

CITY OF PIQUA, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2003

**Prepared by:
Department of Finance
Cynthia A. Holtzapple, Director**



**Auditor of State
Betty Montgomery**

City Commissioners
City of Piqua
201 W. Water St.
Piqua, Oh 45356

We have reviewed the Independent Auditor's Report of the City of Piqua, Miami County, prepared by Kennedy, Cottrell + Associates, 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 Piqua is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 30, 2004

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CITY OF PIQUA, OHIO

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INTRODUCTORY SECTION

June 28, 2004

Honorable Mayor Robert L. DeBrosse, City Commission Members
and Citizens of the City of Piqua, Ohio:

This Comprehensive Annual Financial Report is for the year ended December 31, 2003. We believe this report, prepared by the Department of Finance, presents financial and operating information about the City's activities during the year that should be useful to citizens, taxpayers and investors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

The Comprehensive Annual Financial Report is presented in three sections as follows:

1. The Introductory Section, which contains the table of contents, this transmittal letter, Certificate of Achievement, a listing of City officials and the organizational structure.
2. The Financial Section, which consists of the Independent Auditors' Report, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Combined Financial Statements and more detailed combining and individual fund and account groups financial statements and schedules.
3. The Statistical Section, which contains pertinent financial and general information indicating trends for comparative fiscal periods.

Reporting Entity

This report includes all funds and account groups of the City. The City provides a full range of services including police and fire protection, parks, recreation facilities, street maintenance, health programs and general administrative services. In addition, the City owns and operates business-type activities, with the major ones consisting of a power system, a sewer system, a water system and a waste disposal system.

Piqua operates and is governed by the laws of the State of Ohio and its own charter which was adopted by the electorate in 1929. The Charter provides for a commission-manager form of government. Legislative authority is vested in a five-member commission. All members are elected from wards for four-year terms and serve in a part-time capacity. The Commission determines compensation of City officials and employees and enacts ordinances and resolutions relating to City services, tax levies, appropriations and borrowings, licensing and regulating of businesses and trades, and other municipal purposes. The City's Chief Executive and Administrative Officer is the City Manager who is appointed by the City Commission.

Local Economic Conditions and Outlook

The City of Piqua is a community (2000 Census 20,738) in Miami County, located on Interstate 75, twenty-five miles north of Dayton.

The City does not depend on one firm for local employment; as many as seven corporations employ in excess of 200 people each, lending to the City's diversification. The City has four industrial parks with plenty of room for expansion.

Major Initiatives

Current Year Projects: During 2003 the City continued efforts to enhance and expand services provided to local residents.

The City continued supporting the Future Piqua Strategic Plan recommendations, including public access television and a quarterly community newsletter (financial support is shared between the City and the Chamber of Commerce).

The City is continuing its commitment to provide assistance to low and moderate income property owners. Federal and state grants totaling \$198,900 provided local housing rehabilitation to fifteen qualified low and moderate income property owners.

The City continued with Phase V of the LOOP construction project by adding 3 ½ miles of pathway along the Great Miami River corridor, at a cost of approximately \$785,000. The computerized traffic light system, started in 2002, was completed and expanded to include two additional intersections. The innovation parkway was enlarged. Reconstruction of Brook Street was completed and the City resurfaced an additional two miles of streets.

The City downtown revitalization efforts advanced by aiding downtown property owners with federal and state funding in the amount of \$189,000 in matching grants to improve eleven downtown properties.

Elements of the strategic planning process "Future Piqua II" were updated. This is a planning process designed to provide a 10-year local plan for the community and the city government.

The Police Department renewed its fleet of cruisers with the purchase of eight cruisers and received its ninth consecutive renewal of the C.A.L.E.A. certification for excellence.

Future Projects: With adoption of "Future Piqua II" the City continues to implement its stated goals and objectives.

The Fort Piqua Hotel restoration and reuse project continues which includes the seeking of financing sources, such as grant funding and combined public/private participation.

Piqua's community development department will apply for federal assistance for low and moderate income homeowners and tenants.

The City is enhancing the safety services of the city by adding a second ambulance and replacing additional police cruisers.

The City's water system will start a spillway modification project costing \$120,000. In addition, an elevated water tank will be constructed on R.W. Davis Parkway at a cost of \$1.8 million to improve the city's water storage system. Financing will be through the state's OWDA Loan program and the City of Piqua.

In 2004 the City will construct public restrooms and drinking fountains in the French Park area of the LOOP.

Financial Information

Management of the City is responsible for an internal control system designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit: The City receives enough federal funds to require an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." City management is responsible for ensuring that an internal control structure is in place to reasonably assure compliance with applicable federal program laws and regulations. The City's single audit includes tests to determine the adequacy of accounting and administrative controls related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. Results of the City's single audit for the fiscal year ended December 31, 2003, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary System: Detailed provisions regulating the City's budget, tax levies and appropriations are set forth in the City Charter and in the Ohio Revised Code. The City Manager is required to submit to the City Commission annually, an appropriation measure, which must be adopted by the first Commission meeting in January. The Miami County Auditor must certify that the City's appropriation measure does not exceed the amounts set forth in the County Budget Commission's Certificate of Estimated Resources.

The City maintains legal budgetary control utilizing GAAP at an object level for the general fund (personnel, operation and maintenance, debt service and capital expenditures) and at a functional level for all other funds. Lower levels within each object or functional level are accounted for and reported internally. Such lower levels are referred to as the suffix level. All purchases are properly approved through the legislative process or issuance of a purchase order.

Expenditures are controlled at the suffix level throughout the year and any budgetary adjustments (at the object or functional level), if necessary, are with the approval of the City Commission.

Accounting System: The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds to be used are in accordance with GAAP and the number of individual funds established is determined by legal requirements and sound financial administration.

The City's records are maintained on modified accrual basis for all governmental and similar fiduciary fund types. Accordingly, revenues are recognized when susceptible to accrual (i.e. both measurable and available). Expenditures, other than interest on long-term debt, are recorded as liabilities when incurred. Proprietary funds utilize the accrual basis of accounting and the electric system employs the Federal Energy Commission's system of accounts. A more detailed explanation of the basis of accounting for the various funds is included in the Notes to the Combined Financial Statements, located in the Financial Section of this report.

Financial Reporting: Beginning in 2002 the City has prepared financial statements following GASB Statement 34, “Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments.” As part of this new reporting model, management is responsible for preparing a Management’s Discussion and Analysis of the City. This discussion follows the Report of Independent Accountants, providing an assessment of the City’s finances for 2003.

General Government

General Fund Revenues: The 2003 municipal income tax revenue increased 5.4% as compared to 2002, while the Kwh tax revenues remained relatively the same. Interest revenue declined due to falling interest rates. Municipal income tax revenue has remained relatively stable through April 2004, as compared to the same period in 2003.

General Fund Expenditures: The 2003 General Fund expenditures and other financing uses increased 8.2% compared with 2002.

General Fund Balances: Current year activity contributed to a \$1.4 million increase in the undesignated fund balance from 2002.

Business-Type Funds

The City’s utility operations, consisting of a power system (including electric, steam and hot water), a water system and a wastewater system, account for over half of the total City revenues. The City also operates smaller enterprises such as the solid refuse department, a golf course and a swimming pool.

During 2002 the weather was extremely hot and dry, which resulted in increased utility usage and revenue. In 2003 the area experienced more seasonal temperatures and increased moisture returning usage and revenue to more historical levels. Decreased utility usage and revenue in 2003 was also due to the closing of two area businesses, Hammer Graphics and Copperweld.

Power System: Kilowatt hours of sales decreased 2.8% and total customer revenues were \$16.75 million.

The system supplies electricity to more than 11,000 accounts within its service area. The power system, established in the 1930’s, uses fuel oil as its principal fuel, when generating, and operates with a maximum capacity of 83.5 megawatts. Presently, the United States E.P.A. Clean Air Standards are met by emission control equipment which became operational in 1984. The system is responsible for purchasing and generating power, transmitting and distributing electricity and providing all related services. The power system furnishes steam and hot water services for heating and processing uses, primarily to industrial customers located near the generating facility.

Two long-term contracts from Cinergy Corporation will ensure an economical and reliable supply source through the end of years 2006 and 2013, respectively. An additional 2 megawatts of Power is available from the New York Power Authority (NYPA). A twenty-year transmission agreement with the Dayton Power & Light Company guarantees supply access.

Water System: Customer revenues decreased 1.4% and gallons sold decreased 4.3%. Operating expenses increased 11%. Net income was \$388,000. More than 8,700 accounts are serviced by Piqua’s municipal water system.

Wastewater System: System revenues remained at levels of the previous year. Operating expenses rose 4.8% and the net loss was \$144,225.

Cash Management

Currently, the City's policy is to minimize market and credit risks while maintaining a competitive yield on its portfolio. The market risk is minimized by utilizing a computerized cash projection system that assists the planning for future cash needs. The credit risk is minimized by investments with large and liquid financial institutions or in guaranteed U.S. Treasury obligations. Accordingly, deposits are insured by federal depository insurance or collateralized with U.S. Treasury obligations at 110% and held by City agents.

During 2003, the City's return on average investment balances equaled 1.8%, a 2.5% decrease from 2002.

Risk Management

In 2002, the City entered into a joint insurance pool with other local cities to protect the City's assets. This jointly governed organization continues to provide real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public officials' liability coverage.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Employee life insurance and numerous small specialty policies are insured through commercial carriers.

The City health care program is self-funded, subject to certain limits which are provided through commercial stop-loss insurance. A professional third-party administrator is responsible for the program's operation. Oversight responsibilities belong to the City's Human Resources Director.

The Independent Audit

Piqua's City Charter requires an annual audit of the financial statements of the City by an independent auditor. The 2003 audit was completed by Kennedy, Cottrell & Associates and represents the twenty-fourth consecutive year that an independent firm has performed the City's financial audit. Their report is included in the financial section of this report. All State of Ohio compliance and federal grant audit requirements are included as part of the independent annual engagement.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded for the twelfth consecutive year a Certificate of Achievement for Excellence in Financial Reporting to the City of Piqua, Ohio, for its comprehensive annual financial report for the fiscal year ended December 31, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. The City of Piqua, Ohio has received a certificate of Achievement for twelve consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

Preparation of this report on a timely basis was accomplished by the conscientious efforts and contributions of the entire Finance Department working jointly with the engagement team representing the independent public accounting firm of Kennedy, Cottrell & Associates.

Cynthia A. Holtzapple
Director of Finance

Department of Finance Staff

Lisa R. Cavender	- Accounting Manager
Michael J. Fischbach	- Accountant
Kimberly A. Maniaci	- Staff
Candace L. Etter	- Staff

CITY OF PIQUA, OHIO

CITY OFFICIALS

Robert L. DeBrosse, Mayor
James F. Garrity, Commissioner
Frank H. Barhorst, Commissioner
Frank J. Patrizio, Commissioner
William D. Vogt, Commissioner

CITY MANAGER

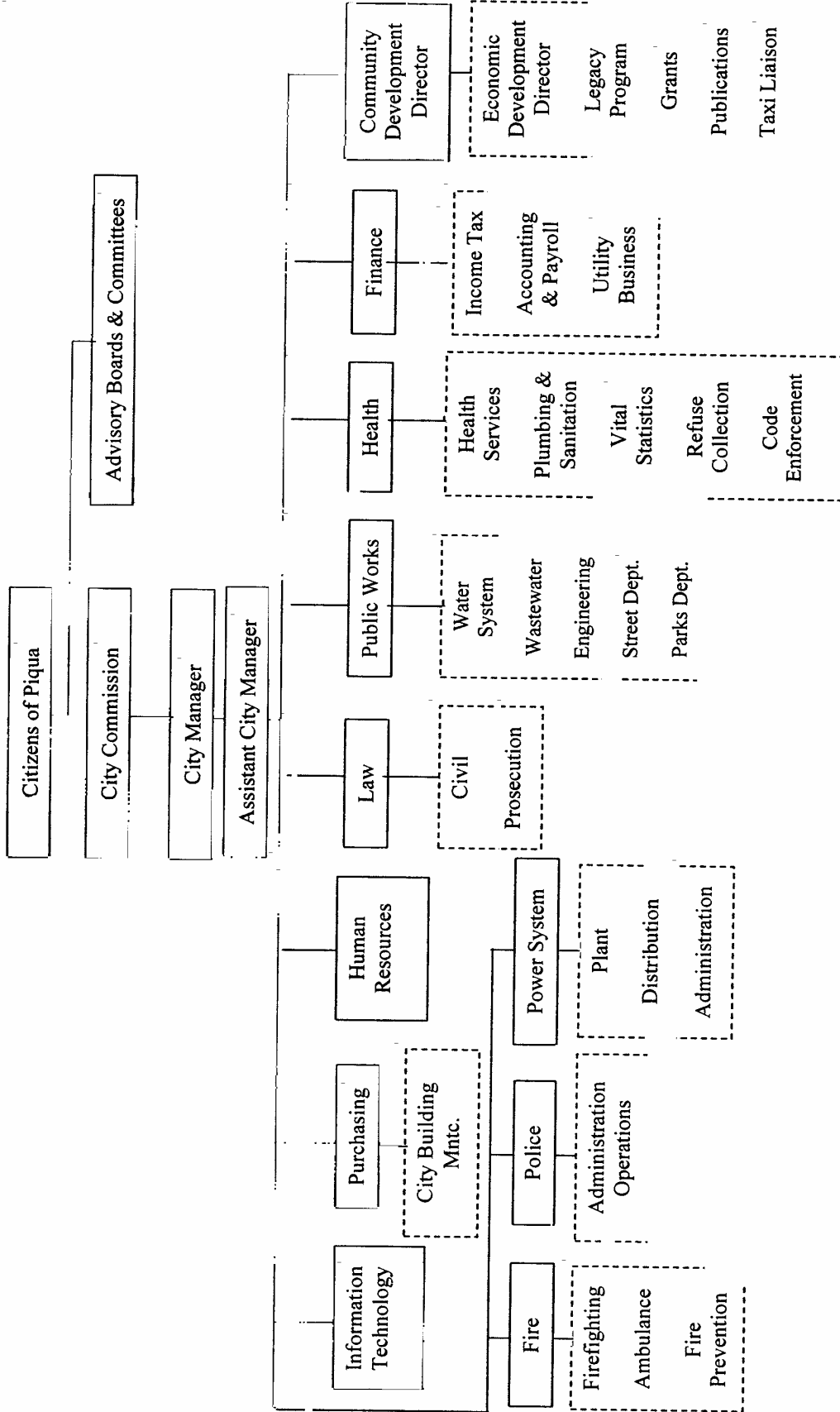
R. Mark Rohr

INDEPENDENT AUDITORS

Kennedy, Cottrell & Associates

CITY OF PIQUA, OHIO

CITY ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Piqua,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Piqua, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piqua, Miami 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 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.

