



Dave Yost • Auditor of State



**CITY OF CELINA  
MERCER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

### ***Report on the Financial Statements***

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 City of Celina, Mercer County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***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 City of Celina, Mercer County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 17, 2013

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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, 2012. 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 position 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, Tax Increment Financing, Electric, Water, and Sewer funds.

**Reporting The City As A Whole**

The statement of net position and the statement of activities reflect how the City did financially during 2012. 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 position and changes in net position. This change in net position 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 stormwater lines). These factors must be considered when assessing the overall health of the City.

In the statement of net position 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 stormwater services are reported here.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Reporting The City's Most Significant Funds**

Fund financial statements provide detailed information about the City's major funds, the General, 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 position for 2012 and 2011.

**Table 1  
Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets:</b>						
Current and Other Assets	\$ 9,268,384	\$ 7,420,780	\$ 19,007,796	\$ 15,359,184	\$ 28,276,180	\$ 22,779,964
Capital Assets, Net	22,172,161	21,659,261	34,166,066	35,118,808	56,338,227	56,778,069
Total Assets	31,440,545	29,080,041	53,173,862	50,477,992	84,614,407	79,558,033
Deferred Outflows of Resources			79,942	98,616	79,942	98,616
<b>Liabilities:</b>						
Current and Other Liabilities	1,280,647	702,860	1,906,942	1,696,838	3,187,589	2,399,698
Long-Term Liabilities	5,516,434	6,390,926	12,588,357	14,079,793	18,104,791	20,470,719
Total Liabilities	6,797,081	7,093,786	14,495,299	15,776,631	21,292,380	22,870,417

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

**Table 1  
Net Position  
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Deferred Inflows of Resources:</b>	1,376,681				1,376,681	
<b>Net Position:</b>						
Net Investment in Capital Assets	17,118,443	16,324,497	25,336,179	25,128,722	42,454,622	41,453,219
Restricted	2,673,327	2,193,831	669,266	708,989	3,342,593	2,902,820
Unrestricted	3,475,013	1,960,950	12,753,060	8,962,266	16,228,073	10,923,216
Total net Position	<u>\$23,266,783</u>	<u>\$20,479,278</u>	<u>\$38,758,505</u>	<u>\$34,799,977</u>	<u>\$62,025,288</u>	<u>\$55,279,255</u>

For governmental activities, current and other assets increased 25 percent from the prior year and was primarily due to an increase in cash and cash equivalents (which generally corresponds to the increase in net position for the year). This increase represents the excess of revenues over expenses for the year and resources which did not need to be spent for operating purposes during the year. This increase is reflected in the increase in both restricted and unrestricted net position. The increase in current and other liabilities is primarily due to obligations outstanding at year end related to the acquisition of a fire truck and an increase in unpaid claims at year end. The decrease in long-term liabilities is simply due to scheduled principal retirement.

There was a substantial increase in current and other assets for business-type activities. Cash and cash equivalents increased \$3.7 million. A combination of an increase in revenues (largely the result of rate increases) and a reduction in expenses provided for the City to have the additional cash on hand as of year-end. This increase is also reflected in the increase in unrestricted net position. The increase in current and other liabilities was due to an outstanding payable related to purchase of power costs at year end. The decrease in long-term liabilities was due to scheduled principal retirement.

Table 2 reflects the change in net position for 2012 and 2011.

**Table 2  
Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,629,749	\$ 1,054,928	\$24,652,355	\$23,531,106	\$26,282,104	\$24,586,034
Operating Grants, Contributions, and Interest	733,830	732,477			733,830	732,477
Capital Grants, Contributions, and Interest	811,119	1,909,853			811,119	1,909,853
Total Program Revenues	<u>3,174,698</u>	<u>3,697,258</u>	<u>24,652,355</u>	<u>23,531,106</u>	<u>27,827,053</u>	<u>27,228,364</u>
<b>General Revenues:</b>						
Property Taxes	335,675	407,939			335,675	407,939
Municipal Income Taxes	5,017,834	3,979,624			5,017,834	3,979,624
Payment in Lieu of Taxes	961,734	876,567			961,734	876,567
Other Local Taxes	556,035	557,698			556,035	557,698
Franchise Fees	100,266	102,548			100,266	102,548
Grants and Entitlements not Restricted to Specific Programs	493,484	603,773			493,484	603,773
Interest	28,284	89,126	1,251	1,707	29,535	90,833
Other	162,676	849,442	107,839	110,817	270,515	960,259
Total General Revenues	<u>7,655,988</u>	<u>7,466,717</u>	<u>109,090</u>	<u>112,524</u>	<u>7,765,078</u>	<u>7,579,241</u>
Total Revenues	<u>10,830,686</u>	<u>11,163,975</u>	<u>24,761,445</u>	<u>23,643,630</u>	<u>35,592,131</u>	<u>34,807,605</u>

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Expenses:</b>						
Security of Persons and Property	3,623,129	3,488,744			3,623,129	3,488,744
Public Health	79,768	79,768			79,768	79,768
Leisure Time Activities	605,485	624,881			605,485	624,881
Community Environment	210,756	193,217			210,756	193,217
Basic Utility Services	331,022	255,052			331,022	255,052
Transportation	1,575,730	953,865			1,575,730	953,865
General Government	1,331,811	1,307,435			1,331,811	1,307,435
Intergovernmental	234,680	212,846			234,680	212,846
Interest and Fiscal Charges	156,773	171,591			156,773	171,591
Electric			15,496,365	17,355,998	15,496,365	17,355,998
Water			3,225,452	3,167,637	3,225,452	3,167,637
Sewer			1,833,375	2,108,531	1,833,375	2,108,531
Stormwater			141,752	107,800	141,752	107,800
<b>Total Expenses</b>	<b>8,149,154</b>	<b>7,287,399</b>	<b>20,696,944</b>	<b>22,739,966</b>	<b>28,846,098</b>	<b>30,027,365</b>
Excess of Revenues Over						
Expenses Before Transfers	2,681,532	3,876,576	4,064,501	903,664	6,746,033	4,780,240
Transfers	105,973	78,948	(105,973)	(78,948)		
<b>Increase in Net Position</b>	<b>2,787,505</b>	<b>3,955,524</b>	<b>3,958,528</b>	<b>824,716</b>	<b>6,746,033</b>	<b>4,780,240</b>
Net Position Beginning of Year	20,479,278	16,523,754	34,799,977	33,975,261	55,279,255	50,499,015
<b>Net Position End of Year</b>	<b>\$23,266,783</b>	<b>\$20,479,278</b>	<b>\$38,758,505</b>	<b>\$34,799,977</b>	<b>\$62,025,288</b>	<b>\$55,279,255</b>

For governmental activities, program revenues decreased substantially, primarily due to a decrease in capital grants and contributions. Grant resources were received in the prior year for street construction related activities. The decrease in program revenues was largely offset by an increase in general revenues which is generally due to an increase in municipal income tax revenue. This increase was effected by the .5 percent rate increase that occurred in 2011 as well as improving economic conditions.

Overall, expenses for governmental activities increased almost 12 percent with modest increases in most programs; however, a fairly sizable increase in expenses for the transportation program due, in large part, to the Main Street restoration project. The major program expense for governmental activities is security of persons and property, which includes the police and fire departments, and accounts for approximately 44 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 80 percent of the City's governmental expenses.

For business-type activities, the rate increases contributed to the increase in charges for services. Rates for water service increased 3 percent in January and July 2012. Sewer rates increased for outside the city customers in January 2012 and for all customers in May and November 2012, and storm water rates increased in January 2012.

The City's electric operations account for 75 percent of the expenses of the City's business-type activities. There was a substantial decrease in expenses for the Electric Fund. In the prior year, the City recorded the expenditure related to the AMP AMPGS project (approximately \$2.4 million).

