by the Electric enterprise fund, in the amount of \$33 to the General Fund, in the amount of \$174 to other governmental funds, in the amount of \$12,587 to the Water enterprise fund, and in the amount of \$12,867 to the Sewer enterprise fund. During 2011, the Electric enterprise fund also provided loans to the General Fund and other governmental funds, in the amount of \$14,003, and \$14,002, respectively. The entire amount is expected to be repaid within one year.

The Water enterprise fund had an interfund receivable, in the amount of \$41, from other governmental funds for services provided by the Water enterprise fund. This amount will be repaid within one year.

12. 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 2011, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$47,123,741	\$1,000
Electronic Data Processing	222,075	1,000
General Liability - Aggregate	7,000,000	
Public Official Liability - Aggregate	7,000,000	5,000
Law Enforcement Liability - Aggregate	7,000,000	5,000
Employee Benefits Liability - Aggregate	7,000,000	
Automobile Liability	5,000,000	

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. RISK MANAGEMENT (Continued)

There has been no significant reduction in insurance coverage from 2010, and no insurance settlement has exceeded insurance coverage during the last three years.

Each participant of Ohio Government Risk Management Plan enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. The firm of Hylant Administrative Services provides administrative, cost control, and actuarial services to the Plan.

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 \$50,000 per year for each individual, with a \$1,000,000 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, 2011, 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 2010 and 2011 were:

	Balance at Beginning of Year	Current Year Claims	Stop-Loss Reimbursement	Claims Payments	Balance at Year End
2010	\$123,825	\$ 905,486	\$502,219	(\$1,406,263)	\$125,267
2011	125,267	1,019,363		(1,024,690)	119,940

C. Workers' Compensation

For 2011, 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.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. RISK MANAGEMENT (Continued)

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.

13. SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2011:

<u>Vendor</u>	<u>Outstanding Balance</u>
RCS Construction	\$57,759
The Shelly Company	53,000
Weis Fire & Safety Equipment	135,040
EFACEC	61,664

14. 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2011, members in state and local classifications contributed 10 percent of covered payroll. For 2011, member and employer contribution rates were consistent across all three plans.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

The City's 2011 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 was \$340,102, \$322,622, and \$287,281, respectively. For 2011, 88 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. There were no contributions to the member-directed plan for 2011.

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 publicly available financial that includes financial information and required supplementary information for the plan. The 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 - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2011, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$109,635 and \$152,246 for the year ended December 31, 2011, and \$109,537 and \$153,544 for the year ended December 31, 2010, \$110,425 and \$151,049, for the year ended December 31, 2009. For 2011, 72 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

15. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. 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, 2011
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

In order 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 mandate, 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

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 portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2011. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2011.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or 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, 2011, 2010, and 2009 was \$136,041, \$183,925, and \$207,726, respectively. For 2011, 88 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS retirement board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased on January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. 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, 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, 2011
(Continued)**

15. 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 check, or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, 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 publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, 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 is limited by the provisions of Sections 115 and 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.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$58,042 and \$59,574 for the year ended December 31, 2011, \$57,990 and \$60,082 for the year ended December 31, 2010, and \$58,460 and \$59,106 for the year ended December 31, 2009. For 2011, 72 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

16. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

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

B. Health Care Benefits

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

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

17. LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2011, was as follows:

	<u>Interest Rate</u>	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/11</u>	<u>Due Within One Year</u>
Governmental Activities:						
Revenue Anticipation Notes:						
West Bank Walkway	4.5%	\$1,150,000		\$1,150,000		
West Bank Walkway	3.49		\$1,100,000		\$1,100,000	\$ 50,000
Total Revenue Anticipation Notes		<u>1,150,000</u>	<u>1,100,000</u>	<u>1,150,000</u>	<u>1,100,000</u>	<u>50,000</u>
Bond Anticipation Notes						
Street Improvement	3.06	1,350,000		1,350,000		
Street Improvement	1.85		1,350,000		1,350,000	
Total Bond Anticipation Notes		<u>1,350,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	
General Obligation Bonds						
2010 Rural Development						
Refunding	6.75	298,000		24,930	273,070	26,612
2010 Various Purpose	2 - 4	2,830,000		220,000	2,610,000	245,000
Total General Obligation Bonds		<u>3,128,000</u>		<u>244,930</u>	<u>2,883,070</u>	<u>271,612</u>
OPWC Loan Payable			137,465		137,465	6,873
Equipment Loan	4.63	19,117		19,117		
Capital Leases Payable			508,735		508,735	77,566
Compensated Absences Payable		413,462	6,295	8,101	411,656	120,519
Total Governmental Activities		<u>\$6,060,579</u>	<u>\$3,102,495</u>	<u>\$2,772,148</u>	<u>\$6,390,926</u>	<u>\$526,570</u>