The accompanying management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
June 18, 2004

City of Piqua, Ohio
Management's Discussion & Analysis
December 31, 2003

The discussion and analysis of the City of Piqua's financial performance provides an overall review of the City's financial activities for the fiscal 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 transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- The assets of the City exceeded its liabilities at December 31, 2003 by \$105 million (net assets). Of this amount, \$21.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by over \$2 million, or 5.2%

Using This Annual Financial Report

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Piqua's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Major 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 dollars remain 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 of Piqua as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers 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 method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. This change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities** – Most of the City's programs and services are reported here, including general government, public safety, street and maintenance, parks and recreation, and community development. 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 fee basis to recover all of the expenses of the goods or services provided. The City's electric, water, garbage, and sewer are reported here.

Reporting the City of Piqua's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 23. The fund financial reports provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law and bond covenants. Funds are established to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Piqua's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. On the government-wide statements, these funds are reported using the accrual method of accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements, using a modified accrual system of accounting, provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements or on an accompanying schedule.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. The City maintains two 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 of Piqua uses enterprise funds to account for its electric, water, refuse, and wastewater services. Internal service funds are an accounting method used to accumulate and allocate costs internally among the City's various functions. The City of Piqua uses an internal service fund to account for its self-insurance activities. As these activities predominantly benefit governmental rather than business-type functions, they are shown within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, wastewater, and garbage systems, which are considered to be major funds of the City. Proprietary funds are reported in the Statement of Net Assets and the Statement of Activities.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Piqua, Ohio
Management's Discussion & Analysis
December 31, 2003

The City of Piqua as a Whole

The City implemented GASB Statement #34 starting in 2002. Net asset measurements in prior years were not presented since they were not previously required by generally accepted accounting principles. We are now presenting both current and prior year data and will discuss significant changes in the accounts. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities for both 2003 and 2002.

**Table 1
Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 17,878,777	\$18,010,403	\$ 13,553,596	\$13,465,553	\$ 31,432,373	\$31,475,956
Capital assets	38,081,235	37,389,824	58,856,336	60,153,220	96,937,571	97,543,044
Total assets	55,960,012	55,400,227	72,409,932	73,618,773	128,369,944	129,019,000
Long-term debt outstanding	3,293,857	3,650,081	9,130,996	10,255,593	12,424,853	13,905,674
Long-term liabilities	1,260,640	1,210,228	727,500	706,262	1,988,140	1,916,490
Other liabilities	5,234,595	6,628,211	3,028,035	3,191,965	8,262,630	9,820,176
Total liabilities	9,789,092	11,488,520	12,886,531	14,153,820	22,675,623	25,642,340
Net assets:						
Invested in capital assets, net of debt	34,348,207	33,775,146	48,428,042	48,765,023	82,776,249	82,540,169
Restricted	976,604	853,240	168,888	173,379	1,145,492	1,026,619
Unrestricted	10,846,109	9,283,321	10,926,471	10,526,551	21,772,580	19,809,872
Total net assets	<u>\$ 46,170,920</u>	<u>\$43,911,707</u>	<u>\$ 59,523,401</u>	<u>\$59,464,953</u>	<u>\$ 105,694,321</u>	<u>\$103,376,660</u>

The amount by which the City's assets exceed its liabilities is called net assets. At year-end, the City's net assets were \$105 million compared to \$103 million in 2002. Of that amount, in 2003 approximately \$82.7 million (78.3%) was invested in capital assets, net of debt related to those assets. At year-end 2002 that amount was approximately \$82.5 million (79.8%). For 2003 another \$1.1million (1.1%) was subject to external restrictions upon its use. The remaining \$21.7 million (20.6%) in 2003 was unrestricted and available for future use. For 2002 this amount was \$19.8 million (19.2%).

City of Piqua, Ohio
Management's Discussion & Analysis
December 31, 2003

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for Services	\$ 554,349	\$ 633,697	\$ 23,779,300	\$ 25,228,793	\$ 24,333,649	\$ 25,862,490
Operating Grants/Contributions	640,700	759,557			640,700	759,557
Capital Grants/Contributions	737,223	2,367,605			737,223	2,367,605
General revenues:						
Property Taxes	1,503,856	1,516,613			1,503,856	1,516,613
Income Taxes	7,364,357	6,913,931			7,364,357	6,913,931
Other Taxes	3,844,650	3,525,275			3,844,650	3,525,275
Investment Earnings	293,882	529,466	167,710	559,412	461,592	1,088,878
Total Revenues	14,939,017	16,246,144	23,947,010	25,788,205	38,886,027	42,034,349
Program Expenses						
General Government	1,859,642	2,217,319			1,859,642	2,217,319
Public Safety	6,844,602	6,539,055			6,844,602	6,539,055
Street and Maintenance	2,424,531	2,824,036			2,424,531	2,824,036
Parks and Recreation	561,058	593,878			561,058	593,878
Community Development	604,099	667,877			604,099	667,877
Interest on long-term debt	246,298	288,383			246,298	288,383
Electric			16,962,240	16,947,814	16,962,240	16,947,814
Wastewater			2,800,775	2,737,680	2,800,775	2,737,680
Water			2,205,581	2,503,948	2,205,581	2,503,948
Non-major Other			2,126,191	2,826,716	2,126,191	2,826,716
Total Expenses	12,540,230	13,130,548	24,094,787	25,016,158	36,635,017	38,146,706
Increase in Net Assets before Transfers & Proceeds	2,398,787	3,115,596	(147,777)	772,047	2,251,010	3,887,643
Transfers	(139,574)	(51,281)	139,574	51,281	-	-
Donated Assets		-	66,651		66,651	-
Increase in Net Assets	\$ 2,259,213	\$ 3,064,315	\$ 58,448	823,328	\$ 2,317,661	\$ 3,887,643

City of Piqua, Ohio
Management's Discussion & Analysis
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Governmental Activities

Governmental activities increased the City's net assets by \$2,259,213, in 2003 thereby accounting for 5.2 percent of growth in total net assets.

The income tax revenue for 2003 was \$7,364,357 compared to \$6,913,931 in 2002. In 2003 this accounts for 49.2 percent of total revenues. The City's income tax rate was 1.75 percent for 2003, the same as the prior year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.75 percent for those who pay income tax to another city.

General revenues from other taxes, such as KW Hour tax and Local Government Funds, are also revenue generators. With the combination of property tax, income tax, intergovernmental funding and investment earnings, all expenses in the governmental activities are funded. The City monitors its source of revenues very closely for fluctuations.

For the most part, increases in expenses closely parallel inflation and growth in the demand for services. The largest program function for the City relates to Public Safety, which accounts for 54.5 percent of total program expenses. Street and Maintenance accounts for 19.3 percent of total program expenses, while General Government accounts for 15 percent.

The Statement of Activities reports the expenses of each of the governmental activities programs and the related program revenue that offsets the cost of each program. The amount by which the cost of a particular program exceeds its program revenue represents the extent to which that program must be subsidized by general revenues. The following table summarizes the net cost of each program:

**Table 3
Government Activities**

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2003	2002	2003	2002	2003	2002
General Government	\$ 1,859,642	\$2,217,319	\$ 221,130	\$ 329,632	\$ 1,638,512	\$1,887,687
Public Safety	6,844,602	6,539,055	299,622	302,503	6,544,980	6,236,552
Street and Maintenance	2,424,531	2,824,036	490,580	2,483,565	1,933,951	340,471
Parks and Recreation	561,058	593,878	388,212	93,457	172,846	500,421
Community Development	604,099	667,877	532,728	551,702	71,371	116,175
Interest on long-term debt	246,298	288,383	-	-	246,298	288,383
Total	\$ 12,540,230	\$ 13,130,548	\$ 1,932,272	\$ 3,760,859	\$ 10,607,958	\$9,369,689

City of Piqua, Ohio
 Management's Discussion & Analysis
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Business-Type Activities

The following table summarizes the business-type activities:

**Table 4
 Business-type Activities**

	Total Cost of Services		Program Revenues		Net Revenue from Operations	
	2003	2002	2003	2002	2003	2002
Electric	\$ 16,962,240	\$ 16,947,814	\$ 16,745,273	\$ 16,907,822	\$ (216,967)	\$ (39,992)
Wastewater	2,800,775	2,737,680	2,620,654	3,113,672	(180,121)	375,992
Water	2,205,581	2,503,948	2,542,575	2,953,493	336,994	449,545
Garbage	1,291,240	1,293,568	1,261,666	1,222,548	(29,574)	(71,020)
Non-major Other	834,951	1,533,148	609,132	1,031,258	(225,819)	(501,890)
Total	\$ 24,094,787	\$ 25,016,158	\$ 23,779,300	\$ 25,228,793	\$ (315,487)	\$ 212,635

For 2003 the Water utilities had operating revenues in excess of expenditures, while the Electric and Wastewater utility had operating expenditures in excess of generated revenues. The non-major Business-type activity funds had expenditures in excess of revenues of \$255,393.

The City's Funds

Information about the City's major funds starts on page 23. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues in 2003 of \$14.6 million compared to \$16.2 million in 2002. All governmental funds had expenditures in 2003 of \$13.6 million compared to \$16.5 million in 2002. The most significant fund is our general fund, which had an unreserved fund balance at year-end of \$7.1 million in 2003 compared to \$5.7 million in 2002. The General fund accounts for such activities as Police and Fire protection, and parks and recreation along with city administration. Within the General fund, revenues exceeded expenditures by \$904,000 in 2003 and \$741,000 in 2002 respectively. This amount in 2003 was transferred to other funds. The funds are monitored consistently with adjustments made to the budgets to accommodate yearly revenues.

Information about the Business-Type Funds starts on page 26. These funds are accounted for on an accrual basis. All business type funds had operating revenues of \$23.8 million in 2003 and \$24.1 million in 2002. Operating expenses were \$23.5 million in 2003 and \$24.1 million in 2002. The City is consistent with reviews of these funds, and the necessary adjustments are made to ensure strength in our enterprise funds.

General Fund Budgetary Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant governmental budgeted fund is the General Fund. The Commission is provided with a detailed line item budget for all departments and after a discussion at a regularly held commission meeting, which is open to the public, the budget is adopted at an object level by City commission. Within each object, appropriations can be transferred between line items with the approval of the Finance Director and the respective department head. The Commission must approve any revisions in the budget that alter the object level totals or the total appropriations for any department or fund. During the course of fiscal 2003, the City amended its general fund budget once at the end of the fiscal year.

City of Piqua, Ohio
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For the 2003 general fund, original budgeted revenues were \$10 million. The final budgeted revenue amount was \$10.5 million. Actual revenues collected were \$10.4 million. The decrease in actual revenues over budget was due to reduced state shared revenues. For the 2002 general fund, original budgeted revenues were \$9.5 million. The final budgeted revenue amount was \$9.3 million. Actual revenues collected were \$9.7 million. The increase in actual revenues over budget was due to increased collections in municipal income tax.

For 2003, original general fund appropriations were budgeted at \$8.9 million. Final budgeted appropriations were \$9.5 million. This increase was due to the increased costs of building the Linear Park Phase V and increases in personal services due to rising health care costs. For 2002, original general fund appropriations were budgeted at \$8.4 million. Final budgeted appropriations were \$8.8 million. This increase was primarily due to the increased costs of building the Linear Park Phase IV.

Capital Asset and Debt Administration

Capital Assets

Table 5
Capital Assets at December 31
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities	
	2003	2002	2003	2002
Land and Land Improvements	\$ 3,932,823	\$ 3,143,866	\$ 1,445,406	\$ 1,441,558
Infrastructure Land	837,912	836,280		
Construction in Progress	433,978	227,719	738,723	557,607
Buildings and Improvements	10,179,440	10,420,979	21,544,699	22,113,097
Furniture, Fixtures and Equipment	3,176,937	3,312,078	32,810,100	33,592,548
Infrastructure	19,520,145	19,448,902		
Intangible Assets			2,317,408	2,448,412
Total Capital Assets	\$ 38,081,235	\$ 37,389,824	\$ 58,856,336	\$ 60,153,222

Total Capital Assets for the City of Piqua for the year ended December 31, 2003 were \$96,937,571, \$605,473 less than in 2002. The additions increased \$3,400,284 in 2002 with the most significant increases in our capital assets coming in infrastructure. In 2002, the City completed the Covington Avenue project, as well as the Streetscaping project. The increase in Land and land improvements was due to a park donation and the City's completion of Phase IV of the Linear Park Bike Path. Linear Park is a 13.1-mile bicycle/walking path that was funded in part by the Ohio Department of Natural Resources.

In 2003, the City completed Phase V (final phase) of the Linear Park. Other 2003 projects included the Brooks Street project and citywide traffic signal replacement.

City of Piqua, Ohio
Management's Discussion & Analysis
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Additional infrastructure asset additions added in 2002 were due to the development of residential housing sub-divisions. It is important to realize that the City expended no resources for these infrastructure assets. Per the City's sub-division regulations, the developer places all infrastructure improvements within the sub-division and upon completion of the improvement the asset reverts to the City for future maintenance and repair.

Debt

At December 31, 2003, the City of Piqua had \$1.3 million less in debt at \$14.1 million compared to \$15.4 million in debt outstanding at December 31, 2002.

Table 6
Outstanding Debt at December 31

	Governmental Activities		Business-type Activities	
	2003	2002	2003	2002
General Obligation Bonds	\$ 3,083,620	\$ 3,434,107	\$ 5,640,746	\$ 6,080,893
Pension Bonds	420,000	435,000		
Special Assessment Bonds	186,042	180,571		
OWDA Loans			4,787,547	5,307,304
Capital Lease	43,366	-	-	-
Total	\$ 3,733,028	\$ 4,049,678	\$ 10,428,293	\$ 11,388,197

The General Obligation Bonds in Governmental Activities are primarily for the construction of the municipal government complex in 2001. This general obligation bond issue is paid through the General Obligation Bond Retirement Debt Service Fund with property tax revenues and transfers from various funds. The Pension Bonds are paid with property tax revenues.

The General Obligation Bonds in Business-type Activities are comprised of various obligations in the City's Enterprise funds including Electric system, Water, Wastewater and Golf Course improvements. They are paid from the operating revenues generated in each enterprise.

During 2003 \$5.2 million of General Obligation Bonds related to the Electric system and the Golf Course were refinanced resulting in lower interest rates for both issuances.

The Special Assessment Bonds are paid from the collection of special assessments by the County Auditor from the specific property owners who primarily benefited from the projects.

The OWDA Loans are paid semi-annually from wastewater revenues.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10.5 percent of total assessed valuation. The City's overall legal debt margin was \$33,778,729 on December 31, 2003.

Additional information concerning the City's debt can be found in the notes to the financial statements.

Current Financial Related Activities

The City of Piqua is financially strong. In addition, the City of Piqua's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future.

The City anticipates the following significant events to take place in 2004:

- Construction of a replacement water tower at an estimated cost of \$1.8 million to be financed by OWDA and the City of Piqua.
- Continued redevelopment of the City's downtown area. This redevelopment includes improved signage, sidewalks, brick pavers, traffic signals, and streetlights.

The City of Piqua has committed itself to financial excellence. We first reported under GASB Statement 34 in 2002 earlier than required. The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence for the twelfth consecutive year.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact Cynthia A. Holtzapple, CPA, Director of Finance, City of Piqua, 201 West Water Street, Piqua, Ohio 45356, (937) 778-2065.

