

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

***BASIC
FINANCIAL STATEMENTS***
(Audited)

For The Year Ended
December 31, 2003

MS. NANCY MYERS, AUDITOR



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
City of Greenville
100 Public Square, Room 200
Greenville, Ohio 45331

We have reviewed the Independent Auditor's Report of the City of Greenville, Darke County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Greenville is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 12, 2004

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CITY OF GREENVILLE, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Independent Auditor's Report

Members of Council and Mayor
City of Greenville
100 Public Square, Rm. 200
Greenville, Ohio 45331

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the City of Greenville, Darke County, Ohio, (the “City”), as of and for the year ended December 31, 2003, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Darke County, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general and street funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the year ended December 31, 2003. As disclosed in Note 2.I., the City increased its capitalization threshold for capital assets.

Members of Council and Mayor
City of Greenville

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Trimble, Julian & Grube, Inc.
August 27, 2004

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The discussion and analysis of the City of Greenville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. As stated in Note 2 to the basic financial statements, the financial information contained in this report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP-basis financial information will differ from cash basis information as maintained by City during the year.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the City decreased \$495,920. Net assets of governmental activities decreased \$517,718 or 3.31% from 2002 and net assets of business-type activities increased \$21,798 or 0.12% over 2002.
- General revenues accounted for \$6,748,707 of total governmental activities revenue. Program specific revenues accounted for \$2,200,732 or 24.59% of total governmental activities revenue.
- The City had \$9,415,557 in expenses related to governmental activities; \$2,200,732 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$7,214,825 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$6,748,707.
- The City has two major funds, the general fund and the street fund. The general fund had revenues of \$6,815,345 in 2003. This represents a decrease of \$211,392 from 2002 revenues. The expenditures of the general fund, which totaled \$7,807,994 in 2003, increased \$1,767,060 from 2002. The net decrease in fund balance for the general fund was \$2,121,970 or 44.11%.
- The street fund had revenues of \$618,066 in 2003. The street fund had expenditures of \$1,185,986 in 2003. The street fund had transfers in from the general fund of \$483,000 in 2003. The net decrease in fund balance for the street fund was \$84,920 or 25.66%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, Special Park, Swimming Pool and Parking enterprise funds, increased in 2003 by \$21,798. This increase in net assets was due primarily to capital contributions coupled with adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$182,133 lower than they were in the final budget and actual expenditures were \$1,591,863 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$46,625 from the original to the final budget due primarily to an increase in projected fines and forfeitures revenue as well as intergovernmental revenue. Budgeted expenditures increased \$1,262,399 from the original to the final budget due primarily to an increase in the cost of leisure time activity expenditures.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The statement of net assets and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net *assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, special park, swimming pool and parking operations are reported here.

The government-wide statement of net assets and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and street fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements (including budgetary statements) can be found on pages 20-25 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, special park, swimming pool and parking functions. The City's major enterprise funds are the water and sewer funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has no fiduciary funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-55 of this report.

Government-Wide Financial Analysis

This is the City's first year for government-wide financial statements using the full accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

The table below provides a summary of the City's net assets for 2003:

	Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 6,934,443	\$ 8,815,746	\$ 15,750,189
Capital assets, net	<u>13,747,835</u>	<u>12,576,536</u>	<u>26,324,371</u>
Total assets	<u>20,682,278</u>	<u>21,392,282</u>	<u>42,074,560</u>
<u>Liabilities</u>			
Current liabilities	1,691,768	71,104	1,762,872
Long-term liabilities	<u>3,887,081</u>	<u>2,777,985</u>	<u>6,665,066</u>
Total liabilities	<u>5,578,849</u>	<u>2,849,089</u>	<u>8,427,938</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	10,217,422	9,891,536	20,108,958
Restricted	1,132,913	-	1,132,913
Unrestricted	<u>3,753,094</u>	<u>8,651,657</u>	<u>12,404,751</u>
Total net assets	<u>\$ 15,103,429</u>	<u>\$ 18,543,193</u>	<u>\$ 33,646,622</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the City's assets exceeded liabilities by \$33,646,622. At year-end, net assets were \$15,103,429 and \$18,543,193 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 62.57% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, was \$10,217,422 and \$9,891,536 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$1,132,913, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,753,094 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	Change in Net Assets		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 878,459	\$ 2,375,910	\$ 3,254,369
Operating grants and contributions	1,322,273	-	1,322,273
Capital grants and contributions	<u>-</u>	<u>90,620</u>	<u>90,620</u>
Total program revenues	<u>2,200,732</u>	<u>2,466,530</u>	<u>4,667,262</u>
General revenues:			
Property taxes	1,497,242	-	1,497,242
Income taxes	3,936,483	-	3,936,483
Unrestricted grants and entitlements	1,221,806	-	1,221,806
Investment earnings	46,368	99,756	146,124
Miscellaneous	<u>46,808</u>	<u>30,021</u>	<u>76,829</u>
Total general revenues	<u>6,748,707</u>	<u>129,777</u>	<u>6,878,484</u>
Total revenues	<u>8,949,439</u>	<u>2,596,307</u>	<u>11,545,746</u>
Expenses:			
General government	2,144,196	-	2,144,196
Security of persons and property	3,515,345	-	3,515,345
Public health and welfare	33,140	-	33,140
Transportation	2,676,019	-	2,676,019
Community environment	146,619	-	146,619
Leisure time activity	582,819	-	582,819
Utility services	169,808	-	169,808
Interest and fiscal charges	147,611	-	147,611
Water	-	1,385,312	1,385,312
Sewer	-	1,119,361	1,119,361
Parking	-	21	21
Special park	-	4,005	4,005
Swimming pool	<u>-</u>	<u>117,410</u>	<u>117,410</u>
Total expenses	<u>9,415,557</u>	<u>2,626,109</u>	<u>12,041,666</u>
Decrease in net assets before transfers	(466,118)	(29,802)	(495,920)
Transfers	<u>(51,600)</u>	<u>51,600</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ (517,718)</u>	<u>\$ 21,798</u>	<u>\$ (495,920)</u>

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Governmental Activities

Governmental activities net assets decreased \$517,718 in 2003. This decrease is a result of increasing expenses and a slight decrease in municipal income taxes versus amounts reported in the prior year.

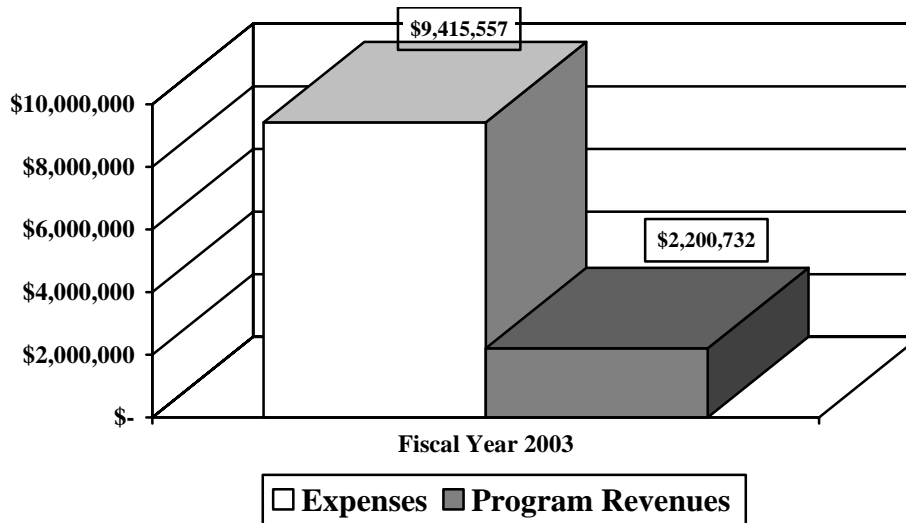
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$3,515,345 of the total expenses of the City. These expenses were partially funded by \$228,254 in direct charges to users of the services. Transportation expenses totaled \$2,676,019. Transportation expenses were partially funded by \$363,358 in direct charges to users of the services and \$1,031,980 in operating grants and contributions.

The state and federal government contributed to the City a total of \$1,322,273 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,031,980 subsidized transportation programs, \$145,158 subsidized community environment programs and \$75,732 subsidized general government programs, and \$69,403 subsidized all other programs during 2003.