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>	<u>Due Within One Year</u>
Business-Type Activities:						
General Obligation Bonds:						
2004 Electric Improvement	2 - 4.25%	\$ 860,000		\$ 410,000	\$ 450,000	\$ 450,000
Bond Premium		11,836		5,643	6,193	
2005 Waterworks Refunding	3 - 5	490,000		120,000	370,000	115,000
Bond Premium		13,258		3,247	10,011	
Accounting Loss		(45,908)		(11,243)	(34,665)	
2005 Wastewater Refunding	3 - 5	955,000		105,000	850,000	105,000
Bond Premium		40,572		4,461	36,111	
Accounting Loss		(71,851)		(7,900)	(63,951)	
2010 Various Purpose	2 - 4	500,000		30,000	470,000	15,000
Total General Obligation Bonds		<u>2,752,907</u>		<u>659,208</u>	<u>2,093,699</u>	<u>685,000</u>
Mortgage Revenue Bonds:						
1999 Wastewater Refunding	3.25-4.95	2,125,000		2,125,000		
Bond Discount		(2,399)		(2,399)		
Accounting Loss		(197,509)		(197,509)		
2011 Wastewater Refunding	2-3.4		<u>\$3,140,000</u>		<u>3,140,000</u>	<u>335,000</u>
Total Mortgage Revenue Bonds		<u>1,925,092</u>	<u>3,140,000</u>	<u>1,925,092</u>	<u>3,140,000</u>	<u>335,000</u>
Other Long-Term Obligations						
OPWC Loan Payable		350,350		24,162	326,188	24,162
OWDA Loans Payable	3.25-4.99	6,057,090		254,557	5,802,533	260,742
AMP-Ohio Payable			2,416,031		2,416,031	183,239
Compensated Absences Payable		207,590		4,864	202,726	70,172
Total Other Long-Term Obligations		<u>6,615,030</u>	<u>2,416,031</u>	<u>283,583</u>	<u>8,747,478</u>	<u>538,315</u>
Total Business-Type Activities		<u>\$11,293,029</u>	<u>\$5,556,031</u>	<u>\$2,867,883</u>	<u>\$13,981,177</u>	<u>\$1,558,315</u>

A. Revenue Anticipation Notes

The City issued revenue anticipation notes in 2011, in the amount of \$1,100,000, to partially retire notes previously issued 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, 2011, all proceeds were spent. The notes matured on February 7, 2012.

B. Bond Anticipation Notes

The City issued bond anticipation notes in 2011, in the amount of \$1,350,000, to retire notes previously issued to provide for the City's share of the Main Street Reconstruction project. The notes are payable from the revenues of the Electric and Storm-water enterprise funds. As of December 31, 2011, proceeds, in the amount of \$644,506, were not spent. The notes matured on May 25, 2012.

C. Governmental Activities General Obligation Bonds

In 2010, the City issued current refunding general obligation bonds, in the amount of \$298,000, to refund the remaining balance of the current refunding general obligation bonds issued in 2009. The refunding general obligation bonds will fully mature in 2019. The bonds will be paid with transfers from the General Fund.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

In 2010, the City issued general obligation bonds, in the amount of \$2,830,000, to retire bond anticipation notes issued for recreational, street, water, sewer, and storm-water improvements. These bonds will fully mature in 2030. The bonds will be paid with transfers from the Tax Incremental Financing capital projects fund and the Storm-water enterprise fund.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 through 2023 (with the balance of \$50,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$50,000
2022	50,000
2023	50,000

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2025 through 2029 (with the balance of \$15,000 to be paid at stated maturity on December 1, 2030), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$55,000
2026	10,000
2027	10,000
2028	15,000
2029	15,000

The bonds maturing on or after December 1, 2024, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, on any date on or after December 1, 2020, at par plus accrued interest to the redemption date.