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, 2012  
UNAUDITED  
(Continued)**

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Security of Persons and Property	\$3,623,129	\$3,488,744	\$3,174,355	\$3,012,569
Public Health	79,768	79,768	79,768	79,768
Leisure Time Activities	605,485	624,881	426,538	435,807
Community Environment	210,756	193,217	(573,682)	65,786
Basic Utility Services	331,022	255,052	191,022	255,052
Transportation	1,575,730	953,865	465,653	(1,431,066)
General Government	1,331,811	1,307,435	819,349	787,788
Intergovernmental	234,680	212,846	234,680	212,846
Interest and Fiscal Charges	156,773	171,591	156,773	171,591
<b>Total Expenses</b>	<b>\$8,149,154</b>	<b>\$7,287,399</b>	<b>\$4,974,456</b>	<b>\$3,590,141</b>

General revenues provided for 61 percent of the costs of providing governmental services in 2012, an increase from the prior year (The City received grant funding in the prior year for street construction activities). 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 charges for a solar project and 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.

**Governmental Funds Financial Analysis**

The City's major governmental funds are the General Fund and the Tax Increment Financing capital projects fund. Fund balance in the General Fund more than doubled from the prior year. Revenues increased almost 9 percent due, in part, to collections from the additional .5 percent tax enacted in January 2011 as well as from a modestly improving economy. Expenditures decreased from the prior year (approximately \$732,000), due to a decrease in the leisure time activities program for land acquired in 2011.

Fund balance in the Tax Increment Financing capital projects fund decreased 48 percent due to debt retirement.

**Business-Type Activities Financial Analysis**

The City's enterprise funds are the Electric, Water, Sewer, and Stormwater funds. All four funds reported an operating income for 2012.

Net position increased 14 percent in the Electric Fund. There was an increase of \$900,000 in charges for services revenues; a warm summer and increased industrial projection increased customer usage. Expenses decreased primarily due to the costs associated with the AMP AMPGS project (approximately \$2.4 million) recorded in the prior year.

Net position increased over 8 percent in the Water Fund. Both revenues and operating expenses increased slightly from the prior year (revenues due to rate increases, expenses due to operations); however, there was a decrease in debt related interest expenses.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
UNAUDITED  
(Continued)**

Net position increased over 15 percent in the Sewer Fund. Revenues and expenses remained similar to the prior year; however there was a significant decrease in debt related interest expenses.

Net position did not change significantly for the Stormwater Fund.

**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 no change from the original budget to the final budget for revenues. The change from the final budget to actual revenues was an increase of over \$1 million. Part of this change was due to better than anticipated municipal income tax collections. The remainder of the change was primarily due to resources the City received for usage, by a private company, of land owned by the City and recorded as fees, licenses, and permits. For expenditures, there was an insignificant change from the original budget to the final budget. Actual expenditures were less than the original budget by almost \$800,000, with varying decreases reflected in all programs.

**Capital Assets And Debt Administration**

**Capital Assets** - The City's investment in capital assets for governmental and business-type activities as of December 31, 2012, was \$22,172,161 and \$34,166,066, 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 stormwater lines. The most significant additions for governmental activities was related to street improvements and the acquisition of vehicles. In the business-type activities, the largest additions were 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 11 to the basic financial statements.

**Debt** - At December 31, 2012, the City had \$1,050,000 in outstanding revenue anticipation notes and \$926,000 in bond anticipation notes payable from governmental activities.

The City had a number of long-term obligations outstanding as of December 31, 2012. These obligations included \$4,009,506 in general obligation bonds, \$432,618 in OPWC loans, \$2,805,000 in mortgage revenue bonds, \$5,547,858 in OWDA loans and \$2,232,792 to AMP-Ohio. Of this amount, \$12,381,225 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 18 and 19 to the basic financial statements.

**Current Issues**

On February 6, 2013, the City issued revenue anticipation notes, in the amount of \$1,000,000, 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 2.49 percent and mature on February 5, 2014.

On May 24, 2013, the City fully retired the bond anticipation notes, in the amount of \$926,000, for the City's share of the Main Street Reconstruction project.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
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 POSITION  
DECEMBER 31, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,910,701	\$14,142,725	\$20,053,426
Cash and Cash Equivalents with Fiscal Agents		309,173	309,173
Accounts Receivable	35,897	2,567,900	2,603,797
Due from Other Governments	635,358	4,372	639,730
Municipal Income Taxes Receivable	976,797		976,797
Internal Balances	5,207	(5,207)	
Prepaid Items	12,945	26,283	39,228
Materials and Supplies Inventory	92,144	1,952,615	2,044,759
Property Taxes Receivable	344,378		344,378
Payment in Lieu of Taxes Receivable	1,055,688		1,055,688
Notes Receivable	189,408		189,408
Special Assessments Receivable	9,861		9,861
Investment in Joint Venture		9,935	9,935
Non-depreciable Capital Assets	10,665,604	387,246	11,052,850
Depreciable Capital Assets, Net	11,506,557	33,778,820	45,285,377
Total Assets	<u>31,440,545</u>	<u>53,173,862</u>	<u>84,614,407</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Charge on Refunding		79,942	79,942
<b>Liabilities:</b>			
Accrued Wages Payable	153,000	84,847	237,847
Accounts Payable	176,563	137,880	314,443
Contracts Payable	432,561	1,092,193	1,524,754
Matured Compensated Absences Payable	24,901		24,901
Due to Other Governments	190,983	98,837	289,820
Accrued Interest Payable	40,748	100,688	141,436
Claims Payable	261,891		261,891
Deposits Held and Due to Others		392,497	392,497
<b>Long-Term Liabilities:</b>			
Due Within One Year	1,463,831	1,150,550	2,614,381
Due in More Than One Year	4,052,603	11,437,807	15,490,410
Total Liabilities	<u>6,797,081</u>	<u>14,495,299</u>	<u>21,292,380</u>
<b>Deferred Inflows of Resources:</b>			
Property Taxes	320,993		320,993
Payment in Lieu of Taxes	1,055,688		1,055,688
Total Deferred Inflows of Resources	<u>1,376,681</u>		<u>1,376,681</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	17,118,443	25,336,179	42,454,622
<b>Restricted for:</b>			
Debt Service	32,607	309,173	341,780
Capital Projects	1,515,369		1,515,369
Other Purposes	1,125,351		1,125,351
Revenue Bond Operations and Maintenance		40,922	40,922
Revenue Bond Renewal and Replacement		319,171	319,171
Unrestricted	3,475,013	12,753,060	16,228,073
Total Net Position	<u>\$23,266,783</u>	<u>\$38,758,505</u>	<u>\$62,025,288</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants, Contributions, and Interest</u>
<b>Governmental Activities:</b>				
Security of Persons and Property	\$3,623,129	\$417,157	\$28,817	\$2,800
Public Health	79,768			
Leisure Time Activities	605,485	127,432	51,515	
Community Environment	210,756	574,000	4,475	205,963
Basic Utility Services	331,022			140,000
Transportation	1,575,730	5,612	642,109	462,356
General Government	1,331,811	505,548	6,914	
Intergovernmental	234,680			
Interest and Fiscal Charges	156,773			
Total Governmental Activities	<u>8,149,154</u>	<u>1,629,749</u>	<u>733,830</u>	<u>811,119</u>
<b>Business-Type Activities:</b>				
Electric	15,496,365	18,250,456		
Water	3,225,452	3,887,505		
Sewer	1,833,375	2,250,922		
Stormwater	141,752	263,472		
Total Business-Type Activities	<u>20,696,944</u>	<u>24,652,355</u>		
Total	<u>\$28,846,098</u>	<u>\$26,282,104</u>	<u>\$733,830</u>	<u>\$811,119</u>

**General Revenues:**

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

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

*See Accompanying Notes to the Basic Financial Statements.*

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$3,174,355)		(\$3,174,355)
(79,768)		(79,768)
(426,538)		(426,538)
573,682		573,682
(191,022)		(191,022)
(465,653)		(465,653)
(819,349)		(819,349)
(234,680)		(234,680)
(156,773)		(156,773)
<u>(4,974,456)</u>		<u>(4,974,456)</u>
	2,754,091	2,754,091
	662,053	662,053
	417,547	417,547
	121,720	121,720
	<u>3,955,411</u>	<u>3,955,411</u>
<u>(4,974,456)</u>	<u>3,955,411</u>	<u>(1,019,045)</u>
258,212		258,212
38,732		38,732
38,731		38,731
5,017,834		5,017,834
961,734		961,734
556,035		556,035
100,266		100,266
493,484		493,484
28,284	1,251	29,535
162,676	107,839	270,515
<u>7,655,988</u>	<u>109,090</u>	<u>7,765,078</u>
105,973	(105,973)	
<u>7,761,961</u>	<u>3,117</u>	<u>7,765,078</u>
2,787,505	3,958,528	6,746,033
<u>20,479,278</u>	<u>34,799,977</u>	<u>55,279,255</u>
<u>\$23,266,783</u>	<u>\$38,758,505</u>	<u>\$62,025,288</u>