General revenues totaled \$6,748,707, and amounted to 75.41% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$5,433,725. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,221,806. In August 2001, the State placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2002.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF GREENVILLE, OHIO

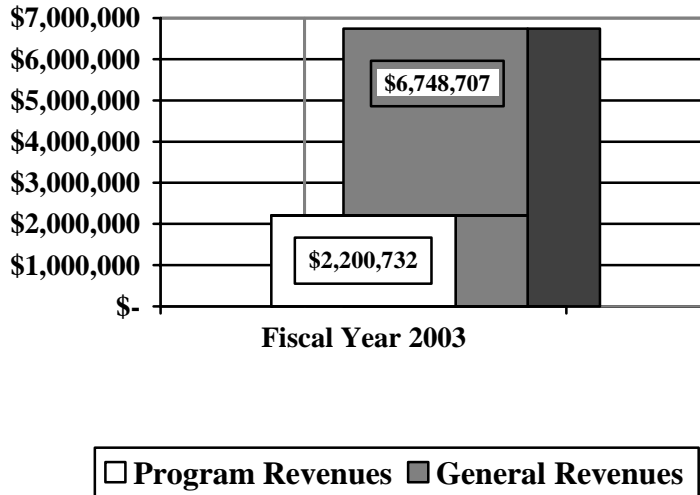
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program Expenses:		
General government	\$ 2,144,196	\$ 1,876,552
Security of persons and property	3,515,345	3,272,461
Public health and welfare	33,140	(9,900)
Transportation	2,676,019	1,280,681
Community environment	146,619	(16,043)
Leisure time activity	582,819	495,384
Utility services	169,808	169,808
Interest and fiscal charges	<u>147,611</u>	<u>145,882</u>
Total Expenses	<u>\$ 9,415,557</u>	<u>\$ 7,214,825</u>

The dependence upon general revenues for governmental activities is apparent, with 76.62% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues



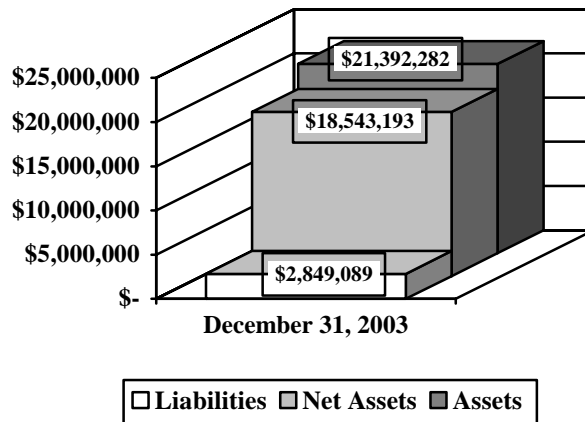
CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Business-Type Activities

Business-Type activities include the water, sewer, special park, swimming pool and parking enterprise funds. These programs had program revenues of \$2,466,530, general revenues of \$129,777, transfers in of \$51,600 and expenses of \$2,626,109 for 2003. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$3,832,621 which is \$2,273,983 lower than last year's total of \$6,106,604 (as restated). The December 31, 2002 fund balances have been restated as described in Note 3 to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2003 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/03</u>	Fund Balances <u>12/31/02</u>	<u>(Decrease)</u>
Major funds:			
General	\$ 2,688,753	\$ 4,810,723	\$ (2,121,970)
Street	246,047	330,967	(84,920)
Other nonmajor governmental funds	<u>897,821</u>	<u>964,914</u>	<u>(67,093)</u>
Total	<u>\$ 3,832,621</u>	<u>\$ 6,106,604</u>	<u>\$ (2,273,983)</u>

CITY OF GREENVILLE, OHIO

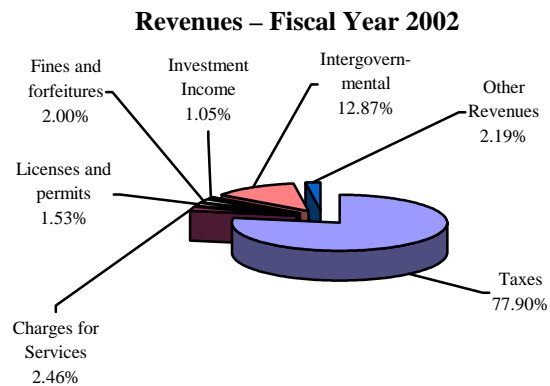
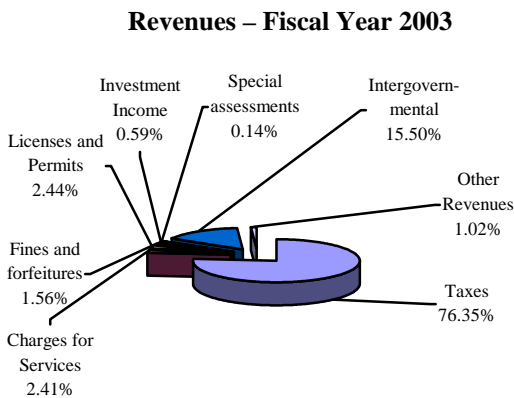
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

General Fund

The City's general fund balance decreased \$2,121,970, primarily due to transfers out to other funds in the amount of \$1,129,321. Certain 2002 amounts have been reclassified to conform to 2003 presentation. The table that follows assists in illustrating the revenues of the general fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,203,372	\$ 5,473,365	(4.93) %
Charges for services	164,004	172,959	(5.18) %
Licenses and permits	166,418	107,444	54.89 %
Fines and forfeitures	106,438	140,836	(24.42) %
Investment income	39,884	73,535	(45.76) %
Special assessments	9,594	-	100.00 %
Intergovernmental	1,056,140	904,501	16.76 %
Other	<u>69,495</u>	<u>154,097</u>	(54.90) %
Total	<u>\$ 6,815,345</u>	<u>\$ 7,026,737</u>	(3.01) %

Tax revenue represents 76.35% of all general fund revenue. Tax revenue decreased slightly by 4.93% from prior year. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. The increase licenses and permits and decrease in fines and forfeitures are due to a reclassification of income and an increase in the collections of licenses and permits. Intergovernmental revenue increased due to an increase in local government funds and other monies received from the State of Ohio. All other revenue remained comparable to 2002.



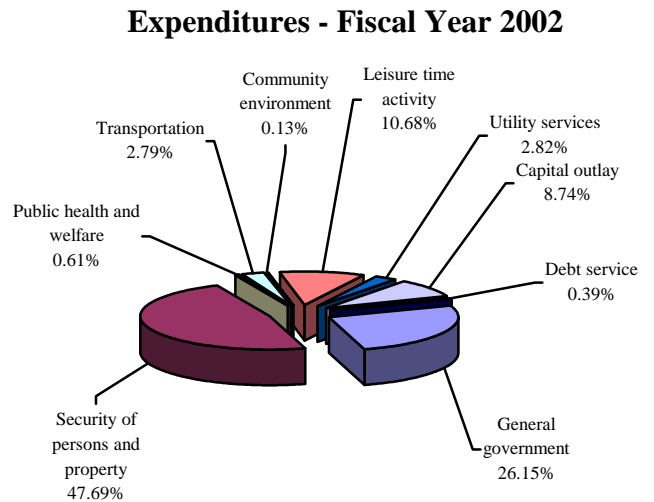
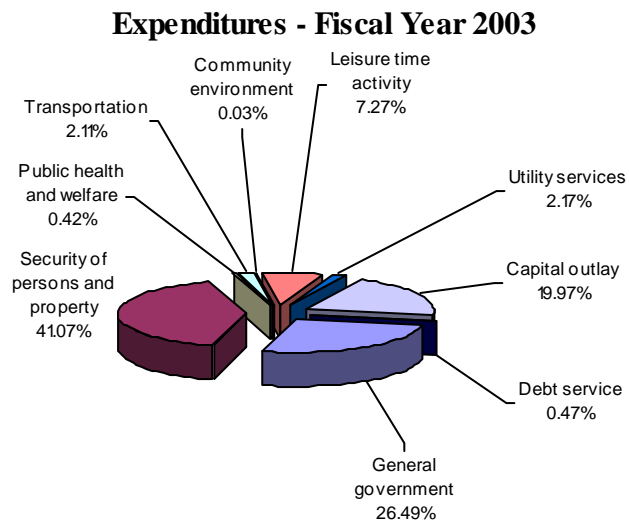
CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,068,304	\$ 1,579,970	30.91 %
Security of persons and property	3,206,318	2,881,125	11.29 %
Public health and welfare	33,140	36,558	(9.35) %
Transportation	165,019	168,769	(2.22) %
Community environment	2,074	7,912	(73.79) %
Leisure time activity	567,753	644,879	(11.96) %
Utility services	169,808	170,347	(0.32) %
Capital outlay	1,559,166	527,759	195.43 %
Debt service	<u>36,412</u>	<u>23,615</u>	54.19 %
Total	<u>\$ 7,807,994</u>	<u>\$ 6,040,934</u>	29.25 %

The most significant increase was in the area of capital outlay. This increase is primarily due to the completion of the fire department building addition. The increase in general government is primarily due to wage and benefit increases and overall cost increases in purchased goods and services. The decrease in leisure time activity is primarily due to the completion of park projects in 2002. The largest expenditure line item, security of persons and property, increased which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services. All other expenditures remained comparable to 2002.



CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Budgeting Highlights - General Fund

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund, the actual revenues came in \$182,133 lower than they were in the final budget and actual expenditures were \$1,591,863 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$46,625 from the original to the final budget due primarily to an increase in projected fines and forfeitures revenue. Budgeted expenditures increased \$1,262,399 from the original to the final budget due primarily to an increase in the cost of leisure time activity expenditures.

Street Maintenance and Repair Fund

The street maintenance and repair fund, a major governmental fund, had revenues of \$618,066 in 2003. This represents a decrease of \$48,160 from 2002 revenues. The expenditures of the street maintenance and repair fund, which totaled \$1,185,986 in 2003, increased \$127,562 from 2002. The net decrease in fund balance for the street maintenance and repair fund was \$84,920 or 25.66%.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements. Activity within the City's major funds are described below:

Water Fund

The Water fund, a major proprietary fund, had operating revenues of \$902,997 in 2003, a decrease of \$123,534 or 12.03% from 2002 revenues. The Water fund, had operating expenses of \$1,380,357 in 2003, an increase of \$58,715 or 4.44% from 2002. The increase in operating expenses, and the decrease in revenues, contributed to the Water fund balance decrease of \$395,825 from 2002 to 2003.