D. OPWC Loan Payable

On August 11, 2011, the City obtained an interest free loan from the Ohio Public Works Commission, in the amount of \$137,465, for the construction of Buckeye Street. The loan was issued for a twenty year period, with final maturity in 2031. The loan is to be repaid from the Tax Incremental Financing capital projects fund.

E. Equipment Loan

During 2008, the City entered into a loan for the purchase of a vehicle, in the amount of \$78,241. The loan was fully retired in 2011.

F. Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

G. Business-Type Activities 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. These bonds will fully mature in 2012. 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. These bonds will fully mature in 2014. 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. These bonds will fully mature in 2018. The bonds will be paid from the Sewer enterprise fund. The refunded bonds were fully retired.

In 2010, the City issued general obligation bonds, in the amount of \$500,000, to retire bond anticipation notes issued for water improvements. These bonds will fully mature in 2030. The bonds will be paid from the Water enterprise fund.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 through 2023 (with the balance of \$20,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$20,000
2022	20,000
2023	20,000

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2025 through 2029 (with the balance of \$25,000 to be paid at stated maturity on December 1, 2030), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$20,000
2026	20,000
2027	20,000
2028	20,000
2029	25,000

The bonds maturing on or after December 1, 2024, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, on any date on or after December 1, 2020, at par plus accrued interest to the redemption date.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

H. 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 operation and maintenance expenses.

In 1999, the City issued \$4,940,000 in Wastewater Refunding bonds. The refunded bonds were fully retired in 2011.

In 2011, the City issued \$3,140,000 in Wastewater Refunding bonds to currently refund 1999 Wastewater Refunding bonds and to provide funds to make various improvements to the City's wastewater system. As of December 31, 2011, proceeds, in the amount of \$1,330,000, were not spent. The refunded bonds were fully retired in 2011.

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, 2011:

	Restricted Assets
	Wastewater Refunding
Restricted Assets held by the City for:	
Revenue Bond Operations and Maintenance	\$11,533
Revenue Bond Renewal and Replacement	318,647
Restricted Assets held by Fiscal Agent for:	
Revenue Bond Future Debt Service	378,809

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 and 2022, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

Year	Amount
2019	\$135,000
2020	135,000

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 and 2022, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

Year	Amount
2021	\$140,000
2022	145,000

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 and 2022, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2023	\$150,000
2024	155,000

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 and 2022, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$160,000
2026	165,000

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 \$3,140,000 and \$551,251 respectively. Principal and interest for the current year and total net revenues were \$2,339,495 and \$925,057, respectively.

I. OPWC Loan 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 net revenues of the Water enterprise fund. Annual principal payments on the loan are expected to require less than 100 percent of these net revenues in future years. The total principal remaining on the OPWC loan is \$326,188. Principal for the current year and total net revenues were \$24,162, and \$1,426,215, respectively.

J. 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. On August 13, 2007, the City increased this loan to include the construction of the granular activated carbon process system. The total loan amount was \$8,542,544.

The OWDA loans are to be repaid from the net revenues of the Water enterprise fund. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining on the OWDA loan is \$5,802,533 and \$1,797,536, respectively. Principal and interest for the current year and total net revenues were \$451,119 and \$1,426,215, respectively.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

K. AMP-Ohio Payable

The City of Celina is a participant in American Municipal Power (AMP) and a participant in the American Municipal Power Generating Station Project (AMPGS). This project was anticipated to develop a pulverized coal power plant in Meigs County, Ohio. As a participant, the City executed a take or pay contract on August 13, 2007, in order to participate in this project. The City's share of the project was 19,000 kW of a total capacity of 771,281 kW, giving the City a 2.46 percent share of the project.

The power plant had an estimated cost of \$3 billion; however, as construction progressed, the project's targeted capital costs increased by 37 percent and the engineer, procure, and construct contractor (EPC) could not guarantee that the construction costs would not continue to escalate. In November 2009, the participants in the project voted to terminate the development of the plant.