CITY OF PIQUA, OHIO

STATEMENT OF NET ASSETS DECEMBER 31, 2003

	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total Activities</u>
ASSETS:			
Equity in pooled cash and cash equivalents	\$ 4,618,023	\$ 1,923,062	\$ 6,541,085
Equity in pooled investments	7,058,697	8,048,169	15,106,866
Accounts receivable	4,776,536	3,128,328	7,904,864
Allowance for Bad Debts	-	(422,773)	(422,773)
Interfund balances	98,871	(98,871)	-
Inventories	12,958	797,951	810,909
Prepaid items and other assets	32,816	177,730	210,546
Notes receivable	1,280,876	-	1,280,876
Capital assets not being depreciated	5,204,713	1,391,745	6,596,458
Capital assets being depreciated, net	<u>32,876,522</u>	<u>57,464,591</u>	<u>90,341,113</u>
Total assets	<u>55,960,012</u>	<u>72,409,932</u>	<u>128,369,944</u>
LIABILITIES:			
Accounts payable	738,176	1,238,949	1,977,125
Salary and benefits payable	316,245	81,439	397,684
Other accruals	18,230	20,333	38,563
Restricted deposits	186,198		186,198
Homeowner advances	1,099,536		1,099,536
Deferred revenue	1,907,229	815	1,908,044
Current portion of:			
Accrued vacation, personal, and sick leave	529,810	389,202	919,012
Capital leases, notes and bonds payable	439,171	1,297,297	1,736,468
Long-term portion of:			
Accrued vacation, personal, and sick leave	1,260,640	727,500	1,988,140
Capital leases, notes and bonds payable	<u>3,293,857</u>	<u>9,130,996</u>	<u>12,424,853</u>
Total Liabilities	<u>9,789,092</u>	<u>12,886,531</u>	<u>22,675,623</u>
NET ASSETS			
Invested in capital assets, net of related debt	34,348,207	48,428,042	82,776,249
Restricted for:			
Debt Service	544,830	168,888	713,718
Other Purposes	431,774		431,774
Unrestricted	<u>10,846,109</u>	<u>10,926,471</u>	<u>21,772,580</u>
Total net assets	<u>46,170,920</u>	<u>59,523,401</u>	<u>105,694,321</u>
Total liabilities and net assets	<u>\$ 55,960,012</u>	<u>\$ 72,409,932</u>	<u>\$ 128,369,944</u>

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
GOVERNMENTAL ACTIVITIES:							
General government	\$ 1,859,642	\$ 212,377	\$ 8,753	\$ -	\$ (1,638,512)	\$ -	\$ (1,638,512)
Public safety	6,844,602	240,543	59,079	-	(6,544,980)	-	(6,544,980)
Streets and maintenance	2,424,531	76,011	32,846	381,723	(1,933,951)	-	(1,933,951)
Parks and recreation	561,058	15,706	17,006	355,500	(172,846)	-	(172,846)
Community development	604,099	9,712	523,016	-	(71,371)	-	(71,371)
Interest on long term debt	<u>246,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246,298)</u>	<u>-</u>	<u>(246,298)</u>
Total governmental activities	<u>12,540,230</u>	<u>554,349</u>	<u>640,700</u>	<u>737,223</u>	<u>(10,607,958)</u>	<u>-</u>	<u>(10,607,958)</u>
BUSINESS-TYPE ACTIVITIES:							
Electric	16,962,240	16,745,273	-	-	-	(216,967)	(216,967)
Wastewater	2,800,775	2,620,654	-	-	-	(180,121)	(180,121)
Garbage	1,291,240	1,261,666	-	-	-	(29,574)	(29,574)
Water	2,205,581	2,542,575	-	-	-	336,994	336,994
Other non major	<u>834,951</u>	<u>609,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(225,819)</u>	<u>(225,819)</u>
Total business-type activities	<u>24,094,787</u>	<u>23,779,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(315,487)</u>	<u>(315,487)</u>
Total	<u>\$ 36,635,017</u>	<u>\$ 24,333,649</u>	<u>\$ 640,700</u>	<u>\$ 737,223</u>	<u>\$ (10,607,958)</u>	<u>\$ (315,487)</u>	<u>\$ (10,923,445)</u>
GENERAL REVENUES:							
Property taxes					1,503,856	-	1,503,856
State shared taxes					2,786,967	-	2,786,967
Income tax					7,364,357	-	7,364,357
KWH tax					1,057,683	-	1,057,683
Investment earnings					199,911	167,710	367,621
Miscellaneous					<u>93,971</u>	<u>-</u>	<u>93,971</u>
Total general revenues					<u>13,006,745</u>	<u>167,710</u>	<u>13,174,455</u>
Donated assets					-	66,651	66,651
Transfers, in					2,430,458	139,574	2,570,032
Transfers, out					<u>(\$2,570,032)</u>	<u>-</u>	<u>(2,570,032)</u>
Change in net assets					2,259,213	58,448	2,317,661
Total net assets:							
Beginning of year					<u>43,911,707</u>	<u>59,464,953</u>	<u>103,376,660</u>
End of year					<u>\$ 46,170,920</u>	<u>\$ 59,523,401</u>	<u>\$ 105,694,321</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	General	Street	Street Levy	Debt	Capital	Other	Total
	Fund	Maintenance	Construction	Service	Projects	Governmental	Governmental
ASSETS							
Equity in pooled cash and cash equivalents	\$2,746,165	\$33,107	\$321,353	\$131,900	\$9,832	\$945,227	\$ 4,187,584
Equity in pooled investments	3,567,952	50,180	-	181,913	-	-	3,800,045
Accounts receivable	3,237,291	556,675	238,176	231,017	-	483,963	4,747,122
Interfund receivable	208,116	-	-	-	-	-	208,116
Inventories	12,958	-	-	-	-	-	12,958
Prepaid items and other assets	12,952	-	-	-	-	-	12,952
Notes Receivable	-	-	-	-	-	1,098,963	1,098,963
Total Assets	<u>\$ 9,785,434</u>	<u>\$ 639,962</u>	<u>\$ 559,529</u>	<u>\$ 544,830</u>	<u>\$ 9,832</u>	<u>\$ 2,528,153</u>	<u>\$ 14,067,740</u>
LIABILITIES							
CURRENT LIABILITIES:							
Accounts payable	\$ 99,578	\$ 29,702	\$ 234,767	\$ -	\$ 9,832	\$ 16,786	\$ 390,665
Interfund payable	139,652	20,291	-	-	-	215,374	375,317
Salaries and benefits	297,264	12,374	73	-	-	6,534	316,245
Accrued vacation, personal and sick leave	475,553	34,582	-	-	-	19,675	529,810
Accruals	-	-	-	-	-	-	-
Total Current Liabilities	1,012,047	96,949	234,840	-	9,832	258,369	1,612,037
LONG-TERM LIABILITIES:							
Restricted deposits	-	-	-	-	-	186,198	186,198
Deferred revenue	1,630,563	259,413	-	230,335	-	263,955	2,384,266
Homeowners' advances	-	-	-	-	-	1,099,536	1,099,536
Total Long Term Liabilities	1,630,563	259,413	-	230,335	-	1,549,689	3,670,000
Total Liabilities	2,642,610	356,362	234,840	230,335	9,832	1,808,058	5,282,037
FUND BALANCES							
Reserved for encumbrances	155,514	1,432	228,872	-	-	45,956	431,774
Reserved for inventory and prepaids	25,910	-	-	-	-	-	25,910
Reserved for debt service	-	-	-	314,495	-	-	314,495
Unreserved	6,961,400	282,168	95,817	-	-	674,139	8,013,524
Total fund balances	<u>7,142,824</u>	<u>283,600</u>	<u>324,689</u>	<u>314,495</u>	<u>-</u>	<u>720,095</u>	<u>\$ 8,785,703</u>
Total liabilities and fund balance	<u>\$ 9,785,434</u>	<u>\$ 639,962</u>	<u>\$ 559,529</u>	<u>\$ 544,830</u>	<u>\$ 9,832</u>	<u>\$ 2,528,153</u>	

Amounts reported for governmental activities in the Statement of Net Assets (page 21) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$ 38,081,235
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	477,037
The following long-term liabilities are not due and payable in the current period and therefore are not reported as expenditures in the funds	
Capital leases, bonds and notes payable	(3,733,028)
Sick leave benefits	(1,260,640)
Accrued interest on bonds payable	(18,230)
Internal service funds are used to charge the costs of certain activities, such as the city's self funded health care costs, to individual funds. The assets and liabilities of the internal service funds is included in the governmental activities in the statement of net assets.	3,838,843
Net assets of governmental activities	<u>\$ 46,170,920</u>

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

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

	General Fund	Street Maintenance	Street Levy Construction	Debt Service	Capital Projects	Other Governmental	Total Governmental
REVENUES:							
Municipal income tax	\$ 5,568,258	\$ 756,007	\$ 1,040,092	\$ -	\$ -	\$ -	\$ 7,364,357
Property taxes	1,144,691	-	-	73,948	-	285,217	1,503,856
State shared revenues	1,513,751	719,655	-	-	-	76,525	2,309,931
KWH tax	1,057,683	-	-	-	-	-	1,057,683
Licenses and permits	277,416	-	-	-	-	5,122	282,538
Grants: federal	350,000	115,148	200,000	-	-	-	665,148
Grants: state	67,183	12,470	-	-	-	543,391	623,044
Investment income	145,779	2,504	1,955	19,149	-	6,627	176,014
(Decrease) in fair market value of investments	(77,631)	(1,280)	-	-	-	-	(78,911)
Donations:							
Capital	5,500	66,575	-	-	-	-	72,075
Operating	17,656	-	-	-	-	-	17,656
Bond issuance proceeds	59,574	-	-	39,581	-	-	99,155
Disposal of fixed assets	93,971	-	-	-	-	-	93,971
Other fines, fees, rents, and reimbursements	165,735	9,453	66,558	-	-	30,065	271,811
Total Revenues	10,389,566	1,680,532	1,308,605	132,678	-	946,947	14,458,328
Expenditures:							
General government administration	1,109,423	-	-	-	-	-	1,109,423
Public safety	6,547,484	-	-	-	-	-	6,547,484
Public health	301,939	-	-	-	-	-	301,939
Street repairs and maintenance	-	1,338,423	300,352	-	-	12,932	1,651,707
Parks and recreation	488,074	-	-	-	-	-	488,074
Community planning and development	33,567	-	-	-	-	558,235	591,802
Other	-	-	-	4,032	80,565	58,037	142,634
Debt principal payment	16,208	-	-	399,597	-	-	415,805
Debt interest payment	-	-	-	248,143	-	-	248,143
Capital costs	988,933	212,208	892,218	-	-	11,855	2,105,214
Total expenditures	9,485,628	1,550,631	1,192,570	651,772	80,565	641,059	13,602,225
Excess(Deficiency)of revenues over expenditures	903,938	129,901	116,035	(519,094)	(80,565)	305,888	856,103
Transfers, in	1,438,429	141,967	96,886	593,463	80,565	79,149	2,430,459
Transfers, out	(861,447)	(234,750)	-	(49,149)	-	(345,060)	(1,490,406)
Net change in fund balance	1,480,920	37,118	212,921	25,220	-	39,977	1,796,156
Fund balance-beginning of year	5,661,904	246,482	111,768	289,275	-	680,118	6,989,547
Fund balance-end of year	\$ 7,142,824	\$ 283,600	\$ 324,689	\$ 314,495	\$ -	\$ 720,095	\$ 8,785,703

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

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

Total net change in fund balances Governmental funds	\$ 1,796,156
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$2,105,214) exceed depreciation expense(\$1,413,182)	692,032
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: State levied taxes	477,036
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	415,805
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Vacation and sick leave benefits	(50,412)
Interest payable	1,845
Proceeds from the issuance of bonds, capital lease or other debt instruments are not considered revenues on the Statement of Activities	(99,155)
The net book value of assets retired (the difference of original cost(59,424.00) and accumulated depreciation (58,804.00) is not recorded on the Governmental Fund Statements, but is recorded as a expense on the Statement of Activities	(620)
An Internal service fund is used by management to charge the cost of certain activities such as the city's self funds health care to individual funds. The net revenue (expense) of the internal service fund related to governmental activities is reported with governmental activities	(973,474)
Change in the net assets of governmental activities on the statement of activities	<u>\$ 2,259,213</u>

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

**BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2003**

	Electric	Wastewater	Garbage	Water	Non-major Funds	Total	Governmental Activities - Internal Service Funds
ASSETS							
Current assets:							
Equity in pooled cash and cash equivalents	\$ 712,689	\$ 419,722	\$ 193,425	\$ 527,892	\$ 69,334	\$ 1,923,062	\$ 430,439
Equity in pooled investments	7,344,326	339,589	107,188	257,066	-	8,048,169	3,440,565
Accounts receivable	2,228,544	372,550	177,670	349,564	-	3,128,328	29,414
Interfund receivable	-	-	-	-	-	-	268,647
Allowance for uncollectible accounts	(284,234)	(56,236)	(27,400)	(54,903)	-	(422,773)	-
Inventories	619,903	-	-	149,747	28,301	797,951	-
Prepaid items and other assets	<u>26,999</u>	<u>6,722</u>	<u>-</u>	<u>1,316</u>	<u>3,620</u>	<u>38,657</u>	<u>19,864</u>
Total Current Assets	10,648,227	1,082,347	450,883	1,230,682	101,255	13,513,394	4,188,929
Noncurrent assets:							
Capital assets not being depreciated							
Land	68,661	33,775	17,949	162,293	370,344	653,022	-
Construction in process	710,089	-	-	28,634	-	738,723	-
Capital assets being depreciated							
Plant and equipment in service, net	<u>32,980,390</u>	<u>13,309,327</u>	<u>251,306</u>	<u>8,736,700</u>	<u>2,186,868</u>	<u>57,464,591</u>	<u>-</u>
Total Capital Assets	33,759,140	13,343,102	269,255	8,927,627	2,557,212	58,856,336	-
Other noncurrent assets, net	<u>62,091</u>	<u>29,635</u>	<u>-</u>	<u>2,057</u>	<u>45,290</u>	<u>139,073</u>	<u>-</u>
Total Assets	<u>\$ 44,469,458</u>	<u>\$ 14,455,084</u>	<u>\$ 720,138</u>	<u>\$ 10,160,366</u>	<u>\$ 2,703,757</u>	<u>\$ 72,508,803</u>	<u>\$ 4,188,929</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 1,090,955	\$ 47,849	\$ 56,651	\$ 27,857	\$ 15,637	\$ 1,238,949	\$ 347,511
Interfund payable	49,532	18,156	8,135	22,511	3,112	101,446	-
Salaries and benefits	37,355	12,335	6,326	15,094	10,329	81,439	-
Accrued vacation, personal, and sick leave	202,179	69,838	20,561	89,857	6,767	389,202	-
Accruals and prepaid memberships	9,298	3,987	-	882	6,981	21,148	-
Current portion of long term debt	<u>325,000</u>	<u>747,784</u>	<u>-</u>	<u>37,693</u>	<u>186,820</u>	<u>1,297,297</u>	<u>-</u>
Total Current Liabilities	<u>1,714,319</u>	<u>899,949</u>	<u>91,673</u>	<u>193,894</u>	<u>229,646</u>	<u>3,129,481</u>	<u>347,511</u>
Long-term liabilities:							
Accrued vacation, personal, and sick leave	412,899	76,263	51,748	173,312	13,278	727,500	-
Long term Debt	<u>2,493,230</u>	<u>4,699,764</u>	<u>-</u>	<u>137,067</u>	<u>1,800,935</u>	<u>9,130,996</u>	<u>-</u>
Total Long-Term Liabilities	<u>2,906,129</u>	<u>4,776,027</u>	<u>51,748</u>	<u>310,379</u>	<u>1,814,213</u>	<u>9,858,496</u>	<u>-</u>
Total Liabilities	<u>4,620,448</u>	<u>5,675,976</u>	<u>143,421</u>	<u>504,273</u>	<u>2,043,859</u>	<u>12,987,977</u>	<u>347,511</u>
NET ASSETS							
Invested in capital assets, net of related debt	30,940,910	7,895,554	269,255	8,752,867	569,457	48,428,043	-
Restricted for debt service	70,096	26,680	-	4,278	67,834	168,888	-
Unrestricted	<u>8,838,004</u>	<u>856,874</u>	<u>307,462</u>	<u>898,948</u>	<u>22,607</u>	<u>10,923,895</u>	<u>3,841,418</u>
Total Net Assets	<u>39,849,010</u>	<u>8,779,108</u>	<u>576,717</u>	<u>9,656,093</u>	<u>659,898</u>	<u>59,520,826</u>	<u>3,841,418</u>
Total Liabilities and Net Assets	<u>\$ 44,469,458</u>	<u>\$ 14,455,084</u>	<u>\$ 720,138</u>	<u>\$ 10,160,366</u>	<u>\$ 2,703,757</u>	<u>\$ 72,508,803</u>	<u>\$ 4,188,929</u>