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**CITY OF CELINA  
MERCER COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Tax Increment Financing</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,836,160	\$1,534,522	1,169,998	\$5,540,680
Accounts Receivable	32,030			32,030
Due from Other Governments	319,935		315,423	635,358
Municipal Income Taxes Receivable	976,797			976,797
Interfund Receivable	131,858			131,858
Prepaid Items	12,945			12,945
Materials and Supplies Inventory	22,597		69,547	92,144
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	14,238			14,238
Property Taxes Receivable	246,720		97,658	344,378
Payment in Lieu of Taxes Receivable		1,055,688		1,055,688
Notes Receivable			189,408	189,408
Special Assessments Receivable			9,861	9,861
<b>Total Assets</b>	<b>4,593,280</b>	<b>2,590,210</b>	<b>1,851,895</b>	<b>9,035,385</b>
<b>Liabilities:</b>				
Accrued Wages Payable	\$119,379		\$33,621	\$153,000
Accounts Payable	142,946		33,617	176,563
Contracts Payable			432,561	432,561
Matured Compensated Absences Payable	14,518		10,383	24,901
Due to Other Governments	84,595		106,388	190,983
Interfund Payable			90,011	90,011
Accrued Interest Payable		7,416		7,416
Notes Payable		976,000		976,000
<b>Total Liabilities</b>	<b>361,438</b>	<b>983,416</b>	<b>706,581</b>	<b>2,051,435</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	228,731		92,262	320,993
Payment in Lieu of Taxes		1,055,688		1,055,688
Unavailable Revenue	777,239		261,940	1,039,179
<b>Total Deferred Inflows of Resources</b>	<b>1,005,970</b>	<b>1,055,688</b>	<b>354,202</b>	<b>2,415,860</b>
<b>Fund Balance:</b>				
Nonspendable	49,780		69,547	119,327
Restricted		551,106	928,026	1,479,132
Committed			420,072	420,072
Assigned	37,660		8	37,668
Unassigned (Deficit)	3,138,432		(626,541)	2,511,891
<b>Total Fund Balance</b>	<b>3,225,872</b>	<b>551,106</b>	<b>791,112</b>	<b>4,568,090</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$4,593,280</b>	<b>\$2,590,210</b>	<b>\$1,851,895</b>	<b>\$9,035,385</b>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA  
MERCER COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

Total Governmental Fund Balance \$4,568,090

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 22,172,161

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

Accounts Receivable	\$30,478	
Due from Other Governments	408,591	
Municipal Income Taxes Receivable	566,864	
Delinquent Property Taxes Receivable	23,385	
Special Assessments Receivable	9,861	
	<hr/>	1,039,179

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (36,640)

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

Accrued Interest Payable	(33,332)	
Notes Payable	(1,000,000)	
General Obligation Bonds Payable	(2,515,957)	
Loans Payable	(130,592)	
Capital Leases Payable	(431,169)	
Compensated Absences Payable	(462,716)	
	<hr/>	(4,573,766)

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 position. 

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97,759

Net Position of Governmental Activities 

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\$23,266,783

*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, 2012**

	<b>General</b>	<b>Tax Increment Financing</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Property Taxes	\$273,397		\$82,019	\$355,416
Municipal Income Taxes	4,851,673			4,851,673
Payment in Lieu of Taxes		\$961,734		961,734
Other Local Taxes	556,035			556,035
Special Assessments			7,800	7,800
Charges for Services	218,341		133,030	351,371
Fees, Licenses, and Permits	654,544			654,544
Fines and Forfeitures	304,866		35,386	340,252
Intergovernmental	858,853		1,484,742	2,343,595
Interest	28,344		4,475	32,819
Gifts and Donations	550		51,515	52,065
Other	39,770	25,000	105,196	169,966
<b>Total Revenues</b>	<b>7,786,373</b>	<b>986,734</b>	<b>1,904,163</b>	<b>10,677,270</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	3,053,326		1,076,394	4,129,720
Public Health	79,768			79,768
Leisure Time Activities	65,493		500,075	565,568
Community Environment	13,821		194,316	208,137
Basic Utility Services	196,959		125,642	322,601
Transportation	159,033	29,074	1,351,273	1,539,380
General Government	1,245,314		35,555	1,280,869
Intergovernmental		234,680		234,680
<b>Debt Service:</b>				
Principal Retirement		231,873	219,679	451,552
Current Refunding		1,400,000		1,400,000
Interest and Fiscal Charges		143,317	38,113	181,430
<b>Total Expenditures</b>	<b>4,813,714</b>	<b>2,038,944</b>	<b>3,541,047</b>	<b>10,393,705</b>
Excess of Revenues Over (Under) Expenditures	2,972,659	(1,052,210)	(1,636,884)	283,565
<b>Other Financing Sources (Uses):</b>				
Notes Issued		1,000,000		1,000,000
Current Refunding		(1,000,000)		(1,000,000)
Sale of Capital Assets	5,523		100,270	105,793
Transfers In		555,296	1,277,671	1,832,967
Transfers Out	(1,284,544)	(18,450)	(424,000)	(1,726,994)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,279,021)</b>	<b>536,846</b>	<b>953,941</b>	<b>211,766</b>
Changes in Fund Balance	1,693,638	(515,364)	(682,943)	495,331
Fund Balance Beginning of Year	1,532,234	1,066,470	1,474,055	4,072,759
Fund Balance End of Year	<b>\$3,225,872</b>	<b>\$551,106</b>	<b>\$791,112</b>	<b>\$4,568,090</b>

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, 2012**

Changes in Fund Balance - Total Governmental Funds \$495,331

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

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

Capital Contribution - Depreciable Capital Assets	\$41,866	
Capital Outlay - Nondepreciable Capital Assets	378,276	
Capital Outlay - Depreciable Capital Assets	894,207	
Depreciation	<u>(683,851)</u>	630,498

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 position when disposed of resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(105,793)	
Loss on Disposal of Capital Assets	<u>(11,805)</u>	(117,598)

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

Delinquent Property Taxes	(19,741)	
Municipal Income Taxes	166,161	
Fees, Licenses, and Permits	24,587	
Special Assessments	(7,786)	
Charges for Services	(4,398)	
Intergovernmental	(39,923)	
Interest	(60)	
Other	<u>(7,290)</u>	111,550

Note and loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position. (1,000,000)

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

Notes Payable	2,400,000	
General Obligation Bonds Payable	367,113	
Equipment Loan Payable	6,873	
Capital Leases Payable	<u>77,566</u>	2,851,552

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. 24,657

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. (51,060)

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. (\$157,425)