The take or pay contract executed by the participants requires the participants of the project to pay any costs incurred on the project. To date, the final costs to project participants have not been finalized. At December 31, 2011, AMP had a regulatory asset for the recovery of the abandoned construction costs. Based on an allocation to the City of Celina of 19,000 kW and the allocation methodology approved by the AMP Board of Trustees, the City of Celina has a potential stranded costs obligation of \$3,107,549 for the AMPGS project as of December 31, 2011.

At the time the participants voted to terminate the coal power plant, they also voted to pursue conversion of the project to a natural gas combined cycle plant. This plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the natural gas combined plant was suspended due to the availability of purchasing the AMP Fremont Energy Center (AFEC) at a favorable price. Along with the purchase of AFEC, a development fee was established. AFEC participants are a separate group of AMP members that obtained financing for expertise in engineering, consulting, and other development costs obtained by AMP for the natural gas combined cycle plant. This amount, financed by AMP, is to be collected through debt service charges to the AFEC participants. The development fee paid by all AFEC participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in the proportion of their relative percentage of the AFEC project (but not less than zero) as approved by the AMP Board of Trustees. The City of Celina is a participant in the AFEC project and has received a credit to reduce its share of the AMPGS stranded costs obligation.

Based on the allocation methodology approved by the AMP Board of Trustees, the City received a credit of \$691,518 for being a participant in both projects. This credit is proportionate to its share of the AFEC project allocation kW share of 6,605 and the total kW share of those participating in both projects. This credit is legally enforceable up to the obligation as per the resolution approved by the AMP Board of Trustees. As a result, the City is reporting a liability of \$2,416,031 related to the AMPGS project.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the City may have as a result of the cancellation of the AMPGS project. Meetings with AMPGS project participants have been held as necessary to communicate any updates for both the costs being incurred and the ongoing litigation. At the request of the participants, on November 18, 2011, and December 13, 2011, AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded costs liability and providing options for payment of those stranded costs if the participant chose to make payments. These memos were not invoices but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case against the EPC contractor. AMP will hold any payments received as a deposit in order to cease interest accruals on the portion paid.

The City has determined its accounting treatment of this obligation based on advice of the City's Law Director, information provided by AMP and its legal counsel, and City management. As of December 31, 2011, the City had not made any payment on this obligation; however, intends to pay \$16,658 per month over the next fifteen year period from the existing fund balance of the Electric enterprise fund.

L. 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 Recreation special revenue funds, and the Electric, Water, and Sewer enterprise funds.

The City's legal debt margin was \$13,819,523 at December 31, 2011.

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

Year	Governmental Activities		
	General Obligation Bonds		OPWC Loan
	Principal	Interest	Principal
2012	\$ 271,612	\$ 86,441	\$ 6,873
2013	283,517	79,635	6,873
2014	265,502	72,550	6,873
2015	277,626	65,727	6,874
2016	284,867	58,586	6,874
2017-2021	1,229,946	152,712	34,366
2022-2026	215,000	32,300	34,366
2027-2030	55,000	5,800	34,366
Total	<u>\$2,883,070</u>	<u>\$553,751</u>	<u>\$137,465</u>

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

Year	Business-Type Activities					
	Electric Improvement General Obligation Bonds		Waterworks Refunding General Obligation Bonds		Wastewater Refunding General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$450,000	\$16,875	\$115,000	\$14,085	\$105,000	\$ 38,558
2013			125,000	9,888	110,000	34,725
2014			130,000	5,200	115,000	30,600
2015					125,000	26,000
2016					125,000	19,750
2017-2020					270,000	20,500
	<u>\$450,000</u>	<u>\$16,875</u>	<u>\$370,000</u>	<u>\$29,173</u>	<u>\$850,000</u>	<u>\$170,133</u>

Year	2010 Various Purpose General Obligation Bonds		Wastewater Refunding Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 15,000	\$ 14,450	\$ 335,000	\$ 68,976
2013	30,000	14,150	330,000	67,645
2014	30,000	13,550	335,000	61,045
2015	30,000	12,950	345,000	54,345
2016	30,000	12,350	350,000	47,445
2017-2021	145,000	49,450	670,000	173,900
2022-2026	100,000	29,400	775,000	77,895
2027-2028	90,000	9,400		
	<u>\$470,000</u>	<u>\$155,700</u>	<u>\$3,140,000</u>	<u>\$551,251</u>