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-type Activities					Total	Governmental Activities- Internal Service Funds
	Electric	Wastewater	Garbage	Water	Non-major Funds		
OPERATING REVENUES:							
Customer services	\$ 16,632,890	\$ 2,593,781	\$ 1,242,328	\$ 2,468,269	\$ 638,396	\$ 23,575,664	\$ 1,933,654
Penalty charges	<u>100,023</u>	<u>32,981</u>	<u>17,609</u>	<u>30,183</u>	<u>-</u>	<u>180,796</u>	<u>-</u>
Total operating revenues	16,732,913	2,626,762	1,259,937	2,498,452	638,396	23,756,460	1,933,654
OPERATING EXPENSES:							
Fossil fuels used for production	735,020	-	-	-	-	735,020	-
Purchased power	10,717,569	-	-	-	-	10,717,569	-
Salaries and employee benefits	1,612,807	826,594	364,907	989,794	326,960	4,121,062	1,713,281
Depreciation	1,680,903	938,976	24,185	303,997	155,797	3,103,858	-
Materials and supplies	220,478	75,689	27,142	103,060	113,115	539,484	-
Utilities	67,333	95,022	1,883	145,660	36,357	346,255	-
Outside services	972,155	255,761	768,433	284,777	17,244	2,298,370	241,237
Billing costs	355,302	182,260	71,552	181,997	-	791,111	-
Chemicals	23,677	4,402	-	103,480	50,893	182,452	-
Other	<u>459,290</u>	<u>64,446</u>	<u>33,398</u>	<u>80,788</u>	<u>40,529</u>	<u>678,451</u>	<u>-</u>
Total operating expenses	16,844,534	2,443,150	1,291,500	2,193,553	740,895	23,513,632	1,954,518
Operating income (loss)	(111,621)	183,612	(31,563)	304,899	(102,499)	242,828	(20,864)
NON-OPERATING REVENUES(EXPENSES):							
Interest on debt	(118,902)	(358,069)	-	(12,596)	(94,163)	(583,730)	-
Interest income	284,157	18,790	6,514	10,875	1,585	321,921	177,622
Net (decrease) in fair market value of investments.	(144,409)	(4,785)	(1,399)	(3,617)	-	(154,210)	(74,815)
Other, net	12,359	(6,108)	1,729	44,123	(29,264)	22,839	26,784
Donated capital	-	22,335	-	44,316	-	66,651	-
Transfers, in	-	-	-	-	139,574	139,574	-
Transfers, out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,079,626)</u>
Net non-operating revenues(expenses)	33,205	(327,837)	6,844	83,101	17,732	(186,955)	(950,035)
Change in net assets	<u>(78,416)</u>	<u>(144,225)</u>	<u>(24,719)</u>	<u>388,000</u>	<u>(84,767)</u>	<u>55,873</u>	<u>(970,899)</u>
Total net assets-beginning of year	<u>39,927,426</u>	<u>8,923,333</u>	<u>601,436</u>	<u>9,268,093</u>	<u>744,665</u>	<u>-</u>	<u>4,812,317</u>
Total net assets-end of year	<u>\$ 39,849,010</u>	<u>\$ 8,779,108</u>	<u>\$ 576,717</u>	<u>\$ 9,656,093</u>	<u>\$ 659,898</u>	<u>\$ -</u>	<u>\$ 3,841,418</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						<u>2,575</u>	
Change in net assets of business-type activities						<u>\$ 58,448</u>	

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

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

	Business-type Activities					Total	Governmental
	Electric	Wastewater	Garbage	Water	Non-major Funds		Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for services	\$ 16,830,661	\$ 2,632,751	\$ 1,257,371	\$ 2,565,886	\$ 637,564	\$ 23,924,233	\$ 1,987,028
Cash paid to suppliers for goods or services	(13,763,786)	(677,815)	(900,914)	(911,055)	(325,401)	(16,578,971)	(1,909,151)
Cash paid to employees for services	<u>(1,635,039)</u>	<u>(831,054)</u>	<u>(363,518)</u>	<u>(1,019,831)</u>	<u>(320,046)</u>	<u>(4,169,488)</u>	-
Net cash provided by (used in) operating activities	1,431,836	1,123,882	(7,061)	635,000	(7,883)	3,175,774	77,876
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Transfers, in	127,500	-	-	-	139,590	267,090	-
Transfers, out	<u>(127,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,500)</u>	<u>(1,079,626)</u>
Net cash provided by (used in) noncapital financing activities	-	-	-	-	139,590	139,590	(1,079,626)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from issuance of bonds and notes	3,188,231	-	-	-	1,826,135	5,014,366	-
Principal paid on bonds and notes	(3,390,000)	(684,756)	-	(37,693)	(1,861,820)	(5,974,269)	-
Interest paid on bonds and notes	(134,455)	(359,065)	-	(12,775)	(97,080)	(603,375)	-
Acquisition and construction of capital assets	(1,564,157)	(101,240)	-	(266,972)	(5,322)	(1,937,691)	-
Disposals of capital assets	<u>142,327</u>	<u>(11,862)</u>	<u>-</u>	<u>251</u>	<u>-</u>	<u>130,716</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	(1,758,054)	(1,156,923)	-	(317,189)	(138,087)	(3,370,253)	-
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of investment securities	(3,747,526)	(100,749)	-	(125,908)	-	(3,974,183)	(1,804,689)
Proceeds from sale or maturity of investment securities	2,560,661	25,523	-	25,523	-	2,611,707	2,104,856
Interest received	<u>280,362</u>	<u>18,496</u>	<u>6,514</u>	<u>10,524</u>	<u>1,585</u>	<u>317,481</u>	<u>192,301</u>
Net cash provided by (used in) investing activities	(906,503)	(56,730)	6,514	(89,861)	1,585	(1,044,995)	492,468
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS							
	(1,232,721)	(89,771)	(547)	227,950	(4,795)	(1,099,884)	(509,281)
CASH AND CASH EQUIVALENTS - Beginning of year	1,945,410	509,493	193,972	299,942	74,129	3,022,946	939,720
CASH AND CASH EQUIVALENTS - End of year	\$ 712,689	\$ 419,722	\$ 193,425	\$ 527,892	\$ 69,334	\$ 1,923,062	\$ 430,439
RECONCILIATIONS OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating Income (Loss)	\$ (111,621)	\$ 183,612	\$ (31,563)	\$ 304,899	\$ (102,499)	\$ 242,828	\$ (20,864)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	1,680,903	938,976	24,185	303,997	155,797	3,103,858	-
(Increase)/Decrease in Accounts Receivable	(28,307)	(20,551)	(4,295)	(21,861)	25	(74,989)	26,590
(Increase)/Decrease in Inventory	20,659	-	-	2,529	(28,301)	(5,113)	-
(Increase)/Decrease in Prepaids	(61,866)	4,702	-	(2,508)	(20,878)	(80,550)	1,457
Increase/(Decrease) in Accounts Payable	(58,060)	5,377	1,494	(10,458)	11,625	(50,022)	43,910
Increase/(Decrease) in Accrued Wages and Benefits	(22,232)	(4,460)	1,389	(30,037)	6,914	(48,426)	-
Decrease in Deferred Revenues	-	-	-	-	(1,290)	(1,290)	-
Net (Increase)/Decrease in Other Operating Net Assets	<u>12,360</u>	<u>16,226</u>	<u>1,729</u>	<u>88,439</u>	<u>(29,276)</u>	<u>89,478</u>	<u>26,783</u>
Net cash provided by (used in) operating activities	<u>\$ 1,431,836</u>	<u>\$ 1,123,882</u>	<u>\$ (7,061)</u>	<u>\$ 635,000</u>	<u>\$ (7,883)</u>	<u>\$ 3,175,774</u>	<u>\$ 77,876</u>

See accompanying notes to the basic financial statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity—The City of Piqua, Ohio, (the “City”) was incorporated in 1823 and operates under a Commission-Manager form of government. The following services are provided by the City: public safety (police and fire), highways and streets, electricity, steam, hot water, water, wastewater, sanitation, parks and recreation, public improvements, planning and zoning and general governmental administrative services.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

BASIS OF PRESENTATION

Government-Wide Statements—The statement of net assets and the statement of activities display information about the primary government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported through taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or a function and, therefore, are clearly identifiable to a particular function. Programs revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements—The fund financial statements provide information about the City’s funds. Separate statements for each fund category—governmental and business type—are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund is the general operating fund of the City. It is used to account for all financial resources traditionally associated with government, which are not required to be accounted for in another fund.

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

Street Maintenance Fund—This fund accounts for the portion of gasoline tax and motor vehicle license fees restricted for maintenance of streets.

Street Levy Construction Fund—This fund accounts for a .25% levied income tax restricted for the specific purpose of street construction.

Debt Service Funds are used to account for the resources received and used to pay principal and interest on long-term general obligation debt of governmental funds. Revenues and financing resources are derived primarily from property taxes.

Capital Projects Funds are used to account for the acquisition or construction of capital assets other than those financed by enterprise operations. Revenues and financing resources are derived primarily from the issuance of bonds and receipt of grants.

Enterprise Funds (Business type funds) are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City reports the following major enterprise funds: electric, wastewater, garbage, and water.

The City, in its business type funds, accounts for all recurring type revenues, including all revenues, which the City controls through statutory pricing or regulatory authority, as operating revenue and all recurring type expenses as operating expense. Non-recurring revenues such as gains on sales of assets and revenues over which the City has minimal or no control, primarily interest earnings, are accounted for as nonoperating revenues. Interest expense and other non-recurring expenses over which the City has minimal or no control are reported as non-operating expense.

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance activities. Because these self-insurance activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Basis of Accounting—Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

Government-wide and business type fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurements focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to use to pay liabilities of the current period which, for the City's purposes, is considered to be 60 days after year end. Revenues considered susceptible to accrual are community development block grants, delinquent property

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

taxes, income taxes and interest on investments. Property taxes levied before year end are not recognized as revenue until the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when payment is due. Inventory and prepaid expenditures are recognized when used. A portion of the fund balance is reserved in governmental funds for the amount of inventory and prepaid expenditures.

Private-Sector standards of accounting and reporting issued after November 30, 1989, are followed in both the government-wide and business type fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Encumbrances—The City utilizes encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures, which are not yet complete, are recorded as encumbrances. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they do not constitute expenditures or liabilities.

Cash and Cash Equivalents and Investments—City funds are pooled and invested to improve cash management. Each fund type's portion of the pool is shown on the Statement of Net Assets as "cash and cash equivalents" and "investments". For purposes of the statement of cash flows, the business type funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

The City's investment policy authorizes the City to invest in obligations of the United States Government, or other investments where the principal and interest are collateralized by the full faith and credit of the United States Government, and bonds of other states, cities and political subdivisions.

Receivables—Receivables primarily consist of municipal income taxes, state shared revenue taxes, property taxes, and utility charges.

Inventory—Inventory is valued at average cost. The business type fund inventories are capitalized or expensed when used. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories for governmental funds are equally offset by a fund balance reserve, which indicates they do not constitute "available spendable resources" and are not available for appropriation.

Prepaid Expenses—Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items.

Capital Assets—Capital assets are recorded based on historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City defines capital assets as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year.

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Buildings	34 – 50 years
Land improvements other than buildings	25 – 75 years
Machinery and equipment	10 – 30 years
Vehicles	7 – 10 years
Computer equipment	5 years
Public domain infrastructure	45 years
Rolling stock	5 years
Sewer and water lines and underground piping	34 – 50 years

Reserves and Designations—Reserves are portions of fund equity not appropriable for expenditures/expenses or are legally segregated for a specific future use, or both. Designations are tentative plans for financial resource use in a future period. Such plans or intent are subject to change. They may never be legally authorized or result in expenditure/expense.

Use of Estimates—The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Homeowners' Advances—These advances represent amounts funded to homeowners upon satisfaction of specific grant requirements.

Deferred Revenue—Pertains to the City's adoption of Bulletin 96-013 from the Auditor of State which deals with the recognition of entitlements and state shared revenues, as well as estate taxes.

Grants and Other Intergovernmental Revenues—Federal grants, assistance awards made on the basis of entitlement periods, are recorded as intergovernmental receivables and revenues when entitlement occurs and other reimbursement-type grants are recorded as intergovernmental receivables and revenues when eligible expenditures/expenses are incurred.

Compensated Absences—City employees are granted vacation, personal and sick leave. In the event of termination an employee may be reimbursed for accumulated vacation, personal and sick leave at various rates based on years of service. Vested vacation, personal, and sick leave is recorded as an expense in the government-wide statements for the period in which sick leave was earned. For governmental fund type employees an expenditure is recorded in the governmental funds' statements for only the portion of vested vacation, personal and sick leave that is expected to be liquidated with expendable available resources in accordance with Interpretation No.6 of the Governmental Accounting Standards Board- Recognition and Measurement of Certain Liabilities and Expenditure in Government Fund Financial Statements. The amounts recorded on the government-wide and governmental funds' statements for 2002 and 2003 were as follows:

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

	2002	Net Change	2003	Amount Payable within one Year
Governmental Activities	\$1,845,433	(54,983)	1,790,450	529,810
Business Type Activities	1,042,451	74,251	1,116,702	389,202

Vested vacation, personal, and sick leave is recorded as an expense in both the government wide and governmental funds' statements for all business type funds. Payment of vacation, personal and sick leave recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. Management believes that sufficient resources will be made available when payment is due.