Change in Net Position of Governmental Activities \$2,787,505

*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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Revenues:</b>				
Property Taxes	\$309,081	\$309,081	\$273,397	(\$35,684)
Municipal Income Taxes	4,300,000	4,300,000	4,803,671	503,671
Other Local Taxes	560,000	560,000	557,531	(2,469)
Charges for Services	210,800	210,800	215,416	4,616
Fees, Licenses, and Permits	99,350	99,350	679,847	580,497
Fines and Forfeitures	319,000	319,000	326,721	7,721
Intergovernmental	867,547	867,547	828,159	(39,388)
Interest	9,748	9,748	28,526	18,778
Gifts and Donations			550	550
Other	90,250	90,250	63,168	(27,082)
<b>Total Revenues</b>	<u>6,765,776</u>	<u>6,765,776</u>	<u>7,776,986</u>	<u>1,011,210</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	3,315,785	3,315,785	3,060,243	255,542
Public Health	80,010	80,010	79,768	242
Leisure Time Activities	74,973	74,973	65,148	9,825
Community Environment	15,910	15,910	14,016	1,894
Basic Utility Services	253,857	258,857	215,859	42,998
Transportation	243,249	243,249	160,298	82,951
General Government	1,448,158	1,477,473	1,222,930	254,543
Other	110,500	110,500	2,824	107,676
<b>Total Expenditures</b>	<u>5,542,442</u>	<u>5,576,757</u>	<u>4,821,086</u>	<u>755,671</u>
Excess of Revenues Over Expenditures	<u>1,223,334</u>	<u>1,189,019</u>	<u>2,955,900</u>	<u>1,766,881</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets			5,523	5,523
Advances Out	(14,003)	(14,003)	(14,003)	
Transfers Out	(1,027,275)	(1,430,873)	(1,284,544)	146,329
<b>Total Other Financing Sources (Uses)</b>	<u>(1,041,278)</u>	<u>(1,444,876)</u>	<u>(1,293,024)</u>	<u>151,852</u>
Changes in Fund Balance	182,056	(255,857)	1,662,876	1,918,733
Fund Balance Beginning of Year	1,198,645	1,198,645	1,198,645	
Prior Year Encumbrances Appropriated	29,062	29,062	29,062	
<b>Fund Balance End of Year</b>	<u>\$1,409,763</u>	<u>\$971,850</u>	<u>\$2,890,583</u>	<u>\$1,918,733</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

	<b>Enterprise Funds</b>			
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Stormwater</b>
<b>Assets:</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$8,576,713	\$2,159,740	\$2,267,369	\$386,313
Accounts Receivable	1,710,870	481,959	354,758	20,313
Due from Other Governments	2,088	1,142	1,142	
Interfund Receivable	24,814	43		
Prepaid Items	12,553	6,865	6,865	
Materials and Supplies Inventory	1,302,276	598,628	44,429	7,282
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	392,497		360,093	
Cash and Cash Equivalents with Fiscal Agents			309,173	
Total Current Assets	<u>12,021,811</u>	<u>3,248,377</u>	<u>3,343,829</u>	<u>413,908</u>
<b>Non-Current Assets:</b>				
Investment in Joint Venture	9,935			
Non-depreciable Capital Assets	199,641	45,425	142,180	
Depreciable Capital Assets, Net	14,273,905	13,035,250	3,821,158	2,648,507
Total Non-Current Assets	<u>14,483,481</u>	<u>13,080,675</u>	<u>3,963,338</u>	<u>2,648,507</u>
Total Assets	<u>26,505,292</u>	<u>16,329,052</u>	<u>7,307,167</u>	<u>3,062,415</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Charge on Refunding		23,891	56,051	
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accrued Wages Payable	35,152	29,099	20,596	
Accounts Payable	44,529	68,572	18,663	6,116
Contracts Payable	1,064,601	27,592		
Compensated Absences Payable	28,146	21,349	12,711	
Due to Other Governments	54,710	23,434	20,251	442
Interfund Payable	42,058	13,935	10,711	
Accrued Interest Payable		92,157	8,531	
Claims Payable				
General Obligation Bonds Payable		155,000	110,000	
Mortgage Revenue Bonds Payable			330,000	
OPWC Loans Payable		24,162		
OWDA Loans Payable		269,285		
AMP-Ohio Payable	199,897			
Total Current Liabilities	<u>1,469,093</u>	<u>724,585</u>	<u>531,463</u>	<u>6,558</u>
<b>Non-Current Liabilities:</b>				
Deposits Held and Due to Others	392,497			
General Obligation Bonds Payable		561,899	666,650	
Mortgage Revenue Bonds Payable			2,475,000	
OPWC Loans Payable		277,864		
OWDA Loans Payable		5,278,573		
AMP-Ohio Payable	2,032,895			
Compensated Absences Payable	67,734	49,790	27,402	
Total Non-Current Liabilities	<u>2,493,126</u>	<u>6,168,126</u>	<u>3,169,052</u>	
Total Liabilities	<u>3,962,219</u>	<u>6,892,711</u>	<u>3,700,515</u>	<u>6,558</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	14,473,546	6,537,783	1,676,343	2,648,507
<b>Restricted for:</b>				
Revenue Bond Operations and Maintenance			40,922	
Revenue Bond Renewal and Replacement			319,171	
Revenue Bond Future Debt Service			309,173	
Unrestricted	8,069,527	2,922,449	1,317,094	407,350
Total Net Position	<u>\$22,543,073</u>	<u>\$9,460,232</u>	<u>\$3,662,703</u>	<u>\$3,055,857</u>

Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the net position of the internal service fund.

Net position of business-type activities

See *Accompanying Notes to the Basic Financial Statements*.

<b>Total Enterprise Funds</b>	<b>Self Insurance Internal Service Fund</b>
\$13,390,135	\$355,783
2,567,900	3,867
4,372	
24,857	
26,283	
1,952,615	
752,590	
309,173	
<u>19,027,925</u>	<u>359,650</u>
9,935	
387,246	
<u>33,778,820</u>	
<u>34,176,001</u>	
<u>53,203,926</u>	<u>359,650</u>
79,942	
84,847	
137,880	
1,092,193	
62,206	
98,837	
66,704	
100,688	
	261,891
265,000	
330,000	
24,162	
269,285	
199,897	
<u>2,731,699</u>	<u>261,891</u>
392,497	
1,228,549	
2,475,000	
277,864	
5,278,573	
2,032,895	
144,926	
<u>11,830,304</u>	
<u>14,562,003</u>	<u>261,891</u>
25,336,179	
40,922	
319,171	
309,173	
12,716,420	97,759
<u>38,721,865</u>	<u>\$97,759</u>
36,640	
<u>\$38,758,505</u>	

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
<b>Operating Revenues:</b>			
Charges for Services	\$17,903,474	\$3,887,505	
Charges for Services Pledged as Security on Mortgage Revenue Bonds			\$2,250,922
Other	32,959	23,785	51,095
Total Operating Revenues	<u>17,936,433</u>	<u>3,911,290</u>	<u>2,302,017</u>
<b>Operating Expenses:</b>			
Personal Services	1,179,973	1,038,447	693,659
Materials and Supplies	13,003,132	1,443,307	637,431
Claims			
Bad Debt	17,824		
Other	351,894	49,845	40,908
Depreciation	872,419	427,743	303,159
Total Operating Expenses	<u>15,425,242</u>	<u>2,959,342</u>	<u>1,675,157</u>
Operating Income (Loss)	<u>2,511,191</u>	<u>951,948</u>	<u>626,860</u>
<b>Non-Operating Revenues (Expenses):</b>			
Excise Taxes	346,982		
Loss on Disposal of Capital Assets	(6,126)	(13,264)	(1,224)
Change in Joint Venture	(30)		
Interest Revenue			1,251
Interest Expense	(20,314)	(221,848)	(138,282)
Total Non-Operating Revenues (Expenses)	<u>320,512</u>	<u>(235,112)</u>	<u>(138,255)</u>
Income before Transfers	2,831,703	716,836	488,605
Transfers In		18,450	
Transfers Out	(23,109)		
Changes in Net Position	2,808,594	735,286	488,605
Net Position Beginning of Year	<u>19,734,479</u>	<u>8,724,946</u>	<u>3,174,098</u>
Net Position End of Year	<u>\$22,543,073</u>	<u>\$9,460,232</u>	<u>\$3,662,703</u>

The change in net position 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.