Sewer Fund

The Sewer fund, a major proprietary fund, had operating revenues of \$1,442,127 in 2003, an decrease of \$97,822 or 6.35% from 2002 revenues. The Sewer fund, had operating expenses of \$966,520 in 2003, an decrease of \$11,666 or 1.2% from 2002. The decrease in operating expenses and the decrease in revenues contributed to the Sewer fund balance increase of \$435,097 from 2002 to 2003.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

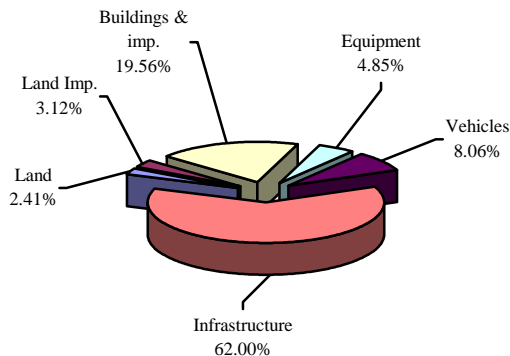
At the end of fiscal 2003, the City had \$26,324,371 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$13,747,835 was reported in governmental activities and \$12,576,536 was reported in business-type activities. The following table shows fiscal 2003 balances compared to 2002:

**Capital Assets at December 31
(Net of Depreciation)**

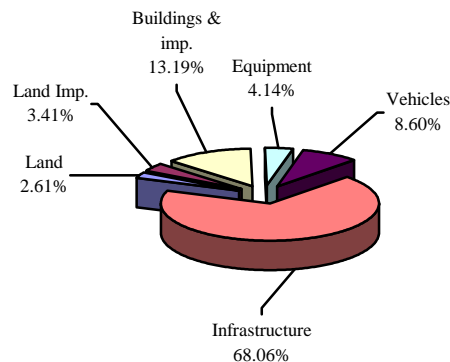
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 331,686	\$ 331,686	\$ 855,972	\$ 855,972	\$ 1,187,658	\$ 1,187,658
Land improvements	429,488	434,168	50,823	58,642	480,311	492,810
Buildings and improvements	2,688,773	1,679,073	5,430,366	5,612,199	8,119,139	7,291,272
Equipment	666,222	526,491	1,188,688	1,336,553	1,854,910	1,863,044
Vehicles	1,107,951	1,095,007	37,569	47,353	1,145,520	1,142,360
Infrastructure	<u>8,523,715</u>	<u>8,665,731</u>	<u>5,013,118</u>	<u>4,907,207</u>	<u>13,536,833</u>	<u>13,572,938</u>
Totals	<u>\$ 13,747,835</u>	<u>\$ 12,732,156</u>	<u>\$12,576,536</u>	<u>\$12,817,926</u>	<u>\$26,324,371</u>	<u>\$25,550,082</u>

The following graphs show the breakdown of governmental capital assets by category for 2003 and 2002.

Capital Assets - Governmental Activities 2003



Capital Assets - Governmental Activities 2002

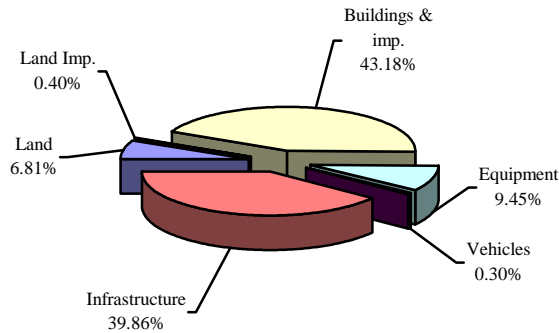


The City's largest capital asset category is infrastructure which includes streets, bridges and storm sewer lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 62% of the City's total governmental capital assets.

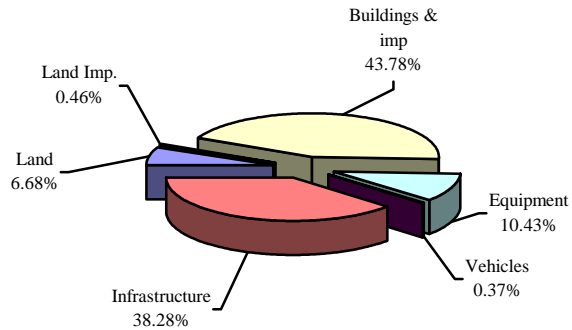
CITY OF GREENVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

The following graphs show the breakdown of business-type capital assets by category for 2003 and 2002.

Capital Assets - Business-Type Activities 2003



Capital Assets - Business-Type Activities 2002



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 39.86% of the City's total business-type capital assets.

See Note 9 to the basic financial statements for more detail on the City's capital assets.

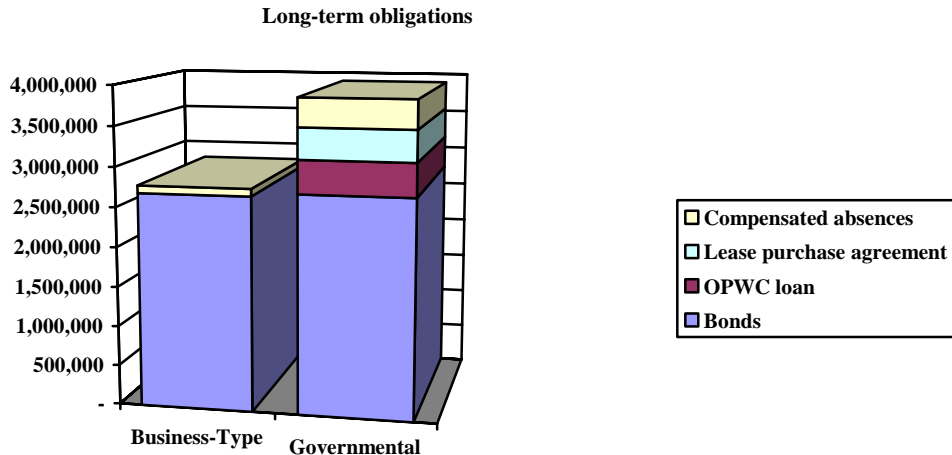
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2003 and 2002:

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
General obligation bonds	\$2,730,000	\$2,855,000
OPWC loan	413,213	436,825
Lease purchase agreement	387,200	400,000
Compensated absences	<u>356,668</u>	<u>551,147</u>
Total long-term obligations	<u><u>\$3,887,081</u></u>	<u><u>\$4,242,972</u></u>
	Business-Type Activities	
	<u>2003</u>	<u>2002</u>
Revenue bonds	\$2,685,000	\$2,835,000
Compensated absences	<u>92,985</u>	<u>116,515</u>
Total long-term obligations	<u><u>\$2,777,985</u></u>	<u><u>\$2,951,515</u></u>

CITY OF GREENVILLE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

A comparison of the long-term obligations by category is depicted in the chart below.



See Note 10 to the basic financial statements for more detail on the City's long-term debt obligations.

Economic Conditions and Outlook

The City, a statutory government, operates under the Council-Mayor form of government. The City is uniquely located in the center of Darke County and is 35 miles northwest of the I-70/I-75 interchange. Four state highways and two federal highways transect the community thus making the City an easily accessible community.

Unlike many communities our size, our downtown is a thriving area. The occupancy rate of downtown buildings hover at the 100% rate. The City participates with business owners, property owners, and Downtown Greenville, Inc. in an active pursuit to maintain a high quality downtown. The City actively pursues state and federal grants for a variety of programs. The City currently is participating in the Community Development Block Grant Formula Program, Community Housing Improvement Program, Clean Ohio Trails Fund and Recreation Trails Program. The Fire Department has also been successful in obtaining several FEMA and Public Safety Grants.