B. POOLED CASH DEPOSITS AND INVESTMENTS

Risk Categorization—For purposes of defining risk, City funds are classified as either deposits or investments. Deposits consist of demand deposits and investments with financial institutions subject to FDIC coverage, while investments include all other City funds. Because these categorizations are different than those used to prepare the basic financial statements the amounts listed below do not agree individually to the basic financial statements; however, they do agree in aggregate.

Cash Deposits—At December 31, 2003, the carrying amount of the City's cash deposits was \$2,423,084 while the balance as shown by the bank statements was \$2,936,182. Of the bank balance, \$100,000 was classified in the "Level 1" risk category since this amount was fully covered by federal depository insurance. "Level 1" risk category includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. The remaining \$2,836,182 was classified in the "Level 3" uncollateralized risk category. "Level 3" risk category includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

Investments—Investments are carried at fair value. The City's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio is not registered with the Securities Exchange Commission as an investment company but does operate in a manner similar to rule 2a7 of the Investment Company Act of 1940. Deposits in pooled funds, such as STAR Ohio, are not required to be categorized under GASB 3. The \$4,114,656 on deposit at STAR Ohio is valued at the pool's share price, which is the price for which the investment could be sold on December 31, 2003. A summary of the fair/carrying value of investments held at December 31, 2003, and an indication of the related credit risk is as follows:

City of Piqua, Ohio
Notes to the Basic Financial Statements
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	Fair/Carrying Value	Risk Category
City of Piqua Bonds and Notes	\$ 606,042	1
U.S. Government Securities	<u>14,682,736</u>	1
	15,288,778	
STAR Ohio Investment Pool	<u>4,114,656</u>	
Total Investments	<u>\$ 19,403,434</u>	

C. PROPERTY TAXES

Property tax revenues include amounts collected for all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each January 1 on the assessed value listed as of the prior January 1. Assessed values are established by the County Auditor for real and public utility property at 35% of appraised market value, and for tangible property at 25% of appraised market value (excluding the first \$10,000 of value). Property values are required to be updated every three years and revalued every six years. A revaluation was completed in 2001.

The property tax calendar is as follows:

Levy date	January 1, 2002
Lien date	January 1, 2003
Tax bill mailed	January 20, 2003
First installment payment due	February 20, 2003
Second installment payment due	July 20, 2003

The assessed values for the City at January 1, 2003 were as follows:

Real estate	\$ 275,053,010
Tangible personal property	<u>76,389,910</u>
Total	<u>\$ 351,442,920</u>

The County Treasurer collects property taxes on behalf of taxing districts, including the City of Piqua. The County Auditor periodically remits to the City its portion of taxes collected. Property taxes may be paid on either an annual or semiannual basis. Although total property tax collections for the next fiscal year are measurable, amounts to be received are not available at December 31, 2003, nor are they intended to finance 2003 operations. Therefore, the City has recorded property taxes receivable with a corresponding amount as deferred revenue.

Ohio law prohibits taxation of property in excess of \$10 per \$1,000 (10.0 mills) of assessed value without a vote of the citizens. The City's share is currently \$3.70 (3.7 mills) of assessed value. In 2003, the City also received an additional 0.60 mills to fund the Pension Refunding Bonds, and 0.13 mills for costs of the Miami Conservancy District.

City of Piqua, Ohio
Notes to the Basic Financial Statements
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D. INCOME TAXES

The City levies a 1.75% income tax on all income earned within the City. Income tax in excess of 1% is voter approved. Income tax is allocated by fund in accordance with voter and commission authorizations. In addition, City residents pay City tax on income earned outside the City; however, a credit is allowed for income taxes paid to other municipalities.

Employers within the City withhold income tax on employee compensation and remit payments at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

Additional KWH tax revenues in 2003 are recognized based upon sales of electrical services by the City.

E. OTHER TAXES

The caption "State Shared Taxes" on the Statement of Activities is comprised of taxes levied by the State or the County and distributed to the City. The components of the number are as follows:

Estate taxes	\$ 379,921
Sales taxes	1,564,450
Gasoline taxes	473,139
Vehicle license taxes	290,321
Miscellaneous other taxes	<u>79,136</u>
	<u>\$ 2,786,967</u>

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

F. CAPITAL ASSETS

A summary of changes in general capital assets is as follows:

	Beginning Balance	Increases	Decreases	Construction In Process Placed in Service	Ending Balance
Capital assets not being depreciated:					
Land and licenses	\$ 3,143,866	\$ 3,825	\$ -	\$ 785,132	\$ 3,932,823
Infrastructure land	836,280	400	-	1,232	837,912
Construction in progress	<u>227,719</u>	<u>1,748,832</u>	<u>-</u>	<u>(1,542,573)</u>	<u>433,978</u>
Assets not depreciated	<u>4,207,865</u>	<u>1,753,057</u>	<u>-</u>	<u>(756,209)</u>	<u>5,204,713</u>
Capital assets being depreciated:					
Buildings and improvements	11,247,787	604	-	-	11,248,391
Furniture, fixtures and equipment	8,511,842	233,589	(59,424)	303,294	8,989,301
Infrastructure	<u>22,505,208</u>	<u>117,964</u>	<u>-</u>	<u>452,915</u>	<u>23,076,087</u>
Depreciated capital assets	42,264,837	352,157	(59,424)	756,209	43,313,779
Accumulated depreciation:					
Buildings and improvements	(826,808)	(242,143)	-	-	(1,068,951)
Furniture, fixtures and equipment	(5,199,764)	(671,404)	58,804	-	(5,812,364)
Infrastructure	<u>(3,056,306)</u>	<u>(499,636)</u>	<u>-</u>	<u>-</u>	<u>(3,555,942)</u>
Total accumulated depreciation	<u>(9,082,878)</u>	<u>(1,413,183)</u>	<u>58,804</u>	<u>-</u>	<u>(10,437,257)</u>
Net capital assets being depreciated	<u>33,181,959</u>	<u>(1,061,026)</u>	<u>(620)</u>	<u>756,209</u>	<u>32,876,522</u>
Net capital assets	<u>37,389,824</u>	<u>692,031</u>	<u>(620)</u>	<u>-</u>	<u>38,081,235</u>

* Depreciation expense was charged to governmental functions as follows:

General governmental	\$ 271,944
Public safety	292,550
Street repairs and maintenance	763,512
Community development	10,183
Parks	<u>74,994</u>
Total depreciation expense	<u>\$ 1,413,183</u>

City of Piqua, Ohio
Notes to the Basic Financial Statements
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A summary of changes in enterprise fund capital assets is as follows:

	Beginning Balance	Increases	Decreases	Construction In Process Placed in Service	Ending Balance
Capital assets not being depreciated:					
Land and licenses	\$ 647,700	\$ 5,322	\$ -	\$ -	\$ 653,022
Construction in progress	<u>557,607</u>	<u>1,331,699</u>	<u>-</u>	<u>(1,150,583)</u>	<u>738,723</u>
Assets not depreciated	<u>1,205,307</u>	<u>1,337,021</u>	<u>-</u>	<u>(1,150,583)</u>	<u>1,391,745</u>
Capital assets being depreciated:					
Land improvements	1,406,013	18,470	-	-	1,424,483
Buildings and improvements	32,489,501	23,860	(730)	58,175	32,570,806
Furniture, fixtures and equipment	74,437,680	574,688	(384,669)	1,092,408	75,720,107
Intangible assets	<u>2,999,380</u>	<u>-</u>	<u>(36,475)</u>	<u>-</u>	<u>2,962,905</u>
Depreciated capital assets	111,332,574	617,018	(421,874)	1,150,583	112,678,301
Accumulated depreciation:					
Land improvements	(612,155)	(19,944)	-	-	(632,099)
Buildings and improvements	(10,376,404)	(650,433)	730	-	(11,026,107)
Furniture, fixtures and equipment	(40,845,132)	(2,338,952)	274,077	-	(42,910,007)
Intangible assets	<u>(550,968)</u>	<u>(94,529)</u>	<u>-</u>	<u>-</u>	<u>(645,497)</u>
Total accumulated depreciation	<u>(52,384,659)</u>	<u>(3,103,858)</u>	<u>274,807</u>	<u>-</u>	<u>(55,213,710)</u>
Net capital assets being depreciated	<u>58,947,915</u>	<u>(2,486,840)</u>	<u>147,067</u>	<u>1,150,583</u>	<u>57,464,591</u>
Net capital assets	<u>60,153,222</u>	<u>(1,149,819)</u>	<u>147,067</u>	<u>-</u>	<u>58,856,336</u>

* Depreciation expense was charged to enterprise functions as follows:

Electric	\$ 1,680,903
Wastewater	938,976
Garbage	24,185
Water	303,997
Non-Major	<u>155,797</u>
Total depreciation expense	<u>\$ 3,103,858</u>

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

G. LONG-TERM LIABILITIES

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

Long-term liability activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds:					
Public improvement G.O. bonds, 3.0%-6.2%	\$ 59,107	\$ -	\$ 10,487	\$ 48,620	\$ 10,487
Building facility bonds, 5.97%	<u>3,375,000</u>	<u> </u>	<u>340,000</u>	<u>3,035,000</u>	<u>360,000</u>
Total governmental general obligation bonds	3,434,107		350,487	3,083,620	370,487
Capital Lease (Note H)	-	59,574	16,208	43,366	16,208
Special assessment bonds, 9%	180,571	39,581	34,110	186,042	37,476
Other—Pension refunding bonds, 6.25%	<u>435,000</u>	<u> </u>	<u>15,000</u>	<u>420,000</u>	<u>15,000</u>
Total governmental long-term liabilities	<u>\$ 4,049,678</u>	<u>\$ 99,155</u>	<u>\$ 415,805</u>	<u>\$ 3,733,028</u>	<u>\$ 439,171</u>
Business-Type Activities:					
General obligation bonds:					
Electric G.O. bonds, 6.5%-6.6%	\$ 3,020,000	\$ -	\$ 3,020,000	\$ -	\$ -
Electric G.O. bonds, 2.0%-3.4%	-	3,230,000	411,769	2,818,231	325,000
Public improvement G.O. bonds, 3.0%-6.2%	250,893		44,513	206,380	44,513
Wastewater G.O. Improvement bonds, 7.25%	825,000		165,000	660,000	165,000
Ohio Water Development Authority Loan-1981, 7.00%	814,172		249,864	564,308	270,802
Ohio Water Development Authority Loan-1995, 4.56%	4,493,132		269,893	4,223,239	311,982
Recreational facility bonds, 4.5%-5.5%	1,985,000		1,855,000	130,000	130,000
Recreational facility bonds, 2.0%-4.1%	<u>-</u>	<u>1,965,000</u>	<u>138,865</u>	<u>1,826,135</u>	<u>50,000</u>
Total long-term liabilities	<u>\$ 11,388,197</u>	<u>\$ 5,195,000</u>	<u>\$ 6,154,904</u>	<u>\$ 10,428,293</u>	<u>\$ 1,297,297</u>

The terms of the various bonds include certain covenants, which provide for, among other things, minimum debt coverage ratios, maintenance of insurance and restrictions regarding disposal of property.

The full faith and credit of the City are pledged as collateral for all General Obligation Bonds.

Ohio Water Development Authority (“OWDA”) Wastewater Sewer Project Notes are issued under a cooperative agreement for construction, maintenance and operation of a state sewer project. Payments to the OWDA will be made from the utility’s revenues.

The Special Assessment Bonds are held for investment by other City funds. In the event of delinquencies related to special assessment debt, the City is required to use other resources to satisfy debt service requirements.

On April 1, 2003, the City of Piqua issued \$ 5,195,000 in General Obligation Bonds to advance refund the 1991 Electric and the 1994 Recreational Facility bond issues with new General Obligation Bonds. The City issued \$3,230,000 of general obligation refunding bonds for Electric and \$1,965,000 of general obligation bonds for

City of Piqua, Ohio
Notes to the Basic Financial Statements
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Recreational Facility to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the enterprise funds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$194,019. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015 using the effective-interest method. This advance refunding was undertaken to reduce total debt service payments over the remaining 15 years by \$286,551 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$381,920. At December 31, 2003, the bonds have an outstanding balance of \$130,000 due to the portion of the 1994 Recreational Facility bonds that were unable to be included in the above refunding.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2003 are as follows:

Year Ending December 31	<u>General Obligation Bonds</u>				<u>Pension Bonds</u>		<u>Special Assessment Bonds</u>	
	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>				
2004	\$ 370,487	\$ 184,135	\$ 1,297,298	\$ 440,850	\$ 15,000	\$ 26,250	\$ 37,476	\$ 16,744
2005	397,393	162,025	1,287,484	378,581	15,000	25,313	43,536	13,371
2006	417,393	138,296	1,019,030	318,875	15,000	24,375	32,837	9,453
2007	443,347	113,362	1,048,823	278,757	20,000	23,438	20,643	6,497
2008	455,000	86,864	853,642	236,000	20,000	22,188	20,651	4,640
2009—2013	1,000,000	90,446	3,948,150	692,084	110,000	91,875	29,888	5,968
2014—2018			973,867	113,673	150,000	52,812	1,011	91
2019—2023					<u>75,000</u>	<u>7,187</u>		
Total	<u>\$ 3,083,620</u>	<u>\$ 775,127</u>	<u>\$10,428,293</u>	<u>\$2,458,820</u>	<u>\$ 420,000</u>	<u>\$ 273,438</u>	<u>\$ 186,042</u>	<u>\$ 56,764</u>

H. CAPITAL LEASE COMMITMENTS

The City is obligated under one lease accounted for as a capital lease. The cost of the leased assets is included in the City's capital assets used in governmental activities. The original cost of the assets under capital lease was \$59,574.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2003. This amount also appears in Note G.

<u>Year ending December 31,</u>	<u>Capital Lease</u>
2004	\$ 16,208
2005	16,208
2006	<u>16,208</u>
Total minimum lease payments	48,624
Less: amount representing interest at 5.95%	<u>(5,258)</u>
Present value of minimum lease payments	<u>\$ 43,366</u>

City of Piqua, Ohio
Notes to the Basic Financial Statements
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I. INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Current portion of long-term interfund loans are classified as “interfund receivables/payables.”