Change in net assets of business-type activities

*See Accompanying Notes to the Basic Financial Statements.*

<b>Stormwater</b>	<b>Total Enterprise Funds</b>	<b>Self Insurance Internal Service Fund</b>
\$263,472	\$22,054,451	\$1,595,317
	2,250,922	
	107,839	16,531
<u>263,472</u>	<u>24,413,212</u>	<u>1,611,848</u>
	2,912,079	400,741
66,587	15,150,457	403,286
		1,059,609
	17,824	
	442,647	
75,165	1,678,486	
<u>141,752</u>	<u>20,201,493</u>	<u>1,863,636</u>
<u>121,720</u>	<u>4,211,719</u>	<u>(251,788)</u>
	346,982	
	(20,614)	
	(30)	
	1,251	
	(380,444)	
	<u>(52,855)</u>	
121,720	4,158,864	(251,788)
	18,450	
<u>(101,314)</u>	<u>(124,423)</u>	
20,406	4,052,891	(251,788)
<u>3,035,451</u>		<u>349,547</u>
<u>\$3,055,857</u>		<u>\$97,759</u>
	<u>(94,363)</u>	
	<u>\$3,958,528</u>	

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>
Increases (Decreases) in Cash and Cash Equivalents			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$17,420,712	\$3,919,721	\$2,262,105
Cash Received from Transactions with Other Funds	268,924		
Cash Received from Other Revenues	30,871	21,243	49,953
Cash Received from Deposits	129,550		
Cash Payments for Personal Services	(1,169,035)	(1,056,697)	(687,516)
Cash Payments for Materials and Supplies	(12,216,861)	(1,090,911)	(361,815)
Cash Payments for Claims			
Cash Payments for Other Expenses	(350,423)	(49,845)	(40,908)
Cash Payments for Transactions with Other Funds	(845,439)	(318,849)	(268,700)
Cash Payments for Deposits Refunded	(109,436)		
Net Cash Provided by (Used for) Operating Activities	3,158,863	1,424,662	953,119
<b>Cash Flows from Non-capital Financing Activities:</b>			
Cash Received from Excise Taxes	346,982		
Advances In	28,005		
Transfers In		18,450	
Transfers Out	(23,109)		
Net Cash Provided by (Used for) Non-capital Financing Activities	351,878	18,450	
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Principal Paid on General Obligation Bonds	(450,000)	(130,000)	(105,000)
Principal Paid on Mortgage Revenue Bonds			(335,000)
Principal Paid on OPWC Loans		(24,162)	
Principal Paid on OWDA Loans		(254,675)	
Interest Paid on General Obligation Bonds	(16,875)	(28,535)	(38,558)
Interest Paid on Mortgage Revenue Bonds			(68,976)
Interest Paid on OWDA Loans		(181,646)	
Acquisition of Capital Assets	(560,952)	(177,606)	(3,900)
Net Cash Used for Capital and Related Financing Activities	(1,027,827)	(796,624)	(551,434)
<b>Cash Flows from Investing Activities:</b>			
Interest			1,251
Net Increase (Decrease) in Cash and Cash Equivalents	2,482,914	646,488	402,936
Cash and Cash Equivalents Beginning of Year	6,486,296	1,513,252	2,533,699
Cash and Cash Equivalents End of Year	8,969,210	2,159,740	2,936,635
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	2,511,191	951,948	626,860
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Depreciation	872,419	427,743	303,159
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivable	(195,365)	30,818	11,183
Increase in Due from Other Governments	(2,088)	(1,142)	(1,142)
(Increase) Decrease in Interfund Receivable	847	(2)	
Decrease in Prepaid Items	160	87	87
(Increase) Decrease in Materials and Supplies Inventory	13,904	(29,323)	(8,530)
Increase in Accrued Wages Payable	4,993	638	2,548
Increase in Accounts Payable	6,680	28,334	12,315
Increase in Contracts Payable	103,327	27,592	
Increase (Decrease) in Due to Other Governments	(1,819)	(1,513)	4,694
Decrease in Retainage Payable		(2,936)	
Increase (Decrease) in Interfund Payable	(1,496)	1,348	(2,156)
Increase in Claims Payable			
Increase in Deposits Held and Due to Others	20,114		
Decrease in AMP-Ohio Payable	(183,239)		
Increase (Decrease) in Compensated Absences Payable	9,235	(8,930)	4,101
Net Cash Provided by (Used for) Operating Activities	\$3,158,863	\$1,424,662	\$953,119

See Accompanying Notes to the Basic Financial Statements.

<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Self Insurance Internal Service Fund</u>
\$263,054	\$23,865,592	\$216,228
	268,924	1,379,089
	102,067	96,385
	129,550	
	(2,913,248)	(400,741)
(58,308)	(13,727,895)	(403,286)
	(441,176)	(917,658)
	(1,432,988)	
	(109,436)	
<u>204,746</u>	<u>5,741,390</u>	<u>(29,983)</u>
	346,982	
	28,005	
	18,450	
<u>(101,314)</u>	<u>(124,423)</u>	
<u>(101,314)</u>	<u>269,014</u>	
	(685,000)	
	(335,000)	
	(24,162)	
	(254,675)	
	(83,968)	
	(68,976)	
	(181,646)	
<u>(3,900)</u>	<u>(746,358)</u>	
<u>(3,900)</u>	<u>(2,379,785)</u>	
	1,251	
<u>99,532</u>	<u>3,631,870</u>	<u>(29,983)</u>
<u>286,781</u>	<u>10,820,028</u>	<u>385,766</u>
<u>386,313</u>	<u>14,451,898</u>	<u>355,783</u>
<u>121,720</u>	<u>4,211,719</u>	<u>(251,788)</u>
75,165	1,678,486	
(418)	(153,782)	79,854
	(4,372)	
	845	
	334	
1,754	(22,195)	
	8,179	
6,083	53,412	
	130,919	
442	1,804	
	(2,936)	
	(2,304)	
		141,951
	20,114	
	(183,239)	
	4,406	
<u>\$204,746</u>	<u>\$5,741,390</u>	<u>(\$29,983)</u>

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2012**

**Assets:**

Equity in Pooled Cash and Cash Equivalents	\$37,074
Cash and Cash Equivalents in Segregated Accounts	<u>61,846</u>
Total Assets	<u><u>\$98,920</u></u>

**Liabilities:**

Payroll Withholdings	\$23,838
Deposits Held and Due to Others	<u>75,082</u>
Total Liabilities	<u><u>\$98,920</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**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 stormwater 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 2012.

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 22, 23, and 24 to the basic financial statements.

**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. Following are the more significant of the City's accounting policies.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 position 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. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund statements. Fiduciary funds are reported by type.

**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.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 deferred outflows of resources, and liabilities and deferred inflows of resources 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.

**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 position, 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, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. 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 2012. 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 position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

**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 position. The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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 outflows and deferred inflows of resources, 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, 2012  
(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, are 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 Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the City, deferred outflows of resources consists of the deferred charge on refunding.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes intergovernmental revenue including grants; municipal income taxes; delinquent property taxes; special assessments; and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**E. Budgetary Process**

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

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

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 is presented as "Cash and Cash Equivalents with Fiscal Agents".

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During 2012, 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, 2012.

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 2012 was \$28,344, which includes \$24,742 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, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Inventory**

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

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, 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 position 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.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. 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 position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	15-40 years	20-30 years
Buildings	10-30 years	5-100 years
Improvements Other than Buildings	10-23 years	N/A
Streets	15 years	N/A
Electric, Water, Sewer, and Stormwater Lines	N/A	1-50 years
Furniture and Equipment	10 years	10 years
Vehicles	3-25 years	3-20 years

**K. Deferred Charge on 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 deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

**L. Interfund Assets/Liabilities**

On fund financial statements, receivables and payables resulting from interfund loans and from 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 position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are presented as "Internal Balances".

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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.

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

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

**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. Bond Premium**

Bond premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Net Position**

Net position represents the difference between all other elements on the statement of net position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 position restricted for other purposes includes activities 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 position is 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.

**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) 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) 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.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. Assigned amounts represent intended uses established by City Council. The City Council has authorized the Service-Safety Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**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 stormwater 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.

**S. Capital Contributions**

Capital contributions arise from contributions from outside sources.

**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.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. CHANGE IN ACCOUNTING PRINCIPLES**

For 2012, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the City's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the City's financial statements.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

At December 31, 2012, the Police Pension, Fire Pension, JAG Law Enforcement, and the Ohio Department of Youth Services Grant special revenue funds and the CDBG, and Fire Vehicle capital projects funds had deficit fund balances, in the amount of \$46,887, \$61,260, \$104, \$11,523, \$83,213, and \$417,601, 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, 2012, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$5,953, due to reporting special assessments as deferred inflows of resources on the modified accrual basis. The deficit will be alleviated when the special assessments are received.