In a recent survey, Greenville's utility rates are considered to be one of the lowest in the Dayton area. The survey revealed water rates were the second lowest among the seventy area communities surveyed and sewer rates were sixteenth lowest. In 1987 water rates were reduced and sewer rates were last increased in 1993. The City is currently undergoing a utility rate review. Like most local government entities in the State of Ohio, the City is experiencing a decline in general fund revenue due to a decrease in local government funding, interest earnings and the most dramatic effect was the closing of the Corning facility. This closing effects the City's income tax revenue along with other various taxes received. The City has maintained an income tax rate of 1% since 1976. No credit is currently given for payment of taxes to other municipalities. City Council is considering granting a 100% credit for payment of taxes to other communities. This is in conjunction with a November ballot issue to increase the income tax rate to 1 ½% for operating expenses and a five year ¼% for capital expenditures. This will allow the implementation of a capital project plan to make improvements to the City's infrastructure.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Nancy Myers, Auditor, City of Greenville, 100 Public Square, Greenville, Ohio 45331.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF GREENVILLE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,629,835	\$ 7,891,947	\$ 11,521,782
Cash in segregated accounts	41,871	-	41,871
Receivables (net of allowances for uncollectibles):			
Income taxes	821,378	-	821,378
Real and other taxes	1,466,759	-	1,466,759
Accounts	89,692	496,275	585,967
Accrued interest	5,073	15,258	20,331
Special assessments	6,273	-	6,273
Intergovernmental	641,282	-	641,282
Internal balances	8,445	(8,445)	-
Prepayments	152,573	29,362	181,935
Materials and supplies inventory.	71,262	103,141	174,403
Restricted assets:			
Cash with fiscal and escrow agent	-	288,208	288,208
Capital assets:			
Land	331,686	855,972	1,187,658
Depreciable capital assets, net	13,416,149	11,720,564	25,136,713
Total capital assets.	13,747,835	12,576,536	26,324,371
 Total assets.	 20,682,278	 21,392,282	 42,074,560
 Liabilities:			
Accounts payable.	232,294	21,475	253,769
Retainage payable	41,871	-	41,871
Accrued wages and benefits	71,259	15,555	86,814
Due to other governments	32,625	10,450	43,075
Pension obligation payable.	137,485	-	137,485
Deferred revenue.	1,145,362	-	1,145,362
Accrued interest payable.	13,321	23,624	36,945
Claims payable.	17,551	-	17,551
Long-term liabilities:			
Due within one year	229,933	158,699	388,632
Due in more than one year	3,657,148	2,619,286	6,276,434
 Total liabilities	 5,578,849	 2,849,089	 8,427,938
 Net assets:			
Invested in capital assets, net of related debt	10,217,422	9,891,536	20,108,958
Restricted for:			
Debt service	231,206	-	231,206
Transportation projects	835,810	-	835,810
Other purposes	65,897	-	65,897
Unrestricted.	3,753,094	8,651,657	12,404,751
 Total net assets	 \$ 15,103,429	 \$ 18,543,193	 \$ 33,646,622

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 2,144,196	\$ 191,912	\$ 75,732	\$ -
Security of persons and property.	3,515,345	228,254	14,630	-
Public health and welfare	33,140	8,976	34,064	-
Transportation	2,676,019	363,358	1,031,980	-
Community environment.	146,619	17,504	145,158	-
Leisure time activity.	582,819	68,455	18,980	-
Utility services	169,808	-	-	-
Interest and fiscal charges.	147,611	-	1,729	-
Total governmental activities	9,415,557	878,459	1,322,273	-
Business-Type Activities:				
Water	1,385,312	897,488	-	44,992
Sewer	1,119,361	1,419,070	-	45,628
Nonmajor:				
Parking	21	2,985	-	-
Special park	4,005	3,776	-	-
Swimming pool	117,410	52,591	-	-
Total business-type activities	2,626,109	2,375,910	-	90,620
Total primary government.	\$ 12,041,666	\$ 3,254,369	\$ 1,322,273	\$ 90,620

General Revenues:

Property taxes levied for:

- General purposes.
 - Police and Fire pension
- Income taxes levied for:
- General purposes.
- Grants and entitlements not restricted to specific programs
 - Investment earnings
 - Miscellaneous

Total general revenues.

Transfers.

Change in net assets.

Net assets at beginning of year (restated)

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,876,552)	\$ -	\$ (1,876,552)
(3,272,461)	-	(3,272,461)
9,900	-	9,900
(1,280,681)	-	(1,280,681)
16,043	-	16,043
(495,384)	-	(495,384)
(169,808)	-	(169,808)
(145,882)	-	(145,882)
<u>(7,214,825)</u>	<u>-</u>	<u>(7,214,825)</u>
-	(442,832)	(442,832)
-	345,337	345,337
-	2,964	2,964
-	(229)	(229)
-	(64,819)	(64,819)
<u>-</u>	<u>(159,579)</u>	<u>(159,579)</u>
<u>(7,214,825)</u>	<u>(159,579)</u>	<u>(7,374,404)</u>
1,353,772	-	1,353,772
143,470	-	143,470
3,936,483	-	3,936,483
1,221,806	-	1,221,806
46,368	99,756	146,124
46,808	30,021	76,829
<u>6,748,707</u>	<u>129,777</u>	<u>6,878,484</u>
<u>(51,600)</u>	<u>51,600</u>	<u>-</u>
(517,718)	21,798	(495,920)
<u>15,621,147</u>	<u>18,521,395</u>	<u>34,142,542</u>
<u>\$ 15,103,429</u>	<u>\$ 18,543,193</u>	<u>\$ 33,646,622</u>

CITY OF GREENVILLE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,075,798	\$ 112,068	\$ 873,769	\$ 3,061,635
Cash in segregated accounts	41,871	-	-	41,871
Receivables (net of allowance for uncollectibles):				
Income taxes.	821,378	-	-	821,378
Real and other taxes.	1,320,121	-	146,638	1,466,759
Accounts	76,932	-	12,760	89,692
Intergovernmental	382,170	229,990	29,122	641,282
Accrued interest	3,592	213	353	4,158
Special assessments.	6,273	-	-	6,273
Prepayments.	136,261	16,218	94	152,573
Materials and supplies inventory	18,401	52,861	-	71,262
Total assets	<u>\$ 4,882,797</u>	<u>\$ 411,350</u>	<u>\$ 1,062,736</u>	<u>\$ 6,356,883</u>
Liabilities:				
Accounts payable	\$ 228,409	\$ 3,885	\$ -	\$ 232,294
Retainage payable.	41,871	-	-	41,871
Accrued wages and benefits.	62,075	8,711	473	71,259
Due to other governments.	32,625	-	-	32,625
Pension obligation payable	23,328	6,012	394	29,734
Deferred revenue	1,805,736	146,695	164,048	2,116,479
Total liabilities	<u>2,194,044</u>	<u>165,303</u>	<u>164,915</u>	<u>2,524,262</u>
Fund Balances:				
Reserved for encumbrances.	497,096	1,638	61,241	559,975
Reserved for prepayments	136,261	16,218	94	152,573
Reserved for materials and supplies inventory	18,401	52,861	-	71,262
Reserved for principal endowment.	-	-	76,980	76,980
Reserved for debt service.	-	-	244,527	244,527
Unreserved, undesignated, reported in:				
General fund.	2,036,995	-	-	2,036,995
Special revenue funds.	-	175,330	514,979	690,309
Total fund balances	<u>2,688,753</u>	<u>246,047</u>	<u>897,821</u>	<u>3,832,621</u>
Total liabilities and fund balances.	<u>\$ 4,882,797</u>	<u>\$ 411,350</u>	<u>\$ 1,062,736</u>	<u>\$ 6,356,883</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total governmental fund balances \$ 3,832,621

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds. 13,747,835

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

Property taxes	\$ 43,891
Income taxes	260,123
Special assessments	5,178
Intergovernmental revenues	659,414
Accrued interest	<u>2,511</u>

Total 971,117

An internal service fund is used by management to charge the cost of the health insurance to individual funds.

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net assets of the internal service funds, including internal balances of \$8,445, are: 560,009

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:

Compensated absences	356,668
Accrued interest payable	13,321
Lease purchase agreement	387,200
Pension obligation payable	107,751
OPWC loan payable	413,213
General obligation bonds	<u>2,730,000</u>

(4,008,153)

Net assets of governmental activities \$ 15,103,429

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:				
Municipal income taxes	\$ 3,893,491	\$ -	\$ -	\$ 3,893,491
Property and other taxes	1,309,881	-	143,470	1,453,351
Charges for services	164,004	162,954	203,508	530,466
Licenses and permits	166,418	-	-	166,418
Fines and forfeitures	106,438	-	1,105	107,543
Intergovernmental	1,056,140	451,005	825,442	2,332,587
Special assessments	9,594	-	1,729	11,323
Investment income	39,884	3,090	1,075	44,049
Donations	59,260	-	18,980	78,240
Other	10,235	1,017	28,174	39,426
Total revenues	<u>6,815,345</u>	<u>618,066</u>	<u>1,223,483</u>	<u>8,656,894</u>
Expenditures:				
Current:				
General government	2,068,304	-	-	2,068,304
Security of persons and property	3,206,318	-	452,436	3,658,754
Public health and welfare	33,140	-	-	33,140
Transportation	165,019	1,000,702	627,659	1,793,380
Community environment	2,074	-	144,545	146,619
Leisure time activity	567,753	-	-	567,753
Utility services	169,808	-	-	169,808
Capital outlay	1,559,166	185,284	387,527	2,131,977
Debt service:				
Principal retirement	36,412	-	125,000	161,412
Interest and fiscal charges	-	-	148,130	148,130
Total expenditures	<u>7,807,994</u>	<u>1,185,986</u>	<u>1,885,297</u>	<u>10,879,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(992,649)</u>	<u>(567,920)</u>	<u>(661,814)</u>	<u>(2,222,383)</u>
Other financing sources (uses):				
Transfers in	-	483,000	594,721	1,077,721
Transfers out	<u>(1,129,321)</u>	<u>-</u>	<u>-</u>	<u>(1,129,321)</u>
Total other financing sources (uses)	<u>(1,129,321)</u>	<u>483,000</u>	<u>594,721</u>	<u>(51,600)</u>
Net change in fund balances	(2,121,970)	(84,920)	(67,093)	(2,273,983)
Fund balances at beginning of year (restated).	4,810,723	330,967	964,914	6,106,604
Fund balances at end of year.	<u>\$ 2,688,753</u>	<u>\$ 246,047</u>	<u>\$ 897,821</u>	<u>\$ 3,832,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net change in fund balances - total governmental funds \$ (2,273,983)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,831,561) exceeded depreciation expense (\$792,728) in the current period.	1,038,833
Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(23,154)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	285,162
Repayment of bond, loans and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	161,412
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	519
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	324,044
An internal service fund is used by management to charge the costs of health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balances of \$8,445, is allocated among the governmental activities.	(30,551)