Interfund receivable and payable balances at December 31, 2003 are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 208,116	\$ 139,652
Street Maintenance		20,291
Non-major Governmental Funds		215,374
Enterprise Funds:		
Electric		49,532
Wastewater		18,156
Garbage		8,135
Water		22,511
Non-major		3,112
Internal Service Funds:		
City Health Insurance	<u>268,647</u>	
	<u>\$ 476,763</u>	<u>\$ 476,763</u>

J. PENSION PLAN OBLIGATIONS

Both the Ohio Police and Fire Pension Fund (“OP&F”) and the Ohio Public Employees Retirement System (“OPERS”) are reported using GASB Statement No. 27 “Accounting for Pensions by State and Local Governmental Employers”. Substantially all City employees are covered by one of the two cost-sharing multiple-employer defined benefit pension plans, namely, the Ohio Police and Fire Pension Fund (“OP&F”) or the Ohio Public Employees Retirement System (“OPERS”). The systems provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Police and Fire Disability Pension Fund Plan—Benefit provisions are established by the 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 information 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 employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The contribution requirements for the years ended December 31, 2003, 2002, and 2001 were \$1,195,460, \$1,126,680 and \$1,109,667, which consisted of \$817,846, \$766,291 and \$758,649 from the City and \$377,614, \$360,406, and \$351,018 from the employees, respectively, equal to the required contributions for each year.

Public Employees Retirement System—Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS (7377).

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OPERS administers three separate pension plans as described below:

The Traditional Pension Plan (TP) – a cost-sharing multiple -employer defined benefit pension plan.

The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement Benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised code.

The Ohio Revised Code also provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD, and CO).

Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City's contributions to the plan for the years ending December 31, 2001, 2002 and 2003 were \$1,438,203, \$1,499,130 and \$1,481,972, respectively, equal to the required contributions for the year.

K. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Both the OPERS and the OP&F provide post-retirement health care coverage commonly referred to as an Other Post-employment Benefit (OPEB). For both systems, the Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions.

Police and Firemen's Disability Pension Fund OPEB—The fund 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 full-time or on a 2/3 basis. The Ohio Revised code provides that health care costs paid shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible employees. 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 in 2003, which resulted in contributions of \$152,295 for police and \$140,355 for firemen to pay post-employment benefits. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

City of Piqua, Ohio
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The number of participants eligible to receive health care benefits statewide as of December 31, 2002, the date of the last actuarial valuation available, was 13,527 for police and 10,396 for firemen. OP&F's total health care expense for the year ending December 31, 2002, the date of the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875.

Public Employees Retirement System OPEB— OPERS provides post-retirement health care coverage to age and service retirees 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS (5.0% of the total 13.55% contribution—See Note J) is set aside for the funding of post-retirement health care. The Ohio Revised Code provides the statutory authority for employer contributions and for requiring public employers to fund pension and post-retirement health care through their contributions to OPERS. The 2003 employer contribution rate for local government employer units was 13.55% of covered payroll, of which 5.00% was used to fund health care for the year.

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

Actuarial Review: The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.

Funding Method: An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return: The investment assumption rate for 2002 was 8.00%

Active Employee Total Payroll: An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

City of Piqua, Ohio
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Health Care: Health care costs were assumed to increase 4.00% annually. OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the 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 in an OPERS covered position 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 his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

L. OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan, which is available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

M. CONTINGENCIES

Certain claims and suits have been filed or are pending against the City. Management believes that the liability, if any, which may result would not have a material adverse effect on the financial position of the City.

The City participates in several federally assisted programs, which are subject to program compliance audits by the grantors or their representatives. A single financial and compliance audit of the City has been completed with no findings for recovery. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies. Management believes such reimbursements, if any, would not be material.

N. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. In 2002, the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (“MVRMA”) with other local cities. The pool has been operational since December 1988, and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public officials liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad-based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a seventeen-member board of trustees, consisting of a representative appointed by each of the member cities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an executive director, who is assisted by a claims manager, a full-time loss control manager and office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The City pays an annual premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member premiums and the purchase of excess and stop-loss insurance. The deductible per occurrence for all types of claims is \$2,500. During 2003, the City’s per-occurrence retention limit for property was \$250,000, with the exception of boiler and machinery for which there was a \$5,000 and a \$10,000 per occurrence retention limit. Liability had a pre-occurrence retention limit of \$1,000,000.

After the retention limits are reached, excess insurance will cover up to the limits stated below:

General Liability (including law enforcement)	\$12,000,000 per occurrence
Automobile Liability	\$12,000,000 per occurrence
Public Officials Liability	\$500,000 excess \$500,000 (\$500,000 aggregate)
	\$10,000,000 excess \$1,000,000 (\$10,000,000 aggregate per city)
Boiler and Machinery	\$100,000,000 per occurrence
Property	\$100,000,000 per occurrence
Flood and Earthquake	\$25,000,000 annual aggregate
Employment Practices Liability	\$500,000 aggregate
	\$10,000,000 excess \$1,000,000 (\$10,000,000 aggregate per city)

The City joined a workers’ compensation group rating plan, which allows local governments to group the experience of employers for workers’ compensation rating purposes. The City pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries.

The City is self-insured for medical benefits and claims, subject to certain stop-loss limits, which are insured by a thirty party. S&S Heathcare, located in Cincinnati, Ohio, reviews all claims, which the City then pays. The City purchases stop-loss coverage for claims over \$60,000 per employee per year. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. Changes in the balances of claims liabilities during the past two fiscal years are as follows:

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

	<u>2003</u>	<u>2002</u>
Unpaid claims, beginning of year	\$ 292,732	\$ 169,369
Incurred claims (including IBNRs)	1,569,998	1,321,075
Claim payments	<u>(1,523,832)</u>	<u>(1,197,712)</u>
Unpaid claims, end of year	<u>\$ 338,898</u>	<u>\$ 292,732</u>

O. COMMITMENTS

Cinergy (Public Service Company of Indiana) Power Contract

On May 17, 1993, the City of Piqua and the Public Service Company of Indiana (Cinergy) signed an agreement for the City to purchase 15 MW of limited term power for a period of 20 years. This agreement expires December 31, 2013.

The purchase was made to provide the City an economical alternative to the construction of the cooling tower for its generating facilities.

The contract defines and includes an escape clause for the City in the event energy costs unreasonably exceed estimates or the supply source becomes unreliable.

Future year demand obligations of the City, based on 15 MW purchase levels:

Year	Amount
2004	\$ - * See Below (A)
2005	* See Below (A)
2006	* See Below (A)
2007	2,196,000
2008	2,196,000
2009	2,520,000
2010	2,520,000
2011	2,700,000
2012	2,880,000
2013	<u>2,880,000</u>
	<u>\$17,892,000</u>

(A) On October 18, 2000, the City and Cinergy agreed to suspend and supercede this agreement for the period of January 1, 2002 through December 31, 2006. Under the new agreement, dated October 31, 2000, the city agreed to purchase from Cinergy all energy requirements in excess of those supplied by the New York Power Authority (NYPA) for the duration of the agreement. The new contract results in a “take and pay” arrangement with no minimum obligations to the City. The original agreement, dated May 17, 1993, will remain effective from January 1, 2007 through December 31, 2013.

City of Piqua, Ohio
Notes to the Basic Financial Statements
December 31, 2003

P. FUND RECLASSIFICATION & RESTATEMENT OF FUND BALANCE/NET ASSETS

The City's health insurance, liability insurance, and workers' compensation funds, previously reported as other non-major governmental funds, have been reclassified as internal service funds in accordance with GASB Statement No. 10.

	<u>Non-major Governmental Funds</u>	<u>Internal Service Funds</u>
Fund Balance, December 31, 2002	\$ 5,492,435	\$ -
Reclassification:	<u>(4,812,317)</u>	<u>4,812,317</u>
Adjusted Fund Balance, December 31, 2002	<u>\$ 680,118</u>	
Net Assets, December 31, 2002		<u>\$ 4,812,317</u>

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT-GENERAL FUND
FOR YEAR ENDED DECEMBER 31,2003**

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
REVENUES:				
Municipal income tax	\$ 5,139,314	\$ 5,496,180	\$ 5,568,258	\$ 72,078
Property taxes	1,145,038	1,176,792	1,144,691	(32,101)
State shared revenues	1,678,721	1,643,433	1,513,751	(129,682)
KWH tax	1,054,791	1,063,665	1,057,683	(5,982)
Licenses and permits	304,975	272,637	277,416	4,779
Grants-capital	350,000	350,000	350,000	-
Grants-operating	29,810	32,531	67,183	34,652
Interest income	193,234	130,744	145,779	15,035
(Decrease) in fair value of investments	-	-	(77,631)	(77,631)
Donations:				-
Capital	-	5,000	5,500	500
Operating	-	9,650	17,656	8,006
Proceeds from financing sources	-	59,574	59,574	-
Other	<u>148,078</u>	<u>256,295</u>	<u>259,706</u>	<u>3,411</u>
Total revenue	10,043,961	10,496,501	10,389,566	(106,935)
GENERAL GOVERNMENT ADMINISTRATION:				
City commission:				
Personal services	33,667	34,344	33,399	945
Operating expenditures	23,985	29,000	28,226	774
Capital	-	2,015	2,015	-
Total city commission	<u>57,652</u>	<u>65,359</u>	<u>63,640</u>	<u>1,719</u>
Office of city manager:				
Personal services	89,862	79,998	82,206	(2,208)
Operating expenditures	4,728	6,633	6,104	529
Capital	-	-	-	-
Total office of city manager	<u>94,590</u>	<u>86,631</u>	<u>88,310</u>	<u>(1,679)</u>
Purchasing department:				
Personal services	-	-	29	(29)
Operating expenditures	-	-	2	(2)
Total purchasing department	<u>-</u>	<u>-</u>	<u>31</u>	<u>(31)</u>
Law department:				
Personal services	22,868	61,287	61,203	84
Operating expenditures	<u>2,679</u>	<u>5,919</u>	<u>6,238</u>	<u>(319)</u>
Total law department	<u>25,547</u>	<u>67,206</u>	<u>67,441</u>	<u>(235)</u>

(Continued)

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT-GENERAL FUND
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Finance department:				
Personal services	126,038	107,052	111,638	(4,586)
Operating expenditures	9,649	5,854	5,228	626
Capital	700	4,088	4,060	28
Total finance department	<u>136,387</u>	<u>116,994</u>	<u>120,926</u>	<u>(3,932)</u>
Personnel department:				
Personal services	10,344	5,016	6,123	(1,107)
Operating expenditures	1,663	780	428	352
Capital	1,200	1,200	936	264
Total personnel department	<u>13,207</u>	<u>6,996</u>	<u>7,487</u>	<u>(491)</u>
Engineering department:				
Personal services	85,123	78,964	82,269	(3,305)
Operating expenditures	9,340	7,964	7,145	819
Total engineering department	<u>94,463</u>	<u>86,928</u>	<u>89,414</u>	<u>(2,486)</u>
Income tax department:				
Personal services	147,642	154,719	153,857	862
Operating expenditures	134,020	140,468	136,422	4,046
Capital	700	250	63	187
Total income tax department	<u>282,362</u>	<u>295,437</u>	<u>290,342</u>	<u>5,095</u>
General government				
Personal services	-	-	-	-
Operating expenditures	310,824	310,824	299,877	10,947
Capital	-	-	-	-
Total general government	<u>310,824</u>	<u>310,824</u>	<u>299,877</u>	<u>10,947</u>
Miscellaneous:				
Operating expenditures	150,773	145,204	125,478	19,726
Capital	-	-	-	-
Total miscellaneous	<u>150,773</u>	<u>145,204</u>	<u>125,478</u>	<u>19,726</u>
TOTAL GENERAL GOVERNMENT	<u><u>1,165,805</u></u>	<u><u>1,181,579</u></u>	<u><u>1,152,946</u></u>	<u><u>28,633</u></u>

(Continued)

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT-GENERAL FUND
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC SAFETY:				
Fire department:				
Personal services	2,370,104	2,665,000	2,699,396	(34,396)
Operating expenditures	227,047	232,526	208,909	23,617
Capital	130,000	1,386	1,336	50
Total fire department	<u>2,727,151</u>	<u>2,898,912</u>	<u>2,909,641</u>	<u>(10,729)</u>
Police department:				
Personal services	3,092,962	3,162,800	3,210,406	(47,606)
Operating expenditures	411,989	434,595	444,981	(10,386)
Capital	105,000	196,373	196,037	336
Total police department	<u>3,609,951</u>	<u>3,793,768</u>	<u>3,851,424</u>	<u>(57,656)</u>
TOTAL PUBLIC SAFETY	<u>6,337,102</u>	<u>6,692,680</u>	<u>6,761,065</u>	<u>(68,385)</u>
HEALTH:				
Personal services	236,229	240,041	239,683	358
Operating expenditures	66,021	67,958	62,256	5,702
Capital	-	-	-	-
Total health department	<u>302,250</u>	<u>307,999</u>	<u>301,939</u>	<u>6,060</u>
PARKS AND RECREATION:				
Personal services	368,943	366,000	359,778	6,222
Operating expenditures	144,647	115,382	128,296	(12,914)
Capital	576,500	782,000	781,604	396
Total parks and recreation	<u>1,090,090</u>	<u>1,263,382</u>	<u>1,269,678</u>	<u>(6,296)</u>
Total charges to appropriations	<u>8,895,247</u>	<u>9,445,640</u>	<u>9,485,628</u>	<u>(39,988)</u>
Transfers, In	269,000	1,066,249	1,438,429	372,180
Transfers, out	<u>(592,718)</u>	<u>(1,034,667)</u>	<u>(861,447)</u>	<u>173,220</u>
Net change in fund balance	<u>824,996</u>	<u>1,082,443</u>	<u>1,480,920</u>	<u>398,477</u>
Fund balance- January 1, 2003	<u>5,661,904</u>	<u>5,661,904</u>	<u>5,661,904</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ 6,486,900</u>	<u>\$ 6,744,347</u>	<u>\$ 7,142,824</u>	<u>\$ 398,477</u>

(Concluded)

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT-
STREET MAINTENANCE FUND
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Municipal income tax	\$ 626,236	\$ 702,519	\$ 756,007	\$ 53,488
State shared revenues	670,250	678,250	719,655	41,405
Grants capital	-	58,148	58,148	-
Grants operating	-	12,470	12,470	-
Interest income	3,000	2,000	2,504	504
Decrease in fair value of investments	-	-	(1,280)	(1,280)
Donations:				
Capital	-	62,906	123,575	60,669
Operating	-	-	-	-
Other	<u>7,601</u>	<u>8,649</u>	<u>9,453</u>	<u>804</u>
Total revenue	1,307,087	1,524,942	1,680,532	155,590
CHARGES TO APPROPRIATIONS:				
Personal services	602,893	725,000	740,696	(15,696)
Operating expenditures	469,266	586,182	597,727	(11,545)
Capital costs	<u>308,100</u>	<u>89,760</u>	<u>212,208</u>	<u>(122,448)</u>
Total charges to appropriations	1,380,259	1,400,942	1,550,631	(149,689)
Transfers, In	60,881	65,376	141,967	76,591
Transfers, out	<u>(13,990)</u>	<u>(234,858)</u>	<u>(234,750)</u>	<u>108</u>
Net change in fund balance	(26,281)	(45,482)	37,118	82,600
Fund balance- January 1, 2003	<u>246,482</u>	<u>246,482</u>	<u>246,482</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ 220,201</u>	<u>\$ 201,000</u>	<u>\$ 283,600</u>	<u>\$ 82,600</u>