Year	OPWC Loan		OWDA Loans	
	Principal	Interest	Principal	Interest
2012	\$ 24,162	\$ 186,678	\$ 260,742	\$ 186,678
2013	24,162	178,135	269,285	178,135
2014	24,162	169,312	278,108	169,312
2015	24,162	160,200	287,219	160,200
2016	24,162	150,790	296,630	150,790
2017-2021	120,810	601,640	1,635,459	601,640
2022-2026	84,568	315,577	1,921,521	315,577
2027-2028	-	35,204	853,569	35,204
	<u>\$326,188</u>	<u>\$1,797,536</u>	<u>\$5,802,533</u>	<u>\$1,797,536</u>

18. CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capital lease for a vehicle. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. There were no principal payments made in 2011. The carrying value of the lease at December 31, 2011, was \$508,735.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

18. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011.

Year	Business-Type Activities	
	Principal	Interest
2012	\$ 77,566	\$ 18,879
2013	79,845	16,600
2014	82,918	13,527
2015	86,111	10,334
2016	89,426	7,019
2017	92,869	3,576
	\$508,735	\$69,935

19. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balance	General	Main Street Reconstruction	Tax Increment Financing	Other Governmental	Total Governmental
Non-spendable for:					
Prepaid Items	\$ 13,110				\$ 13,110
Materials and Supplies Inventory	19,278			\$62,905	82,183
Unclaimed Monies	33,570				33,570
Total Non-spendable	65,958			62,905	128,863
Restricted for:					
Street Construction and Maintenance		\$705,494	\$1,066,470	129,012	1,900,976
Economic Development and Rehabilitation				269,719	269,719
Police and Fire Operations				4,791	4,791
Drug Enforcement				3,084	3,084
Court Operations				310,759	310,759
Recreation				21,322	21,322
Debt Retirement				32,607	32,607
Total Restricted		705,494	1,066,470	771,294	2,543,258
Committed for:					
Police and Fire Operations				150,000	150,000
Recreation				24,800	24,800
Total Committed				174,800	174,800
Assigned for:					
Unpaid Obligations	15,379				15,379
Unassigned (Deficit)	1,450,897			(240,438)	1,210,459
Total Fund Balance	\$1,532,234	\$705,494	\$1,066,470	\$768,561	\$4,072,759

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

20. INTERFUND TRANSFERS

During 2011, the General Fund made transfers to the other governmental funds and the Electric enterprise fund, in the amount of \$1,294,407 and \$48,000, respectively, to move receipts as debt payments became due and to subsidize various programs in other funds.

The Tax Increment Financing Fund made transfers to the Water enterprise fund, in the amount of \$17,468, to provide additional funds for capital projects.

The Electric enterprise fund made transfers to the Tax Increment Financing Fund, in the amount of \$35,601, for the repayment of debt.

The Storm-water enterprise fund made transfers to the Tax Increment Financing Fund and other governmental funds, in the amount of \$106,339, for the repayment of debt.

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.

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 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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, 2011, to December 31, 2011, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

25. SUBSEQUENT EVENTS

On February 7, 2012, the City issued revenue anticipation notes, in the amount of \$1,050,000, to partially retire notes previously issued to provide 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. The notes have an interest rate of 2.84 percent and mature on February 6, 2013.

On May 25, 2012, the City issued bond anticipation notes, in the amount of \$1,350,000, to retire notes previously issued to provide for the City's share of the Main Street Reconstruction project. The notes are payable from the revenues of the Electric and Storm-water enterprise funds. The notes have an interest rate of 1.1 percent and mature on May 24, 2013.

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Dave Yost • 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 15, 2012. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 15, 2012.

We intend this report solely for the information and use of management, the audit committee, City Council, and others within the City. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

October 15, 2012

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Finding for Recovery – City of Celina Ordinance No. 33-98-O – Mayor’s Benefits	No	Not Corrected
2010-02	ORC 5709.40(C) – TIF Adjustment	Yes	

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CITY OF CELINA

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2012**