Change in net assets of governmental activities \$ (517,718)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 3,811,000	\$ 3,744,414	\$ 3,949,828	\$ 205,414
Property and other taxes	1,362,067	1,279,379	1,289,841	10,462
Charges for services	776,250	301,595	171,125	(130,470)
Licenses and permits	213,300	185,433	91,579	(93,854)
Fines and forfeitures	-	149,295	106,438	(42,857)
Intergovernmental	614,833	1,183,798	1,046,584	(137,214)
Special assessments	15,035	8,950	9,594	644
Investment income	-	41,503	44,488	2,985
Donations	59,260	59,260	59,260	-
Other	67,980	12,723	15,480	2,757
Total revenues	<u>6,919,725</u>	<u>6,966,350</u>	<u>6,784,217</u>	<u>(182,133)</u>
Expenditures:				
Current:				
General government	2,302,555	2,530,942	2,102,135	428,807
Security of persons and property	3,778,642	3,863,993	3,452,810	411,183
Public health and welfare	39,674	38,379	36,013	2,366
Transportation	197,404	190,960	179,187	11,773
Community environment	6,438	6,228	5,844	384
Leisure time activity	207,462	1,233,588	625,305	608,283
Utility services	201,795	195,208	183,173	12,035
Capital outlay	1,899,692	1,837,686	1,724,387	113,299
Debt service:				
Principal retirement	28,268	27,345	23,612	3,733
Total expenditures	<u>8,661,930</u>	<u>9,924,329</u>	<u>8,332,466</u>	<u>1,591,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,742,205)</u>	<u>(2,957,979)</u>	<u>(1,548,249)</u>	<u>1,409,730</u>
Other financing sources (uses):				
Operating transfers out	<u>(1,002,349)</u>	<u>(1,129,321)</u>	<u>(1,129,321)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,002,349)</u>	<u>(1,129,321)</u>	<u>(1,129,321)</u>	<u>-</u>
Net change in fund balance	(2,744,554)	(4,087,300)	(2,677,570)	1,409,730
Fund balance at beginning of year (restated) . .	2,565,011	2,565,011	2,565,011	-
Prior year encumbrances appropriated	<u>1,552,058</u>	<u>1,552,058</u>	<u>1,552,058</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,372,515</u>	<u>\$ 29,769</u>	<u>\$ 1,439,499</u>	<u>\$ 1,409,730</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 164,822	\$ 162,450	\$ 165,859	\$ 3,409
Intergovernmental	419,178	404,583	430,193	25,610
Investment income	25,000	3,161	3,323	162
Other	-	967	1,017	50
Total revenues.	<u>609,000</u>	<u>571,161</u>	<u>600,392</u>	<u>29,231</u>
Expenditures:				
Current:				
Transportation	1,115,467	1,206,309	1,111,882	94,427
Capital outlay.	<u>104,708</u>	<u>98,091</u>	<u>185,875</u>	<u>(87,784)</u>
Total expenditures	<u>1,220,175</u>	<u>1,304,400</u>	<u>1,297,757</u>	<u>6,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(611,175)</u>	<u>(733,239)</u>	<u>(697,365)</u>	<u>35,874</u>
Other financing sources (uses):				
Operating transfers in.	<u>430,000</u>	<u>484,064</u>	<u>483,000</u>	<u>(1,064)</u>
Total other financing sources (uses)	<u>430,000</u>	<u>484,064</u>	<u>483,000</u>	<u>(1,064)</u>
Net change in fund balance	(181,175)	(249,175)	(214,365)	34,810
Fund balance at beginning of year	235,702	235,702	235,702	-
Prior year encumbrances appropriated	<u>87,252</u>	<u>87,252</u>	<u>87,252</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 141,779</u>	<u>\$ 73,779</u>	<u>\$ 108,589</u>	<u>\$ 34,810</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2003

	Business-Type Activities -Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Other Enterprise	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 2,870,089	\$ 4,995,251	\$ 26,607	\$ 7,891,947	\$ 568,200
Receivables (net of allowance for uncollectibles):					
Accounts	179,722	315,477	1,076	496,275	-
Accrued interest	6,517	8,741	-	15,258	915
Prepayments.	16,556	12,243	563	29,362	-
Materials and supplies inventory	64,575	38,566	-	103,141	-
Restricted assets:					
Cash with fiscal and escrow agent	-	288,208	-	288,208	-
Total current assets	<u>3,137,459</u>	<u>5,658,486</u>	<u>28,246</u>	<u>8,824,191</u>	<u>569,115</u>
Noncurrent assets:					
Capital assets:					
Land	291,353	50,700	513,919	855,972	-
Depreciable capital assets, net	7,451,507	4,185,754	83,303	11,720,564	-
Total capital assets	<u>7,742,860</u>	<u>4,236,454</u>	<u>597,222</u>	<u>12,576,536</u>	<u>-</u>
Total assets	<u>10,880,319</u>	<u>9,894,940</u>	<u>625,468</u>	<u>21,400,727</u>	<u>569,115</u>
Liabilities:					
Current liabilities:					
Accounts payable.	9,138	11,299	1,038	21,475	-
Accrued wages and benefits	10,063	5,165	327	15,555	-
Compensated absences	5,625	3,074	-	8,699	-
Due to other governments	6,843	3,607	-	10,450	-
Claims payable.	-	-	-	-	17,551
Current portion of revenue bonds	-	150,000	-	150,000	-
Accrued interest payable.	-	23,624	-	23,624	-
Total current liabilities	<u>31,669</u>	<u>196,769</u>	<u>1,365</u>	<u>229,803</u>	<u>17,551</u>
Long-term liabilities:					
Revenue bonds	-	2,535,000	-	2,535,000	-
Compensated absences	53,656	30,630	-	84,286	-
Total long-term liabilities	<u>53,656</u>	<u>2,565,630</u>	<u>-</u>	<u>2,619,286</u>	<u>-</u>
Total liabilities	<u>85,325</u>	<u>2,762,399</u>	<u>1,365</u>	<u>2,849,089</u>	<u>17,551</u>
Net assets:					
Invested in capital assets, net of related debt.	7,742,860	1,551,454	597,222	9,891,536	-
Unrestricted	3,052,134	5,581,087	26,881	8,660,102	551,564
Total net assets	<u>\$ 10,794,994</u>	<u>\$ 7,132,541</u>	<u>\$ 624,103</u>	<u>18,551,638</u>	<u>\$ 551,564</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(8,445)	
Net assets of business-type activities				<u>\$ 18,543,193</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Other Enterprise	Total	Activities - Internal Service Fund
Operating revenues:					
Charges for services	\$ 897,488	\$ 1,419,070	\$ 59,352	\$ 2,375,910	\$ 654,831
Other	5,509	23,057	1,455	30,021	4,379
Total operating revenues	<u>902,997</u>	<u>1,442,127</u>	<u>60,807</u>	<u>2,405,931</u>	<u>659,210</u>
Operating expenses:					
Personal services	668,951	376,333	54,262	1,099,546	-
Contract services	178,953	117,902	30,808	327,663	-
Materials and supplies	184,502	83,037	16,215	283,754	-
Utilities	96,088	135,608	10,622	242,318	-
Depreciation	251,863	253,640	9,529	515,032	-
Claims	-	-	-	-	705,588
Total operating expenses	<u>1,380,357</u>	<u>966,520</u>	<u>121,436</u>	<u>2,468,313</u>	<u>705,588</u>
Operating income (loss)	<u>(477,360)</u>	<u>475,607</u>	<u>(60,629)</u>	<u>(62,382)</u>	<u>(46,378)</u>
Nonoperating revenues (expenses):					
Interest revenue	36,543	63,213	-	99,756	7,382
Interest expense and fiscal charges	-	(125,301)	-	(125,301)	-
Total nonoperating revenues (expenses)	<u>36,543</u>	<u>(62,088)</u>	<u>-</u>	<u>(25,545)</u>	<u>7,382</u>
Income (loss) before contributions and transfers	(440,817)	413,519	(60,629)	(87,927)	(38,996)
Capital contributions	44,992	21,578	-	66,570	-
Transfers in	-	-	51,600	51,600	-
Changes in net assets	(395,825)	435,097	(9,029)	30,243	(38,996)
Net assets at beginning of year (restated)	<u>11,190,819</u>	<u>6,697,444</u>	<u>633,132</u>		<u>590,560</u>
Net assets at end of year	<u>\$ 10,794,994</u>	<u>\$ 7,132,541</u>	<u>\$ 624,103</u>		<u>\$ 551,564</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds				(8,445)	
Changes in net assets of business-type activities				<u>\$ 21,798</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Sewer	Enterprise	Total	Activities - Internal Service Fund
Cash flows from operating activities:					
Cash received from customers	\$ 910,498	\$ 1,426,396	\$ 58,276	\$ 2,395,170	\$ 654,879
Cash received from other operations	9,235	4,082	1,455	14,772	4,379
Cash payments for personal services	(704,081)	(391,470)	(58,269)	(1,153,820)	-
Cash payments for contract services	(181,356)	(131,373)	(25,770)	(338,499)	-
Cash payments for materials and supplies	(198,082)	(80,511)	(16,778)	(295,371)	-
Cash payments for utilities	(113,866)	(146,377)	(10,622)	(270,865)	-
Cash payments for claims	-	-	-	-	(732,088)
Net cash provided by (used in) operating activities.	<u>(277,652)</u>	<u>680,747</u>	<u>(51,708)</u>	<u>351,387</u>	<u>(72,830)</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	-	-	51,600	51,600	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>51,600</u>	<u>51,600</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Capital contributions	44,992	21,578	-	66,570	-
Acquisition of capital assets	(145,606)	(128,036)	-	(273,642)	-
Principal retirement on revenue bonds	-	(150,000)	-	(150,000)	-
Interest and fiscal charges	-	(114,141)	-	(114,141)	-
Net cash used in capital and related financing activities	<u>(100,614)</u>	<u>(370,599)</u>	<u>-</u>	<u>(471,213)</u>	<u>-</u>
Cash flows from investing activities:					
Interest received	39,874	56,382	-	96,256	6,577
Net cash provided by investing activities	<u>39,874</u>	<u>56,382</u>	<u>-</u>	<u>96,256</u>	<u>6,577</u>
Net increase (decrease) in cash and cash equivalents	(338,392)	366,530	(108)	28,030	(66,253)
Cash and cash equivalents at beginning of year	<u>3,208,481</u>	<u>4,628,721</u>	<u>26,715</u>	<u>7,863,917</u>	<u>634,453</u>
Cash and cash equivalents at end of year	<u>\$ 2,870,089</u>	<u>\$ 4,995,251</u>	<u>\$ 26,607</u>	<u>\$ 7,891,947</u>	<u>\$ 568,200</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (477,360)	\$ 475,607	\$ (60,629)	\$ (62,382)	\$ (46,378)
Adjustments:					
Depreciation	251,863	253,640	9,529	515,032	-
Changes in assets and liabilities:					
(Increase)/decrease in materials and supplies inventory	(995)	6,314	-	5,319	-
(Increase)/decrease in accounts receivable	16,736	(11,649)	(1,076)	4,011	48
(Increase) in prepayments	(16,053)	(3,279)	(563)	(19,895)	-
Increase/(decrease) in accounts payable	(16,713)	(23,712)	1,038	(39,387)	-
Increase in accrued wages and benefits	2,344	1,248	327	3,919	-
(Decrease) in claims payable	-	-	-	-	(26,500)
(Decrease) in due to other governments	(2,037)	(1,133)	(334)	(3,504)	-
(Decrease) in compensated absences payable	(14,565)	(8,964)	-	(23,529)	-
(Decrease) in accrued pensions	(20,872)	(7,325)	-	(28,197)	-
Net cash provided by (used in) operating activities	<u>\$ (277,652)</u>	<u>\$ 680,747</u>	<u>\$ (51,708)</u>	<u>\$ 351,387</u>	<u>\$ (72,830)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - DESCRIPTION OF THE CITY