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARSION STATEMENT-
STREET LEVY CONSTRUCTION FUND
FOR YEAR ENDED DECEMBER 31,2003**

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
REVENUES:				
Municipal income tax	\$ 961,219	\$ 1,033,373	\$ 1,040,092	\$ 6,719
Grants-capital	200,000	200,000	200,000	-
Grants-operating	-	-	-	-
Interest income	28,000	1,500	1,955	455
(Decrease) in fair value of investments	-	-	-	-
Donations:				
Capital	-	-	-	-
Operating	-	-	-	-
Other	53,000	24,760	66,558	41,798
Total revenue	<u>1,242,219</u>	<u>1,259,633</u>	<u>1,308,605</u>	<u>48,972</u>
CHARGES TO APPROPRIATIONS:				
Personal services	27,043	23,527	597	22,930
Operating expenditures	539,438	358,200	299,755	58,445
Capital costs	<u>773,351</u>	<u>875,000</u>	<u>892,218</u>	<u>(17,218)</u>
Total charges to appropriations	<u>1,339,832</u>	<u>1,256,727</u>	<u>1,192,570</u>	<u>64,157</u>
Transfers, In	114,300	96,886	96,886	0
Transfers, out	<u>(1,190)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	15,497	99,792	212,921	113,129
Fund balance January 1, 2003	<u>111,768</u>	<u>111,768</u>	<u>111,768</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ 127,265</u>	<u>\$ 211,560</u>	<u>\$ 324,689</u>	<u>\$ 113,129</u>

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT-DEBT SERVICE FUND
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 46,337	\$ 73,948	\$ 73,948	\$ -
Interest income	21,308	10,325	19,149	8,824
Proceeds from financing sources	<u>55,538</u>	<u>47,582</u>	<u>39,581</u>	<u>(8,001)</u>
Total revenue	123,183	131,855	132,678	823
CHARGES TO APPROPRIATIONS:				
Operating expenditures	2,733	4,500	4,032	468
Debt principal payment	399,597	399,597	399,597	-
Debt interest payment	<u>248,482</u>	<u>248,484</u>	<u>248,143</u>	<u>341</u>
Total charges to appropriations	650,812	652,581	651,772	809
Transfers, In	597,563	596,532	593,463	(3,069)
Transfers, out	<u>(78,987)</u>	<u>(52,082)</u>	<u>(49,149)</u>	<u>2,933</u>
Net change in fund balance	(9,053)	23,724	25,220	1,496
Fund balance January 1, 2003	<u>289,275</u>	<u>289,275</u>	<u>289,275</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ 280,222</u>	<u>\$ 312,999</u>	<u>\$ 314,495</u>	<u>\$ 1,496</u>

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON CAPTIAL PROJECTS FUND
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Municipal income tax	\$ -	\$ -	\$ -	\$ -
Grants-capital	-	-	-	-
Grants-operating	-	-	-	-
Interest income	-	-	-	-
(Decrease) in fair value of investments	-	-	-	-
Donations:				
Capital	-	-	-	-
Operating	-	-	-	-
Other	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHARGES TO APPROPRIATIONS:				
Personal services	-	540	538	2
Operating expenditures	-	118,460	80,027	38,433
Capital costs	-	-	-	-
Total charges to appropriations	<u>-</u>	<u>119,000</u>	<u>80,565</u>	<u>38,435</u>
Transfers, In	0	119,000	80,565	(38,435)
Transfers, out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	-	-	-	-
Fund balance January 1, 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Piqua, Ohio
Notes to the Required Supplemental Information
December 31, 2003

BUDGETS AND BUDGETARY ACCOUNTING—The City follows procedures prescribed by State law in establishing the budgetary data shown in the financial statements, as follows:

- The City must submit a budget of estimated revenues and expenditures for all governmental funds to the County Budget Commission by July 20 of each year for the following calendar year.
- The County Budget Commission certifies its actions by September 1, and issues a “Certificate of Resources” limiting the maximum amount the City may expend from a given fund during the year.
- On approximately January 1, this Certificate is amended to include any unencumbered balances from the preceding year. The City must prepare its appropriations so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Resources.
- Before the first Commission meeting in January, a permanent appropriation measure must be passed for the period January 1 through December 31. The permanent appropriation may not exceed estimated resources certified by the County Budget Commission.
- Unused appropriations lapse at year-end and are reappropriated in the following year’s budget.
- All funds have annual budgets, which are prepared in accordance with generally accepted accounting principles and are legally adopted by the City Commission.

The City Manager acts as budget officer for the City and submits a proposed operating budget to the City Commission on an annual basis. Public hearings are held to obtain taxpayer comments. The Commission enacts the budget through passage of an appropriations ordinance. The appropriations ordinance controls expenditures in the general fund by object at the level of personal services, operating expenditures and capital outlay. In all other funds the appropriations ordinance controls expenditures by fund at the level of functional expenditures. Amendments to object or functional totals of appropriations require Commission approval. The City Manager has the authority to allocate and amend appropriations at the account level, provided that fund totals appropriated by ordinance are not adjusted. Earnings of the Power (Electric, Steam and Hot Water) and the Water and Wastewater systems may not be appropriated for other City uses.

The budget process is controlled by both the State of Ohio Revised Code and the City Charter and is prepared based on anticipated revenues and appropriated expenditures.

The City’s financial position, results of operations and changes in fund balances, as well as the budgetary basis as provided by law, are reported on the basis of GAAP.

City of Piqua, Ohio
Notes to the Required Supplemental Information
December 31, 2003

STATUTORY COMPLIANCE

The following funds had an excess of expenditures over appropriations for the year ended December 31, 2003:

GENERAL FUND:

Office of City Manager	\$ 1,679
Purchasing Department	31
Law Department	235
Finance Department	3,932
Personnel Department	491
Engineering Department	2,486
Parks & Recreation	6,296
Fire Department	10,729
Police Department	57,656

STREET MAINTENANCE 149,581

SUPPLEMENTAL INFORMATION

CITY OF PIQUA, OHIO

**COMBINING BALANCE SHEET- NON MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

ASSETS:	<u>Federal Program Income</u>	<u>Information Technology</u>	<u>Trust</u>
Equity in pooled cash and cash equivalents	\$ 38,357	\$ 81,497	\$ 219,306
Equity in pooled investments	-	-	-
Accounts receivable	573	-	25,316
Interfund receivable	-	-	-
Inventories	-	-	-
Prepaid items and other assets	-	-	-
Notes receivable	21,328	-	-
	<u>60,258</u>	<u>81,497</u>	<u>244,622</u>
Total Assets			
LIABILITIES AND FUND BALANCE:			
CURRENT LIABILITIES:			
Accounts payable	-	4,708	-
Interfund payable	-	4,355	-
Salaries and benefits	-	3,694	-
Accrued vacation, personal and sick leave	-	9,082	-
Accruals	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	-	21,839	-
LONG-TERM LIABILITIES:			
Restricted deposits	-	-	186,198
Deferred revenue	-	-	17,975
Homeowners' advances	<u>21,901</u>	<u>-</u>	<u>-</u>
Total Long Term Liabilities	21,901	-	204,173
Total Liabilities	21,901	21,839	204,173
FUND BALANCES:			
Reserved for encumbrances	-	269	-
Reserved for inventory and prepaids	-	-	-
Reserved for debt service	-	-	-
Unreserved	<u>38,357</u>	<u>59,389</u>	<u>40,449</u>
Total fund balances	<u>38,357</u>	<u>59,658</u>	<u>40,449</u>
TOTAL LIABILITES AND FUND BALANCE	<u>\$ 60,258</u>	<u>\$ 81,497</u>	<u>\$ 244,622</u>

(Continued)

CITY OF PIQUA, OHIO

**COMBINING BALANCE SHEET- NON MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

ASSETS:	<u>Conservancy</u>	<u>Safety Pension</u>	<u>Federal Grants</u>
Equity in pooled cash and cash equivalents	\$ 51,677	\$ 107,463	\$ 8,044
Equity in pooled investments	-	-	-
Accounts receivable	43,780	202,200	212,094
Interfund receivable	-	-	-
Inventories	-	-	-
Prepaid items and other assets	-	-	-
Notes receivable	-	-	1,049,635
	<u>95,457</u>	<u>309,663</u>	<u>1,269,773</u>
Total Assets			
 LIABILITIES AND FUND BALANCE:			
CURRENT LIABILITIES:			
Accounts payable	-	-	11,494
Interfund payable	-	-	208,116
Salaries and benefits	-	-	-
Accrued vacation, personal and sick leave	-	-	-
Accruals	-	-	-
Total Current Liabilities	-	-	219,610
 LONG-TERM LIABILITIES:			
Restricted deposits	-	-	-
Deferred revenue	43,780	202,200	-
Homeowners' advances	-	-	1,049,635
Total Long Term Liabilities	43,780	202,200	1,049,635
Total Liabilities	43,780	202,200	1,269,245
 FUND BALANCES:			
Reserved for encumbrances	-	-	44,705
Reserved for inventory and prepaids	-	-	-
Reserved for debt service	-	-	-
Unreserved	51,677	107,463	(44,177)
Total fund balances	51,677	107,463	528
 TOTAL LIABILITES AND FUND BALANCE	 <u>\$ 95,457</u>	 <u>\$ 309,663</u>	 <u>\$ 1,269,773</u>

(Continued)

CITY OF PIQUA, OHIO

COMBINING BALANCE SHEET- NON MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2003

ASSETS:	<u>Community Development</u>	<u>Total Non major Funds</u>
Equity in pooled cash and cash equivalents	\$ 438,883	\$ 945,227
Equity in pooled investments	-	-
Accounts receivable	-	483,963
Interfund receivable	-	-
Inventories	-	-
Prepaid items and other assets	-	-
Notes receivable	28,000	1,098,963
	<u>466,883</u>	<u>2,528,153</u>
Total Assets	<u>466,883</u>	<u>2,528,153</u>
 LIABILITIES AND FUND BALANCE:		
CURRENT LIABILITIES:		
Accounts payable	584	16,786
Interfund payable	2,903	215,374
Salaries and benefits	2,840	6,534
Accrued vacation, personal and sick leave	10,593	19,675
Accruals	-	-
Total Current Liabilities	<u>16,920</u>	<u>258,369</u>
 LONG-TERM LIABILITIES:		
Restricted deposits	-	186,198
Deferred revenue	-	263,955
Homeowners' advances	<u>28,000</u>	<u>1,099,536</u>
Total Long Term Liabilities	<u>28,000</u>	<u>1,549,689</u>
 Total Liabilities	 44,920	 1,808,058
 FUND BALANCE:		
Reserved for encumbrances	982	45,956
Reserved for inventory and prepaids	-	-
Reserved for debt service	-	-
Unreserved	<u>420,981</u>	<u>674,139</u>
Total fund balances	<u>421,963</u>	<u>720,095</u>
 TOTAL LIABILITES AND FUND BALANCE	 <u>\$ 466,883</u>	 <u>\$ 2,528,153</u>

(Concluded)

City of Piqua, Ohio

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCE NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2003**

	Federal Program Income	Information Technology	Trust
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
State shared taxes	-	-	50,060
Licenses, permits, fees	-	-	1,172
Grants	-	-	-
Interest	671	836	290
(Decrease) in fair market value of investments	-	-	-
Other	5,530	3,278	21,025
Total Revenues	<u>6,201</u>	<u>4,114</u>	<u>72,547</u>
CHARGES TO APPROPRIATIONS :			
Personal services	-	-	-
Operation and maintenance	5,205	(10,291)	25,583
Administrative support	-	-	-
Capital	-	10,291	-
Total expenditures	<u>5,205</u>	<u>-</u>	<u>25,583</u>
Transfer in	-	-	-
Transfers out	-	-	(48,000)
Net change in fund balance	996	4,114	(1,036)
Fund balance January 1, 2003	<u>37,361</u>	<u>55,544</u>	<u>41,485</u>
Fund balance December 31, 2003	<u>\$ 38,357</u>	<u>\$ 59,658</u>	<u>\$ 40,449</u>

(Continued)

City of Piqua, Ohio

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCE NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Conservancy</u>	<u>Safety Pension</u>	<u>Federal Grants</u>
REVENUES:			
Property taxes	\$ 40,218	\$ 185,626	\$ -
State shared taxes	4,753	21,712	-
Licenses, permits, fees	-	-	-
Grants	-	-	543,391
Interest	470	1,489	-
(Decrease) in fair market value of investments	-	-	-
Other	-	-	-
Total revenues	<u>45,441</u>	<u>208,827</u>	<u>543,391</u>
CHARGES TO APPROPRIATIONS :			
Personal services	-	-	-
Operation and maintenance	39,359	3,385	554,595
Administrative support	-	-	-
Capital	-	-	-
Total expenditures	<u>39,359</u>	<u>3,385</u>	<u>554,595</u>
Transfer in	-	-	30,000
Transfers out	-	(171,864)	(20,376)
Net change in fund balance	6,082	33,578	(1,580)
Fund balance January 1, 2003	<u>45,595</u>	<u>73,885</u>	<u>2,108</u>
Fund balance December 31, 2003	<u>\$ 51,677</u>	<u>\$ 107,463</u>	<u>\$ 528</u>

(Continued)

City of Piqua, Ohio

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCE NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Community Development</u>	<u>Total Non major Funds</u>
REVENUES:		
Property taxes	\$ 59,373	\$ 285,217
State shared taxes	-	76,525
Licenses, permits, fees	3,950	5,122
Grants	-	543,391
Interest	2,871	6,627
(Decrease) in fair market value of investments	-	-
Other	232	30,065
Total revenues	<u>66,426</u>	<u>946,947</u>
CHARGES TO APPROPRIATIONS :		
Personal services	-	-
Operation and maintenance	12,932	630,768
Administrative support	-	-
Capital	-	10,291
Total expenditures	<u>12,932</u>	<u>641,059</u>
Transfer in	49,149	79,149
Transfers out	<u>(104,820)</u>	<u>(345,060)</u>
Net change in fund balance	(2,177)	39,977
Fund balance January 1, 2003	<u>424,140</u>	<u>680,118</u>
Fund balance December 31, 2003	<u>\$ 421,963</u>	<u>\$ 720,095</u>

(Concluded)

City of Piqua, Ohio

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Federal Program Income</u>			<u>Information Technology</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	-	-	-	-
Licenses, permits, fees	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Interest	655	671	16	830	836	6
(Decrease) in fair market value of investments	-	-	-	-	-	-
Other	<u>5,530</u>	<u>5,530</u>	<u>-</u>	<u>345</u>	<u>3,278</u>	<u>2,933</u>
Total revenues	6,185	6,201	16	1,175	4,114	2,939
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	5,331	5,205	126	(20,079)	(10,291)	(9,788)
Administrative support	-	-	-	-	-	-
Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,079</u>	<u>10,291</u>	<u>9,788</u>
Total expenditures	5,331	5,205	126	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	854	996	142	1,175	4,114	2,939
Fund balance January 1, 2003	<u>37,361</u>	<u>37,361</u>	<u>-</u>	<u>55,544</u>	<u>55,544</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ 38,215</u>	<u>\$ 38,357</u>	<u>\$ 142</u>	<u>\$ 56,719</u>	<u>\$ 59,658</u>	<u>\$ 2,939</u>