**5. BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as 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:

<b>Changes in Fund Balance</b>	
GAAP Basis	\$1,693,638
<b>Increases (Decreases) Due To:</b>	
<b>Revenue Accruals:</b>	
Accrued 2011, Received in Cash 2012	580,013
Accrued 2012, Not Yet Received in Cash	(611,570)
<b>Expenditure Accruals:</b>	
Accrued 2011, Paid in Cash 2012	(316,041)
Accrued 2012, Not Yet Paid in Cash	361,438
<b>Cash Adjustments:</b>	
Unrecorded Activity 2011	22,170
Prepaid Items	165
Materials and Supplies Inventory	(3,319)
Advances Out	(14,003)
Encumbrances Outstanding at Year End (Budget Basis)	(49,615)
Budget Basis	\$1,662,876

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

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

**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, \$5,989,562 of the City's bank balance of \$20,733,734 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, 2012, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association Notes	\$ 25,000	1/23/13
Federal National Mortgage Association Notes	25,000	1/30/13
Federal National Mortgage Association Notes	24,999	2/6/13
Federal National Mortgage Association Notes	49,998	2/13/13
Federal National Mortgage Association Notes	24,998	2/27/13
Federal National Mortgage Association Notes	24,998	3/6/13
Federal Home Loan Bank Notes	99,990	3/15/13
Federal Home Loan Bank Notes	50,007	3/1/13
Federal Home Loan Mortgage Corporation Notes	49,999	1/22/13
Federal Home Loan Mortgage Corporation Notes	20,000	1/28/13
Federal Home Loan Mortgage Corporation Notes	24,998	3/4/13
Federal Home Loan Mortgage Corporation Notes	24,997	3/19/13
Federal Home Loan Mortgage Corporation Notes	49,991	4/1/13
Federal Home Loan Mortgage Corporation Notes	49,989	4/24/13
Mutual Funds	309,173	51 days
Mutual Funds	11,760	57 days
STAR Ohio	138,170	55.4 days
Total Investments	<u>\$1,004,067</u>	

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code 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, Federal Home Loan Mortgage Corporation 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 statute. Ohio law requires that mutual funds 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.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association	\$174,993	17.43%
Federal Home Loan Bank	149,997	14.94
Federal Home Loan Mortgage Corporation	219,974	21.90

**7. RECEIVABLES**

Receivables at December 31, 2012, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; 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, 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 \$4,460, will not be received within one year. Delinquent special assessments were \$2,122 at December 31, 2012.

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 a period of two to twenty years. Principal, in the amount of \$7,839, was repaid during 2012. There was one new note, in the amount of \$56,131, during 2012. Notes outstanding at December 31, 2012, were \$189,408. Notes receivable, in the amount of \$181,278, will not be received within one year.

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

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>
Accounts Receivable	\$1,937,365	\$544,674	\$401,051	\$22,964	\$2,906,054
Less Allowance for Un-collectibles	(226,495)	(62,715)	(46,293)	(2,651)	(338,154)
Net Accounts Receivable	<u>\$1,710,870</u>	<u>\$481,959</u>	<u>\$354,758</u>	<u>\$20,313</u>	<u>\$2,567,900</u>

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**7. RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>Governmental Activities:</b>	
<b>Major Fund:</b>	
<b>General Fund:</b>	
Property Tax Allocations	\$ 17,811
Local Government	131,421
Estate Tax	120,458
Lodging Tax	1,373
Fire Protection	27,269
Mercer County	21,603
Total General Fund	319,935
<b>Non-major Funds:</b>	
<b>Street:</b>	
Gasoline Tax	185,623
Motor Vehicle License Tax	84,817
Total Street	270,440
<b>State Highway:</b>	
Gasoline Tax	15,050
Motor Vehicle License Tax	6,877
Total State Highway	21,927
<b>Police Pension:</b>	
Property Tax Allocations	3,352
<b>Fire Pension:</b>	
Property Tax Allocations	3,352
<b>Permissive MVL:</b>	
Permissive MVL	1,994
Ohio Public Works Commission Grant	14,358
Total Non-major Funds	315,423
Total Governmental Activities	\$635,358
<b>Business Type Activities:</b>	
<b>Non-major Funds:</b>	
<b>Electric:</b>	
Mercer County	\$2,088
<b>Water:</b>	
Mercer County	1,142
<b>Sewer:</b>	
Mercer County	1,142
Total Business Type Activities	\$4,372

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**8. 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.

**9. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, 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.

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 taxes which were measurable as of December 31, 2012, and for which there was an enforceable legal claim. In the governmental funds, the the portion of the receivable not levied to finance 2012 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2012, was \$2.60 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

Category	Amount
<b>Real Property:</b>	
Residential/Agricultural	\$122,074,180
Commercial/Industrial	35,804,080
<b>Public Utility Property:</b>	
Real	8,924,534
Personal	472,390
Total Assessed Value	\$167,275,184

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**10. PAYMENT IN LIEU OF TAXES**

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax 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.

**11. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>
<b>Governmental Activities:</b>				
<b>Non-depreciable Capital Assets:</b>				
Land	\$ 2,731,563		(\$ 100,270)	\$ 2,631,293
Land Improvements	8,034,311			8,034,311
Construction in Progress	3,250,077	\$ 378,276	(3,628,353)	
Total Non-depreciable Capital Assets	<u>14,015,951</u>	<u>378,276</u>	<u>(3,728,623)</u>	<u>10,665,604</u>
<b>Depreciable Capital Assets:</b>				
Land Improvements	1,126,313			1,126,313
Buildings	781,458	78,866		860,324
Improvements Other than Buildings	1,706,773			1,706,773
Streets	9,492,728	3,628,353		13,121,081
Furniture and Equipment	958,270	40,807	(78,879)	920,198
Vehicles	3,061,871	816,400	(151,491)	3,726,780
Total Depreciable Capital Assets	<u>17,127,413</u>	<u>4,564,426</u>	<u>(230,370)</u>	<u>21,461,469</u>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	(343,467)	(38,384)		(381,851)
Buildings	(257,282)	(32,692)		(289,974)
Improvements Other than Buildings	(1,023,979)	(53,002)		(1,076,981)
Streets	(5,989,878)	(344,334)		(6,334,212)
Furniture and Equipment	(480,145)	(67,895)	63,562	(484,478)
Vehicles	(1,389,352)	(147,544)	149,480	(1,387,416)
Total Accumulated Depreciation	<u>(9,484,103)</u>	<u>(683,851)</u>	<u>213,042</u>	<u>(9,954,912)</u>
Total Depreciable Capital Assets, Net	<u>7,643,310</u>	<u>3,880,575</u>	<u>(17,328)</u>	<u>11,506,557</u>
Governmental Activities Capital Assets, Net	<u>\$21,659,261</u>	<u>\$4,258,851</u>	<u>(\$3,745,951)</u>	<u>\$22,172,161</u>

During 2012, the City received a contribution of capital assets, in the amount of \$41,866, from outside sources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**11. CAPITAL ASSETS (Continued)**

	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2012</u>
<b>Business-Type Activities:</b>				
<b>Non-depreciable Capital Assets:</b>				
Land	\$ 387,246			\$ 387,246
Construction in Progress	25,265	\$ 3,359	(\$28,624)	
Total Non-depreciable Capital Assets	<u>412,511</u>	<u>3,359</u>	<u>(28,624)</u>	<u>387,246</u>
<b>Depreciable Capital Assets:</b>				
Land Improvements	236,099			236,099
Buildings	28,355,862	58,069		28,413,931
Electric, Water, Sewer, and Stormwater Lines	36,593,561	627,077	(185,164)	37,035,474
Furniture and Equipment	906,425	19,071	(92,986)	832,510
Vehicles	2,033,735	67,406	(73,901)	2,027,240
Total Depreciable Capital Assets	<u>68,125,682</u>	<u>771,623</u>	<u>(352,051)</u>	<u>68,545,254</u>
<b>Less Accumulated Depreciation for:</b>				
Land Improvements	(36,906)	(11,308)		(48,214)
Buildings	(16,115,890)	(509,775)		(16,625,665)
Electric, Water, Sewer, and Stormwater Lines	(15,316,211)	(1,003,199)	185,164	(16,134,246)
Furniture and Equipment	(541,601)	(53,335)	73,072	(521,864)
Vehicles	(1,408,777)	(100,869)	73,201	(1,436,445)
Total Accumulated Depreciation	<u>(33,419,385)</u>	<u>(1,678,486)</u>	<u>331,437</u>	<u>(34,766,434)</u>
Total Depreciable Capital Assets, Net	<u>34,706,297</u>	<u>(906,863)</u>	<u>(20,614)</u>	<u>33,778,820</u>
Business-Type Activities Capital Assets, Net	<u>\$35,118,808</u>	<u>(\$ 903,504)</u>	<u>(\$49,238)</u>	<u>\$34,166,066</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
Security of Persons and Property	\$124,100
Leisure Time Activities	122,859
Community Environment	2,619
Basic Utility Services	8,421
Transportation	407,399
General Government	18,453
Total Depreciation Expense - Governmental Activities	<u>\$683,851</u>