The City of Greenville, Ohio (the "City"), was incorporated in 1832 and operates under a Council-Mayor form of government. The following services are provided by the City: public safety (police and fire), highways and streets, water, sewer, recreation, public improvements, planning and zoning, and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, water system and sewage treatment, and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

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 deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

B. Basis of Presentation - Fund Accounting

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the proprietary funds include personnel and other expenses related to operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. 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. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically 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 purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Street Fund - The street fund accounts for all transactions relating to street maintenance and construction.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - The 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:

Sewer Fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

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

The City has three nonmajor enterprise funds that are used to account for swimming pool, parking, and special park district operations.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City had no fiduciary funds in 2003.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on 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 net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. 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 use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). 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 a 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 to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, 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.

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the department level or by projects. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget - The City must submit to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2003.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the legal level of budgetary control. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

Cash balances of the City's funds, except cash in segregated accounts and cash with fiscal and escrow agents, are pooled and invested in investments maturing within ten years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents" financial statements.

During 2003, investments were limited to non-negotiable certificates of deposit which are reported at cost. Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2003 amounted to \$39,884 which includes \$7,439 assigned from other funds of the City.

The City maintains escrow accounts for debt service with a financial institution. The balances in these accounts are reflected as "Cash with Fiscal and Escrow Agent" on the financial statements. These escrow accounts are reported as restricted assets in accordance with bond covenants.

The City maintains cash in separate depository accounts from the City's cash management pool for retainage due on construction projects. These retainage accounts are reported as "Cash in Segregated Accounts" on the financial statements.

For purposes of the statement of cash flows and for presentation on the financial statements, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in both governmental and proprietary funds consists of expendable supplies held for consumption. On governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2003, the City increased their capitalization threshold from \$500 to \$5,000. The City's governmental infrastructure consists of storm sewers, streets and bridges. The City's proprietary infrastructure consists of water and sewer lines. 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. Interest incurred during the construction of capital assets is also capitalized for business-type activities. Capitalized interest for 2003 was not material.

All reported capital assets are depreciated except for land 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. 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 - 20 years	15 - 20 years
Buildings and improvements	20 - 40 years	20 - 40 years
Furniture and equipment	5 - 30 years	5 - 20 years
Vehicles	8 - 16 years	3 - 10 years
Infrastructure	40 years	40 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

In conformity with GASB Statement No. 16, "Accounting for 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 that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence 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 "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from 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, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the financial statements and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. At December 31, 2003, the City had no interfund loans outstanding. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with governmental activities.

CITY OF GREENVILLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

M. Interfund Activity

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

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 BFS.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

N. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, materials and supplies inventory prepayments, principal endowment, and debt service in the governmental fund financial statements.

O. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

R. Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid expenditures. Prepayments are accounted for using the consumption method. On governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting.

Governmental Activities - Restatement of Fund Balance – Certain funds have been reclassified to properly report their activities in accordance with GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2002. In addition, the City changed its method of reporting consumable inventory from the purchase method to the consumption method. This change in accounting principal had no effect on fund balance as previously reported. The beginning balance for the general fund in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) has also been restated from \$4,117,069 to \$2,565,011 based on the implementation of GASB Statement No. 34. These prior period adjustments had the following effect on fund balance as previously reported:

	<u>General</u>	<u>Street</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance				
December 31, 2002	\$ 4,765,133	\$ 328,113	\$ 905,314	\$ 5,998,560
Fund reclassification	-	-	59,600	59,600
GASB Interpretation No. 6 adjustments	45,590	2,854	-	48,444
Restated fund balance				
December 31, 2002	\$ 4,810,723	\$ 330,967	\$ 964,914	\$ 6,106,604

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance	
December 31, 2002	\$ 6,106,604
GASB Statement No. 34 adjustments:	
Capital assets	12,732,156
Internal service fund	590,560
Accrued interest payable	(13,840)
Pension obligations	(237,316)
Long-term liabilities	(4,242,972)
Long-term (deferred assets)	685,955
Governmental activities net assets, December 31, 2002	\$ 15,621,147

Business-type Activities - Restatement of Fund Equity - A prior period adjustment is required to report a change in the City's capital asset threshold from \$500 to \$5,000 and to correct errors and omissions in amounts previously reported. This prior period adjustment had the following effect on fund equity as previously reported:

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

<u>Business-Type Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise</u>	<u>Total Enterprise Funds</u>
Fund equity at December 31, 2002	\$ 7,814,964	\$ 3,027,233	\$ 87,048	\$10,929,245
Adjustment for capital assets	<u>3,375,855</u>	<u>3,670,211</u>	<u>546,084</u>	<u>7,592,150</u>
Restated fund equity at December 31, 2002	<u>\$11,190,819</u>	<u>\$6,697,444</u>	<u>\$633,132</u>	<u>\$18,521,395</u>

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Monies held by the City are classified by State statute 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 that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must 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 in 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 monies may be deposited or invested in the following:

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

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

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

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

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with fiscal and escrow agent: At year-end, the City had \$288,208 invested in U.S. treasury money market funds related to the sewer refunding bond issue. U.S. treasury money market funds are uncategorized investments since they are not evidenced by securities that exist in physical or book entry form. These amounts are not included in "deposits" below.

Cash in segregated accounts : At year-end, the City had \$41,871 in retainage accounts on deposit with financial institutions. The balances in these retainage accounts are included in "deposits" below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Deposits: At year-end, the carrying amount of the City's deposits, including cash in segregated accounts and nonnegotiable certificates of deposit, was \$11,563,653 and the bank balance was \$12,594,093. Of the bank balance:

1. \$441,871 was covered by federal depository insurance; and
2. \$12,152,222 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers From</u>
	<u>General</u>
Street	\$ 483,000
Nonmajor governmental	594,721
Nonmajor enterprise	<u>51,600</u>
	<u>\$ 1,129,321</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Greenville. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2003 was \$7.55 per \$1,000 of assessed value (7.55 mills). The City also receives an additional 0.6 mills to fund police and fire pension liability. The assessed values of real and tangible personal property at December 31, 2003 are as follows:

Real property tax	\$ 198,386,230
Public utility tangible personal property	7,121,860
Tangible personal property	<u>52,974,880</u>
Total assessed valuation	<u>\$ 258,482,970</u>

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

NOTE 7 - LOCAL INCOME TAX

The City levies a municipal income tax of one percent on substantially all income earned within the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund and may be distributed to other funds as determined by City Council. Income tax revenue for 2003 was \$3,893,491 as reported in the fund financial statements.

CITY OF GREENVILLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 8 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, internal balances and intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2003, as well as intended to finance fiscal 2003 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Income taxes	\$ 821,378
Real and other taxes	1,466,759
Accounts	89,692
Accrued interest	5,073
Special assessments	6,273
Intergovernmental	641,282

Business-Type Activities:

Accounts	496,275
Accrued interest	15,258

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to the reporting of infrastructure in governmental activities, accumulated depreciation in governmental activities, due to an increase in the capital asset threshold from \$500 to \$5,000 and to correct errors and omissions in the amounts reported in the prior year for governmental and business-type activities.

	Balance		Restated
	<u>12/31/02</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>12/31/02</u>
<u>Governmental Activities:</u>			
Land	\$ -	\$ 331,686	\$ 331,686
Land improvements	1,407,191	(945,052)	462,139
Buildings and improvements	1,336,591	885,493	2,222,084
Furniture and equipment	2,806,276	(1,487,237)	1,319,039
Vehicles	2,432,878	(141,768)	2,291,110
Infrastructure	-	11,969,761	11,969,761
Less: accumulated depreciation	<u>-</u>	<u>(5,863,663)</u>	<u>(5,863,663)</u>
Total	<u>\$ 7,982,936</u>	<u>\$ 4,749,220</u>	<u>\$ 12,732,156</u>
<u>Business-Type Activities:</u>			
Land	\$ -	\$ 855,972	\$ 855,972
Land improvements	290,386	(173,103)	117,283
Buildings and improvements	3,280,894	4,174,053	7,454,947
Furniture and equipment	5,965,564	205,793	6,171,357
Vehicles	139,857	(9,072)	130,785
Infrastructure	5,837,598	597,897	6,435,495
Less: accumulated depreciation	<u>(10,288,523)</u>	<u>1,940,610</u>	<u>(8,347,913)</u>
Total	<u>\$ 5,225,776</u>	<u>\$ 7,592,150</u>	<u>\$ 12,817,926</u>

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the year ended December 31, 2003, was as follows:

<u>Governmental Activities:</u>	Restated Balance <u>12/31/02</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 331,686	\$ -	\$ -	\$ 331,686
Total capital assets, not being depreciated	<u>331,686</u>	<u>-</u>	<u>-</u>	<u>331,686</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	462,139	-	-	462,139
Buildings and improvements	2,222,084	1,077,648	-	3,299,732
Furniture and equipment	1,319,039	211,226	-	1,530,265
Vehicles	2,291,110	237,099	(29,967)	2,498,242
Infrastructure	<u>11,969,761</u>	<u>305,588</u>	<u>-</u>	<u>12,275,349</u>
Total capital assets, being depreciated	<u>18,264,133</u>	<u>1,831,561</u>	<u>(29,967)</u>	<u>20,065,727</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(27,971)	(4,680)	-	(32,651)
Buildings and improvements	(543,011)	(67,948)	-	(610,959)
Furniture and equipment	(792,548)	(71,495)	-	(864,043)
Vehicles	(1,196,103)	(201,001)	6,813	(1,390,291)
Infrastructure	<u>(3,304,030)</u>	<u>(447,604)</u>	<u>-</u>	<u>(3,751,634)</u>
Total accumulated depreciation	<u>(5,863,663)</u>	<u>(792,728)</u>	<u>6,813</u>	<u>(6,649,578)</u>
Total capital assets, being depreciated, net	<u>12,400,470</u>	<u>1,038,833</u>	<u>(23,154)</u>	<u>13,416,149</u>
Governmental activities capital assets, net	<u>\$ 12,732,156</u>	<u>\$ 1,038,833</u>	<u>\$ (23,154)</u>	<u>\$ 13,747,835</u>

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 9 - CAPITAL ASSETS - (Continued)

	Restated Balance 12/31/02	Additions	Disposals	Balance 12/31/03
<u>Business-Type Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 855,972	\$ -	\$ -	\$ 855,972
Total capital assets, not being depreciated	<u>855,972</u>	<u>-</u>	<u>-</u>	<u>855,972</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	117,283	-	-	117,283
Buildings and improvements	7,454,947	-	-	7,454,947
Furniture and equipment	6,171,357	-	-	6,171,357
Vehicles	130,785	-	-	130,785
Infrastructure	<u>6,435,495</u>	<u>273,642</u>	<u>-</u>	<u>6,709,137</u>
Total capital assets, being depreciated	<u>20,309,867</u>	<u>273,642</u>	<u>-</u>	<u>20,583,509</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(58,641)	(7,819)	-	(66,460)
Buildings and improvements	(1,842,748)	(181,833)	-	(2,024,581)
Furniture and equipment	(4,834,804)	(147,865)	-	(4,982,669)
Vehicles	(83,432)	(9,784)	-	(93,216)
Infrastructure	<u>(1,528,288)</u>	<u>(167,731)</u>	<u>-</u>	<u>(1,696,019)</u>
Total accumulated depreciation	<u>(8,347,913)</u>	<u>(515,032)</u>	<u>-</u>	<u>(8,862,945)</u>
Total capital assets, being depreciated, net	<u>11,961,954</u>	<u>(241,390)</u>	<u>-</u>	<u>11,720,564</u>
Business-type activities capital assets, net	<u>\$ 12,817,926</u>	<u>\$ (241,390)</u>	<u>\$ -</u>	<u>\$ 12,576,536</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 82,153
Security of persons and property	57,925
Transportation	611,755
Leisure time activity	<u>40,895</u>
Total depreciation expense - governmental activities	<u>\$ 792,728</u>

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS

A. Governmental Activities long-term obligations

The balance of the City's governmental activities long-term obligations at December 31, 2002 has been restated. The compensated absences liability increased \$48,444 from \$502,703 to \$551,147 due to the implementation of GASB Interpretation No. 6. In addition, pension obligations of \$237,316 at December 31, 2002 are not reported as a component of governmental activities long-term obligations as they are due and payable at year-end. Pension obligations are reported on a separate line on the financial statements. The effect on the total governmental activities long-term obligations as previously reported at December 31, 2002 was a decrease of \$188,872 from \$4,431,844 to \$4,242,972. During the fiscal year 2003, the following changes occurred in the City's long-term obligations:

<u>Governmental Activities:</u>	<u>Interest</u>	<u>Maturity</u>	<u>Restated</u>			<u>Balance</u>	<u>Amounts</u>
	<u>Rate</u>	<u>Date</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/03</u>	<u>Due in</u>
			<u>12/31/02</u>				<u>One Year</u>
<u>General Obligation Bonds:</u>							
Landfill Closure	5.23%	2017	\$ 163,700	\$ -	\$ (5,000)	\$ 158,700	\$ 10,000
Street Improvement	5.23%	2017	163,700	-	(5,000)	158,700	10,000
Storm Water Drainage	5.23%	2017	130,275	-	(5,000)	125,275	5,000
Infrastructure	5.23%	2017	357,400	-	(15,000)	342,400	15,000
Whirlpool Project	5.23%	2017	1,673,575	-	(80,000)	1,593,575	75,000
Wagner Ave. Improvements	5.23%	2017	<u>366,350</u>	<u>-</u>	<u>(15,000)</u>	<u>351,350</u>	<u>20,000</u>
Total G.O. Bonds			<u>2,855,000</u>	<u>-</u>	<u>(125,000)</u>	<u>2,730,000</u>	<u>135,000</u>
<u>Other Long-Term Obligations:</u>							
Compensated absences			551,147	179,663	(374,142)	356,668	58,021
OPWC Loan Payable	0%	2021	436,825	-	(23,612)	413,213	23,612
Lease Purchase Agreement	4.50%	2022	<u>400,000</u>	<u>-</u>	<u>(12,800)</u>	<u>387,200</u>	<u>13,300</u>
Total Other Long-Term Obligations			<u>1,387,972</u>	<u>179,663</u>	<u>(410,554)</u>	<u>1,157,081</u>	<u>94,933</u>
Total Governmental Activities							
Long-Term Obligations			<u>\$ 4,242,972</u>	<u>\$ 179,663</u>	<u>\$ (535,554)</u>	<u>\$ 3,887,081</u>	<u>\$ 229,933</u>

The City had entered into an agreement with the Ohio Public Works Commission for a street construction loan in the amount of \$472,243. The City made a principal payments of \$23,612 on the loan in 2003. The loan in interest free and principal payments are made from the general fund.

On December 2, 2002, the City entered into a lease purchase agreement with a financial institution to assist in financing the fire station building improvements. The City is leasing the "building improvements" from the financial institution. The City made principal payments on the lease purchase agreement of \$12,800 in 2003. Interest payments are not due until the end of the lease term. Principal payments are made from the general fund.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The initial term of the lease agreement ends on December 1, 2003, and is renewable for successive one-year terms upon appropriation of funds to pay the rental payments. The final renewal term ends on December 1, 2022 when the remaining balance under the lease is due. At the end of the lease term, the City has the option to purchase the "building improvements" for \$1.