**12. INTERFUND RECEIVABLES/PAYABLES**

At December 31, 2012, the General Fund had an interfund receivable, in the amount of \$131,858; \$89,800 from providing cash flow resources to other governmental funds and \$42,058 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 \$24,814 for services provided by the Electric enterprise fund, in the amount of \$168 to other governmental funds, in the amount of \$13,935 to the Water enterprise fund, and in the amount of \$10,711 to the Sewer enterprise fund. The entire amount is expected to be repaid within one year.

The Water enterprise fund had an interfund receivable, in the amount of \$43, from other governmental funds for services provided by the Water enterprise fund. This amount will be repaid within one year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**13. RISK MANAGEMENT**

**A. Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2012, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	\$51,132,732	\$1,000
Electronic Data Processing	213,394	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	

There has been no significant reduction in insurance coverage from 2011, 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 in the last three years; 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, 2012, 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 2011 and 2012 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2011	\$125,267	\$1,019,363	(\$1,024,690)	\$119,940
2012	119,940	1,059,609	(917,658)	261,891

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. RISK MANAGEMENT (Continued)**

**C. Workers' Compensation**

For 2012, the City participated in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

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

**14. SIGNIFICANT CONTRACTUAL COMMITMENTS**

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2012:

<u>Vendor</u>	<u>Outstanding Balance</u>
Reed City Power Line Supply Company	\$ 77,532
Vaughn Industries, LLC	25,269
Solomon Corporation	33,300
Utility Truck Equipment, Inc.	199,850
Duro Last Roofing, Inc.	29,919
Shinn Bros., Inc.	1,099,547

**15. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

**Plan Description** - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**15. DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2012, members in state and local classifications contributed 10 percent of covered payroll. For 2012, member and employer contribution rates were consistent across all three plans.

The City's 2012 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 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. 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, 2012, 2011, and 2010 was \$337,211, \$340,102, and \$322,622, respectively. For 2012, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$1,699 made by the City and \$1,214 made by the plan members.

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

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a 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 or by visiting the website at [www.op-f.org](http://www.op-f.org).

**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 2012, 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 \$112,890 and \$160,522 for the year ended December 31, 2012, \$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. For 2012, 73 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 2011 and 2010.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**16. 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.

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 2012, 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 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 for 2012. Effective January 1, 2013, the portion of the employer contribution allocated to health care was lowered to 1 percent for both plans as recommended by the OPERS actuary.

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, 2012, 2011, and 2010, was \$135,564, \$136,041, and \$183,925, respectively. For 2012, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2011 and 2010.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. POSTEMPLOYMENT BENEFITS (Continued)**

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

**B. Police and Fire Pension Fund**

**Plan Description** - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined postemployment health care 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.

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 or by visiting the OPF website at [www.op-f.org](http://www.op-f.org).

**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 health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care 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).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. POSTEMPLOYMENT BENEFITS (Continued)**

The OPF Board of Trustees is also authorized to establish requirements for contributions to the health care 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 \$59,766 and \$62,813 for the year ended December 31, 2012, \$58,042 and \$59,574 for the year ended December 31, 2011, and \$57,990 and \$60,082 for the year ended December 31, 2010. For 2012, 73 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 2011 and 2010.

**17. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

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

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FOR THE YEAR ENDED DECEMBER 31, 2012  
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**18. LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2012, was as follows:

	<b>Interest Rate</b>	<b>Balance 1/1/2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2012</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>						
Revenue Anticipation Notes						
West Bank Walkway	3.49%	\$ 1,100,000		\$1,100,000		
West Bank Walkway	2.84		\$1,050,000		\$ 1,050,000	\$ 50,000
Total Revenue Anticipation Notes		<u>1,100,000</u>	<u>1,050,000</u>	<u>1,100,000</u>	<u>1,050,000</u>	<u>50,000</u>
Bond Anticipation Notes						
Street Improvement	1.85%	1,350,000		1,350,000		
Street Improvement	1.1		1,350,000	424,000	926,000	926,000
Total Bond Anticipation Notes		<u>1,350,000</u>	<u>1,350,000</u>	<u>1,774,000</u>	<u>926,000</u>	<u>926,000</u>
<b>General Obligation Bonds:</b>						
2010 Rural Development Refunding	6.75	273,070		122,113	150,957	17,467
2010 Various Purpose	2 - 4	2,610,000		245,000	2,365,000	255,000
Total General Obligation Bonds		<u>2,883,070</u>		<u>367,113</u>	<u>2,515,957</u>	<u>272,467</u>
Other Long-Term Obligations						
OPWC Loan Payable	0	137,465		6,873	130,592	6,873
Capital Leases Payable		508,735		77,566	431,169	79,845
Compensated Absences Payable		411,656	52,640	1,580	462,716	128,646
Total Other Long-Term Obligations		<u>1,057,856</u>	<u>52,640</u>	<u>86,019</u>	<u>1,024,477</u>	<u>215,364</u>
Total Governmental Activities		<u>6,390,926</u>	<u>2,452,640</u>	<u>3,327,132</u>	<u>5,516,434</u>	<u>1,463,831</u>
<b>Business-Type Activities:</b>						
General Obligation Bonds						
2004 Electric Improvement	2 - 4.25%	450,000		450,000		
Premium		6,193		6,193		
2005 Waterworks Refunding	3 - 5	370,000		115,000	255,000	125,000
Premium		10,011		3,112	6,899	
2005 Wastewater Refunding	3 - 5	850,000		105,000	745,000	110,000
Premium		36,111		4,461	31,650	
2010 Various Purpose	2 - 4	470,000		15,000	455,000	30,000
Total General Obligation Bonds		<u>2,192,315</u>		<u>698,766</u>	<u>1,493,549</u>	<u>265,000</u>
Mortgage Revenue Bonds						
2011 Wastewater Refunding	2-3.4	3,140,000		335,000	2,805,000	330,000
<b>Other Long-Term Obligations:</b>						
OPWC Loan Payable	0	326,188		24,162	302,026	24,162
OWDA Loans Payable	3.25-4.99	5,802,533		254,675	5,547,858	269,285
AMP-Ohio Payable		2,416,031		183,239	2,232,792	199,897
Compensated Absences Payable		202,726	11,211	6,805	207,132	62,206
Total Other Long-Term Obligations		<u>8,747,478</u>	<u>11,211</u>	<u>468,881</u>	<u>8,289,808</u>	<u>555,550</u>
Total Business-Type Activities		<u>\$14,079,793</u>	<u>\$ 11,211</u>	<u>\$1,502,647</u>	<u>\$12,588,357</u>	<u>\$1,150,550</u>

**A. Revenue Anticipation Notes**

The City issued revenue anticipation notes in 2012, in the amount of \$1,050,000, 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, 2012, all proceeds were spent. The notes matured on February 6, 2013.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**18. LONG-TERM OBLIGATIONS (Continued)**

**B. Bond Anticipation Notes**

The City issued bond anticipation notes in 2012, 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 levy of taxes on all property levied by the City unless paid from other sources. As of December 31, 2012, all proceeds were spent. During 2012, a portion of these notes, in the amount of \$424,000, was paid. The notes matured on May 24, 2013.