The general obligation bonds are general obligations of the City for which the full faith and credit of the City are pledged for repayment. Principal and interest payments on the bonds are made from the debt service fund (a nonmajor governmental fund).

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2003 are as follows:

Year	General Obligation Bonds			OPWC Loans	
	Principal	Interest	Total	Principal	Total
2004	\$ 135,000	\$ 142,380	\$ 277,380	\$ 23,612	\$ 23,612
2005	150,000	136,036	286,036	23,612	23,612
2006	150,000	128,035	278,035	23,612	23,612
2007	155,000	121,035	276,035	23,612	23,612
2008	165,000	114,118	279,118	23,612	23,612
2009 - 2013	970,000	393,230	1,363,230	118,060	118,060
2014 - 2018	1,005,000	139,320	1,144,320	118,060	118,060
2019 - 2021	-	-	-	59,033	59,033
Total	<u>\$ 2,730,000</u>	<u>\$1,174,154</u>	<u>\$ 3,904,154</u>	<u>\$ 413,213</u>	<u>\$ 413,213</u>

Year	Lease Purchase Agreement		
	Principal	Interest	Total
2004	\$ 13,300	\$ -	\$ 13,300
2005	13,900	-	13,900
2006	14,500	-	14,500
2007	15,200	-	15,200
2008	15,900	-	15,900
2009 - 2013	90,800	-	90,800
2014 - 2018	113,200	-	113,200
2019 - 2022	110,400	215,159	325,559
Total	<u>\$ 387,200</u>	<u>\$ 215,159</u>	<u>\$ 602,359</u>

The City's legal voted and unvoted debt margin were \$24,655,239 and \$11,731,090, respectively, at December 31, 2003.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type activities long-term obligations

The following changes occurred in the City's business-type long-term obligations during fiscal 2003:

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/03</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>Business-Type Activities:</u>							
<u>Other long-term obligations</u>							
Compensated absences			\$ 116,515	\$44,536	\$ (68,066)	\$ 92,985	\$ 8,699
Total other long-term obligations			<u>116,515</u>	<u>44,536</u>	<u>(68,066)</u>	<u>92,985</u>	<u>8,699</u>
<u>Revenue Bonds</u>							
Wastewater System Revenue							
Refunding Bonds	2.0-4.75%	2017	<u>2,835,000</u>	-	<u>(150,000)</u>	<u>2,685,000</u>	<u>150,000</u>
Total - revenue bonds			<u>2,835,000</u>	<u>-</u>	<u>(150,000)</u>	<u>2,685,000</u>	<u>150,000</u>
Total business-type long-term obligations			<u>\$2,951,515</u>	<u>\$44,536</u>	<u>\$ (218,066)</u>	<u>\$ 2,777,985</u>	<u>\$158,699</u>

On January 1, 2002, the City issued \$2,985,000 in Wastewater System Revenue Refunding Bonds with an interest rate of 2.0% to 4.75% to advance refund \$2,735,000 of the 1992 Wastewater System First Mortgage Revenue Bonds with an interest rate of 2.95% to 6.35%. The net proceeds of \$2,911,124 (after payment of \$73,876 in underwriting fees, issuance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent, including interest earned, to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the Sewer enterprise fund.

The assets and revenues of the sewer utilities are pledged as collateral for the above wastewater system revenue refunding bonds.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2003 were:

<u>Year</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 150,000	\$ 113,083	\$ 263,083
2005	150,000	109,332	259,332
2006	155,000	104,458	259,458
2007	165,000	99,033	264,033
2008	170,000	92,845	262,845
2009 - 2013	960,000	354,275	1,314,275
2014 - 2017	935,000	113,762	1,048,762
Total	\$ 2,685,000	\$ 986,788	\$ 3,671,788

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003, the City contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverages. Coverage provided during the fiscal year is as follows:

- Building and Contents - replacement cost (\$1,000 deductible) - \$26,413,666
- Boiler and Machinery Coverage - \$26,413,666
- Inland Marine Coverage - (\$1,000 deductible) - \$1,530,531
- Automobile Liability - (\$1,000 deductible) - \$2,000,000
- Uninsured Motorists - \$2,000,000
- General Liability - (\$1,000 deductible) - \$2,000,000
- Public Officials - \$2,000,000
- Umbrella Coverage - \$5,000,000

There have been no significant reductions in insurance coverages during the fiscal year 2003. Settled claims have not exceeded commercial excess coverages in any of the past three years.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Self-Insurance

The City operates a self-insurance plan for health care benefits. The activity of the plan is recorded in the City's Health Care internal service fund. Monies are transferred on a monthly basis to the internal service fund from the other participating funds. Claims are paid weekly through checks written on the City's Health Care account. The claims liability of \$17,551 reported on the financial statements at December 31, 2003 is based on the requirements of GASB Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past four years are as follows:

	<u>Balance at January 1</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at December 31</u>
2000	\$ 66,771	\$ 478,964	\$ (483,432)	\$ 62,303
2001	62,303	611,974	(635,357)	38,920
2002	38,920	526,366	(521,271)	44,015
2003	44,015	705,624	(732,088)	17,551

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2003. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2003. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$477,986, \$364,099, and \$311,503, respectively; 93.7% has been contributed for 2003 and 100% for 2002 and 2001. \$30,379, representing the unpaid contribution for 2003, is recorded as a liability within the respective funds.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2003, 2002, and 2001 were \$452,435, \$436,641, and \$426,426, respectively; 76.2% has been contributed for 2003 and 100% for the years 2002 and 2001. \$107,751, representing the unpaid contributions for 2003, is recorded as a liability within the respective funds.

NOTE 13 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2003 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$176,379.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2002 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$18.7 billion, respectively, at December 31, 2002 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2002 (the latest information available) was 364,881.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

In December 2002, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2003, Comprehensive Annual Financial Report.

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2002 (the latest information available), is 13,527 for police officers and 10,396 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$85,576 and \$76,569, respectively. OP&F's total health care expense for the year ending December 31, 2002 (the latest information available), was \$141.028 million, which was net of member contributions of \$12.623 million.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While the City is 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 Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and street 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 GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented.

Net Change in Fund Balance

	General	Street
Budget basis	\$(2,677,570)	\$(214,365)
Net adjustment for revenue accruals	31,128	17,674
Net adjustment for expenditure accruals	(111,827)	108,292
Adjustment for encumbrances	636,299	3,479
GAAP basis	\$(2,121,970)	\$ (84,920)

NOTE 15 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2003.

B. Litigation

The City is currently involved in litigation. It is the opinion of the City's management that the ultimate settlement of such litigation will not result in a material adverse effect on the City's financial position and results of operations.

**CITY OF GREENVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	CASH (A) (C) DISBURSEMENTS
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
Small Cities Community Development Block	14.228	A-F-01-129-1	\$ 69,000
(B) Small Cities Community Development Block	14.228	A-F-02-129-1	111,000
Total U.S. Department of Housing and Urban Development			<u>180,000</u>
U.S. DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Grant Program	16.607	N/A	713
Total U.S. Department of Justice			<u>713</u>
U. S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Formula Grants for Other Urbanized Areas	20.509	RPT-4019-022-031	229,602
Formula Grants for Other Urbanized Areas	20.509	RPT-0019-022-032	143,878
Total U.S. Department of Transportation			<u>373,480</u>
U. S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY PASSED THROUGH THE OHIO DEPARTMENT OF PUBLIC SAFETY			
Federal Emergency Management Agency	83.544	1453-DR-037-32340	29,359
Total U.S. Department of Federal Emergency Management Agency			<u>29,359</u>
			<u>\$ 583,552</u>

- (A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.
- (B) The City converted old Revolving Loan Funds to Community Development Block Grant funds with approval from Ohio Department of Development. There were no existing loans outstanding at December 31, 2003.
- (C) Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditures of non-Federal matching funds is not included on the Schedule.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council and Mayor
City of Greenville
100 Public Square, Rm. 200
Greenville, Ohio 45331

We have audited the basic financial statements consisting of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Darke County (the “City”) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 27, 2004. During the year ended December 31, 2003, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. As disclosed in Note 2.I., the City increased its capitalization threshold for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City’s financial statements consisting of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Members of Council and Mayor
City of Greenville

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements consisting of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in the report that we have reported to the management of the City in a separate letter dated August 27, 2004.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
August 27, 2004

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Report on Compliance With Requirements Applicable to Its Major Program and Internal Control Over Compliance In Accordance With *OMB Circular A-133*

Members of Council and Mayor
City of Greenville
100 Public Square, Rm. 200
Greenville, Ohio 45331

Compliance

We have audited the compliance of the City of Greenville, Darke County (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. As disclosed in Note 2.I., the City increased its capitalization threshold for capital assets. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

Members of Council and Mayor
City of Greenville

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to its major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
August 27, 2004

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Program	Formula Grants for other Urbanized Areas C.F.D.A. #20.509
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
DECEMBER 31, 2003**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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CITY OF GREENVILLE

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**