**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.

In 2010, the City issued general obligation bonds, in the original amount of \$2,830,000, to retire bond anticipation notes issued for recreational, street, water, sewer, and stormwater 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 Stormwater 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.

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MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**18. LONG-TERM OBLIGATIONS (Continued)**

**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. Capital Leases Payable**

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

**F. 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 were retired in 2012. The bonds were 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:

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**18. LONG-TERM OBLIGATIONS (Continued)**

<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.

**G. 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 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, 2012, proceeds, in the amount of \$1,238,604, 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 position. 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, 2012:

	<u>Restricted Assets Wastewater Refunding</u>
<b>Restricted Assets held by the City for:</b>	
Revenue Bond Operations and Maintenance	\$40,922
Revenue Bond Renewal and Replacement	319,171
<b>Restricted Assets held by Fiscal Agent for:</b>	
Revenue Bond Future Debt Service	309,173

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 2019 and 2020, 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>
2019	\$135,000
2020	135,000

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**18. LONG-TERM OBLIGATIONS (Continued)**

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:

<u>Year</u>	<u>Amount</u>
2021	\$140,000
2022	145,000

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 2023 and 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>
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 2025 and 2026, 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 \$2,805,000 and \$482,275 respectively. Principal and interest for the current year and total net revenues were \$403,976 and \$930,019, respectively.

**H. 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 \$302,026. Principal for the current year and total net revenues were \$24,162, and \$1,379,691, respectively.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**18. LONG-TERM OBLIGATIONS (Continued)**

**I. 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 \$5,547,858 and \$1,610,858, respectively. Principal and interest for the current year and total net revenues were \$436,321 and \$1,379,691, respectively.

**J. 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, 2012, 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 \$2,232,792 for the AMPGS project as of December 31, 2012.

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.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**18. LONG-TERM OBLIGATIONS (Continued)**

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 had reported an initial liability of \$2,416,031 related to the AMPGS project less any payments to date.

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 2011, and December 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, 2012, the City had paid \$183,239 on this obligation. The December 31, 2012 balance is \$2,232,792. The City intends to repay this liability over the next fourteen year period from the existing fund balance of the Electric enterprise fund.

**K. 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 \$13,958,730 at December 31, 2012.

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

<u>Year</u>	<b>Governmental Activities</b>		
	<b>General Obligation Bonds</b>		<b>OPWC Loan</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
2013	\$ 272,467	\$ 73,286	\$ 6,873
2014	253,683	66,970	6,873
2015	264,983	60,970	6,873
2016	271,356	54,697	6,874
2017	282,861	46,942	6,874
2018-2022	950,607	110,100	34,366
2023-2027	175,000	24,450	34,366
2028-2030	45,000	3,600	27,493
Total	\$2,515,957	\$441,015	\$130,592

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**18. LONG-TERM OBLIGATIONS (Continued)**

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

<b>Business-Type Activities</b>				
<b>Year</b>	<b>Waterworks Refunding General Obligation Bonds</b>		<b>Wastewater Refunding General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	2013	\$125,000	\$ 9,888	\$110,000
2014	130,000	5,200	115,000	30,600
2015			125,000	26,000
2016			125,000	19,750
2017			130,000	13,500
2018-2020			140,000	7,000
	<u>\$255,000</u>	<u>\$15,088</u>	<u>\$745,000</u>	<u>\$131,575</u>

<b>Year</b>	<b>2010 Various Purpose General Obligation Bonds</b>		<b>Wastewater Refunding Mortgage Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	30,000	11,600	130,000	40,445
2018-2022	155,000	51,750	685,000	158,100
2023-2027	100,000	21,900	630,000	53,250
2028	50,000	3,000		
	<u>\$455,000</u>	<u>\$141,250</u>	<u>\$2,805,000</u>	<u>\$482,275</u>

<b>Year</b>	<b>OPWC Loan</b>	<b>OWDA Loans</b>	
	<b>Principal</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 24,162	\$ 269,285	\$ 178,135
2014	24,162	278,108	169,312
2015	24,162	287,219	160,200
2016	24,162	296,630	150,790
2017	24,162	306,349	141,071
2018-2022	120,810	1,689,043	548,056
2023-2027	60,406	1,984,478	252,620
2028		436,746	10,674
	<u>\$302,026</u>	<u>\$5,547,858</u>	<u>\$1,610,858</u>

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**19. CAPITAL LEASES - LESSEE DISCLOSURE**

The City has entered into a capital lease for a vehicle. During 2012, the City paid principal, in the amount of \$77,566.

	<b>Governmental Activities</b>
Vehicle	\$908,735
Less Accumulated Depreciation	(36,349)
Carrying Value, December 31, 2012	\$872,386

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, 2012.

<b>Year</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
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
	\$431,169	\$51,056

**20. 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.

<b>Fund Balance</b>	<b>General</b>	<b>Tax Increment Financing</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
<b>Non-spendable for:</b>				
Prepaid Items	\$ 12,945			\$12,945
Materials and Supplies Inventory	22,597		\$69,547	92,144
Unclaimed Monies	14,238			14,238
Total Non-spendable	49,780		69,547	119,327
<b>Restricted for:</b>				
Street Construction and Maint.		\$551,106	270,381	821,487
Economic Development & Rehab.			274,173	274,173
Police and Fire Operations			5,961	5,961
Drug Enforcement			3,197	3,197
Court Operations			321,332	321,332
Recreation			20,375	20,375
Debt Retirement			32,607	32,607
Total Restricted		551,106	928,026	1,479,132
<b>Committed for:</b>				
Recreation			20,072	20,072
Street Construction & Maint.			400,000	400,000
Total Committed			420,072	420,072

(Continued)

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**20. FUND BALANCE (Continued)**

<u>Fund Balance</u>	<u>General</u>	<u>Tax Increment Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assigned for:</b>				
Debt Retirement			8	8
Unpaid Obligations	37,660			37,660
Total Assigned	<u>37,660</u>			<u>37,660</u>
Unassigned (Deficit)	3,138,432		(626,541)	2,511,891
Total Fund Balance	<u>\$3,225,872</u>	<u>\$551,106</u>	<u>\$791,112</u>	<u>\$4,568,090</u>

**21. INTERFUND TRANSFERS**

During 2012, the General Fund made transfers to the other governmental funds and the Tax Increment Financing Fund, in the amount of \$1,277,671 and \$6,873, 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 \$18,450, to provide additional funds for capital projects.

Other governmental funds made transfers, in the amount of \$424,000, to the Tax Increment Financing Fund capital projects fund as debt payments became due.

The Electric enterprise fund made transfers to the Tax Increment Financing Fund, in the amount of \$23,109, as debt payments became due.

The Stormwater enterprise fund made transfers to the Tax Increment Financing Fund, in the amount of \$101,314, as debt payments became due.

**22. JOINT VENTURE**

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

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

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**23. 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 in 2013 from the City of Celina for the benefit of a company. The Corporation adopts its own budget, authorizes expenditures, hires and fires staff, and currently relies on Mercer County to finance deficits. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

**B. Grand Lake/Mercer County Research Corporation**

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

**C. Mercer County Planning Commission**

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

**24. INSURANCE PURCHASING POOLS**

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

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

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**24. INSURANCE PURCHASING POOLS (Continued)**

**B. Ohio Government Risk Management Plan**

The City participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool consisting of various entities in the State of Ohio. The intent of the Plan is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. Membership in the Plan is by written application subject to the approval of the Plan Manager. Financial information may be obtained from the Ohio Government Risk Management Plan, 1505 Jefferson Avenue, Toledo, Ohio 43603.

**25. 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, 2012, to December 31, 2012, 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.

**26. SUBSEQUENT EVENTS**

On February 6, 2013, the City issued revenue anticipation notes, in the amount of \$1,000,000, 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 2.49 percent and mature on February 5, 2014.

On May 24, 2013, the City fully retired bond anticipation notes, in the amount of \$926,000, for the City's share of the Main Street Reconstruction project.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Celina, Mercer County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 17, 2013, wherein we noted the City implemented GASB statements 63 and 65.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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, opining 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*.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

September 17, 2013



# Dave Yost • Auditor of State

**CITY OF CELINA**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 10, 2013**