(Continued)

City of Piqua, Ohio

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2003**

	<u>Trust</u>			<u>Conservancy</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 42,627	\$ 40,218	\$ (2,409)
State shared taxes	47,995	50,060	2,065	4,997	4,753	(244)
Licenses, permits, fees	1,200	1,172	(28)	-	-	-
Grants	-	-	-	-	-	-
Interest	274	290	16	450	470	20
(Decrease) in fair market value of investments	-	-	-	-	-	-
Other	<u>62,332</u>	<u>21,025</u>	<u>(41,307)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	111,801	72,547	(39,254)	48,074	45,441	(2,633)
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	25,583	25,583	-	39,402	39,359	43
Administrative support	-	-	-	-	-	-
Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	25,583	25,583	-	39,402	39,359	43
Transfer in	-	-	-	-	-	-
Transfers out	<u>(96,000)</u>	<u>(48,000)</u>	<u>48,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(9,782)	(1,036)	8,746	8,672	6,082	(2,590)
Fund balance January 1, 2003	<u>41,485</u>	<u>41,485</u>	<u>-</u>	<u>45,595</u>	<u>45,595</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ 31,703</u>	<u>\$ 40,449</u>	<u>\$ 8,746</u>	<u>\$ 54,267</u>	<u>\$ 51,677</u>	<u>\$ (2,590)</u>

(Continued)

City of Piqua, Ohio

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2003**

	Safety Pension			Federal Grants		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Property taxes	\$ 190,774	\$ 185,626	\$ (5,148)	\$ -	\$ -	\$ -
State shared taxes	23,518	21,712	(1,806)	-	-	-
Licenses, permits, fees	-	-	-	-	-	-
Grants	-	-	-	622,144	543,391	(78,753)
Interest	1,500	1,489	(11)	-	-	-
(Decrease) in fair market value of investments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>215,792</u>	<u>208,827</u>	<u>(6,965)</u>	<u>622,144</u>	<u>543,391</u>	<u>(78,753)</u>
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	4,022	3,385	637	581,217	554,595	26,622
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	<u>4,022</u>	<u>3,385</u>	<u>637</u>	<u>581,217</u>	<u>554,595</u>	<u>26,622</u>
Transfer in	-	-	-	30,000	30,000	-
Transfers out	<u>(171,934)</u>	<u>(171,864)</u>	<u>70</u>	<u>(20,376)</u>	<u>(20,376)</u>	<u>-</u>
Net change in fund balance	39,836	33,578	(6,258)	50,551	(1,580)	(52,131)
Fund balance January 1, 2003	<u>73,885</u>	<u>73,885</u>	<u>-</u>	<u>2,108</u>	<u>2,108</u>	<u>-</u>
Fund balance December 31, 2003	<u>\$ 113,721</u>	<u>\$ 107,463</u>	<u>\$ (6,258)</u>	<u>\$ 52,659</u>	<u>\$ 528</u>	<u>\$ (52,131)</u>

(Continued)

City of Piqua, Ohio

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2003**

	Community Development			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Property taxes	\$ 58,759	\$ 59,373	\$ 614	\$ 292,160	\$ 285,217	\$ (6,943)
State shared taxes	-	-	-	76,510	76,525	15
Licenses, permits, fees	3,451	3,950	499	4,651	5,122	471
Grants	-	-	-	622,144	543,391	(78,753)
Interest	3,010	2,871	(139)	6,719	6,627	(92)
(Decrease) in fair market value of investments	-	-	-	-	-	-
Other	235	232	(3)	68,442	30,065	(38,377)
Total revenues	65,455	66,426	971	1,070,626	946,947	(123,679)
CHARGES TO APPROPRIATIONS:						
Personal services	18,130	-	18,130	18,130	-	18,130
Operation and maintenance	24,732	12,932	11,800	660,208	630,768	29,440
Administrative support	5,518	-	5,518	5,518	-	5,518
Capital	-	-	-	20,079	10,291	9,788
Total expenditures	48,380	12,932	35,448	703,935	641,059	62,876
Transfer in	54,431	49,149	(5,282)	84,431	79,149	(5,282)
Transfers out	(105,505)	(104,820)	685	(393,815)	(345,060)	48,755
Net change in fund balance	(33,999)	(2,177)	31,822	57,307	39,977	(17,330)
Fund balance January 1, 2003	424,140	424,140	-	680,118	680,118	-
Fund balance December 31, 2003	\$ 390,141	\$ 421,963	\$ 31,822	\$ 737,425	\$ 720,095	\$ (17,330)

(Concluded)

CITY OF PIQUA, OHIO

**COMBINING BALANCE SHEET
NON MAJOR PROPRIETARY FUNDS
DECEMBER 31, 2003**

ASSETS	<u>Golf</u>	<u>Pool</u>	<u>Total</u>
Current assets:			
Equity in pooled cash and cash equivalents	\$ 31,401	\$ 37,933	\$ 69,334
Equity in pooled investments	-	-	-
Accounts receivable	-	-	-
Interfund receivable	-	-	-
Allowance for uncollectible accounts	-	-	-
Inventories	28,301	-	28,301
Prepaid items and other assets	<u>3,313</u>	<u>307</u>	<u>3,620</u>
 Total Current Assets	 63,015	 38,240	 101,255
Noncurrent assets:			
Capital assets not being depreciated			
Land	370,344	-	370,344
Construction in process	-	-	-
Capital assets being depreciated			
Plant and equipment in service , net	<u>1,683,029</u>	<u>503,839</u>	<u>2,186,868</u>
Total Capital Assets	2,053,373	503,839	2,557,212
 Other noncurrent assets, net	 <u>43,130</u>	 <u>2,160</u>	 <u>45,290</u>
 Total Assets	 <u>\$ 2,159,518</u>	 <u>\$ 544,239</u>	 <u>\$ 2,703,757</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 12,793	\$ 2,844	\$ 15,637
Interfund payable	3,112	-	3,112
Salaries and benefits	10,329		10,329
Accrued vacation, personal, and sick leave	6,767		6,767
Accruals and prepaid memberships	6,572	409	6,981
Current portion of long term debt	<u>178,180</u>	<u>8,640</u>	<u>186,820</u>
 Total Current Liabilities	 <u>217,753</u>	 <u>11,893</u>	 <u>229,646</u>
Long-term liabilities:			
Accrued vacation, personal, and sick leave	13,278		13,278
Long term Debt	<u>1,715,675</u>	<u>85,260</u>	<u>1,800,935</u>
 Total Long-Term Liabilities	 <u>1,728,953</u>	 <u>85,260</u>	 <u>1,814,213</u>
 Total Liabilities	 <u>1,946,706</u>	 <u>97,153</u>	 <u>2,043,859</u>
 NET ASSETS			
Invested in capital assets, net of related debt	159,518	409,939	569,457
Restricted for debt service	29,901	37,933	67,834
Unrestricted	<u>23,393</u>	<u>(786)</u>	<u>22,607</u>
Total Net Assets	<u>212,812</u>	<u>447,086</u>	<u>659,898</u>
 Total Liabilities and Net Assets	 <u>\$ 2,159,518</u>	 <u>\$ 544,239</u>	 <u>\$ 2,703,757</u>

CITY OF PIQUA, OHIO

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

	<u>Golf</u>	<u>Pool</u>	<u>Total</u>
OPERATING REVENUES:			
Customer services	\$ 561,548	\$ 76,848	\$ 638,396
Penalty charges	-	-	-
 Total operating revenues	 561,548	 76,848	 638,396
OPERATING EXPENSES:			
Salaries and employee benefits	254,294	72,666	326,960
Depreciation	118,189	37,608	155,797
Materials and supplies	100,782	12,333	113,115
Utilities	27,574	8,783	36,357
Outside services	14,008	3,236	17,244
Billing costs	-	-	-
Chemicals	38,138	12,755	50,893
Other	32,227	8,302	40,529
 Total operating expenses	 585,212	 155,683	 740,895
 Operating income (loss)	 (23,664)	 (78,835)	 (102,499)
NON-OPERATING REVENUES(EXPENSES):			
Interest on debt	(89,753)	(4,410)	(94,163)
Interest income	1,095	490	1,585
Net (decrease) in fair market value of investments.	-	-	-
Other, net	(27,894)	(1,370)	(29,264)
Donated capital	-	-	-
Transfers, in	97,812	41,762	139,574
Transfers, out	-	-	-
 Net non-operating revenues(expenses)	 (18,740)	 36,472	 17,732
 Change in net assets	 (42,404)	 (42,363)	 (84,767)
 Total net assets-beginning of year	 255,214	 489,451	 744,665
 Total net assets-end of year	 <u>\$ 212,810</u>	 <u>\$ 447,088</u>	 <u>659,898</u>

CITY OF PIQUA, OHIO

**COMBINING STATEMENT OF CASH FLOWS-NON MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Pool</u>	<u>Golf Course</u>	<u>Total Non-major Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services	\$ 76,853	\$ 560,711	\$ 637,564
Cash paid to suppliers for goods or services	(45,287)	(280,114)	(325,401)
Cash paid to employees for services	<u>(72,666)</u>	<u>(247,380)</u>	<u>(320,046)</u>
Net cash provided by (used in) operating activities	(41,100)	33,217	(7,883)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers, in	41,778	97,812	139,590
Transfers, out	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities	41,778	97,812	139,590
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of bonds and notes	87,660	1,738,475	1,826,135
Principal paid on bonds and notes	(89,040)	(1,772,780)	(1,861,820)
Interest paid on bonds and notes	(4,549)	(92,531)	(97,080)
Acquisition and construction of capital assets	-	(5,322)	(5,322)
Disposals of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	(5,929)	(132,158)	(138,087)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of investment securities	-	-	-
Proceeds from sale or maturity of investment securities	-	-	-
Interest received	<u>490</u>	<u>1,095</u>	<u>1,585</u>
Net cash provided by (used in) investing activities	490	1,095	1,585
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,761)	(34)	(4,795)
CASH AND CASH EQUIVALENTS - Beginning of year	42,694	31,435	74,129
CASH AND CASH EQUIVALENTS - End of year	\$ 37,933	\$ 31,401	\$ 69,334
RECONCILIATIONS OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (78,835)	\$ (23,664)	\$ (102,499)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	37,608	118,189	155,797
(Increase)/Decrease in Accounts Receivable	-	25	25
(Increase)/Decrease in Inventory	-	(28,301)	(28,301)
(Increase)/Decrease in Prepays	(1,024)	(19,854)	(20,878)
Increase/(Decrease) in Accounts Payable	2,566	9,059	11,625
Increase/(Decrease) in Accrued Wages and Benefits	-	6,914	6,914
Decrease in Deferred Revenues	(30)	(1,260)	(1,290)
Net (Increase)/Decrease in Other Operating Net Assets	<u>(1,385)</u>	<u>(27,891)</u>	<u>(29,276)</u>
Net cash provided by (used in) operating activities	<u>\$ (41,100)</u>	<u>\$ 33,217</u>	<u>\$ (7,883)</u>

CITY OF PIQUA, OHIO

**COMBINING BALANCE SHEET- INTERNAL SERVICE FUNDS
DECEMBER 31, 2003**

ASSETS:	<u>Workers Compensation</u>	<u>Liability Insurance</u>	<u>City Health Insurance</u>	<u>Total</u>
Equity in pooled cash and cash equivalents	\$159,411	\$3,858	\$267,170	430,439
Equity in pooled investments	1,664,110	990,333	786,122	3,440,565
Accounts receivable	11,561	9,806	8,047	29,414
Interfund receivable	-	-	268,647	268,647
Inventories	-	-	-	-
Prepaid items and other assets	-	-	19,864	19,864
Notes receivable	-	-	-	-
Total Assets	<u>1,835,082</u>	<u>1,003,997</u>	<u>1,349,850</u>	<u>4,188,929</u>
 LIABILITIES AND FUND BALANCE:				
CURRENT LIABILITIES:				
Accounts payable	-	-	347,511	347,511
Interfund payable	-	-	-	-
Salaries and benefits	-	-	-	-
Accrued vacation, personal and sick leave	-	-	-	-
Accruals	-	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>347,511</u>	<u>347,511</u>
 Total Liabilities	<u>-</u>	<u>-</u>	<u>347,511</u>	<u>347,511</u>
 FUND BALANCES:				
Unreserved	<u>1,835,082</u>	<u>1,003,997</u>	<u>1,002,339</u>	<u>3,841,418</u>
Total Net Assets	<u>1,835,082</u>	<u>1,003,997</u>	<u>1,002,339</u>	<u>3,841,418</u>
 Total Liabilities and Net Assets	<u>\$ 1,835,082</u>	<u>\$ 1,003,997</u>	<u>\$ 1,349,850</u>	<u>\$ 4,188,929</u>

CITY OF PIQUA, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-- INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Workers Compensation</u>	<u>Liability Insurance</u>	<u>City Health Insurance</u>	<u>Total</u>
OPERATING REVENUES:				\$ -
Customer services	\$ -	\$ -	\$ 1,933,654	1,933,654
Penalty charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	-	-	1,933,654	1,933,654
OPERATING EXPENSES:				
Salaries and Employee benefits	-	-	1,713,281	1,713,281
Outside Services	<u>-</u>	<u>-</u>	<u>241,237</u>	<u>241,237</u>
Total operating expenses	-	-	1,954,518	1,954,518
Operating income (loss)	-	-	(20,864)	(20,864)
NON-OPERATING REVENUES(EXPENSES):				
Interest income	95,091	44,858	37,673	177,622
Net (decrease) in fair market value of investments.	(34,767)	(24,823)	(15,225)	(74,815)
Other, net	-	-	26,784	26,784
Transfers, in	-	-	-	-
Transfers, out	<u>(632,454)</u>	<u>(186,357)</u>	<u>(260,815)</u>	<u>(1,079,626)</u>
Net non-operating revenues(expenses)	<u>(572,130)</u>	<u>(166,322)</u>	<u>(211,583)</u>	<u>(950,035)</u>
Change in net assets	<u>(572,130)</u>	<u>(166,322)</u>	<u>(232,447)</u>	<u>(970,899)</u>
Total net assets-beginning of year	<u>2,407,212</u>	<u>1,170,318</u>	<u>1,234,787</u>	<u>4,812,317</u>
Total net assets-end of year	<u>\$ 1,835,082</u>	<u>\$ 1,003,996</u>	<u>\$ 1,002,340</u>	<u>\$ 3,841,418</u>

CITY OF PIQUA, OHIO

**COMBINING STATEMENT OF CASH FLOWS-INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Workers Compensation</u>	<u>Liability Insurance</u>	<u>City Health Insurance</u>	<u>Internal Service Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ -	\$ -	\$ 1,987,028	\$ 1,987,028
Cash paid to suppliers for goods or services	-	-	(1,909,151)	(1,909,151)
Cash paid to employees for services	-	-	-	-
Net cash provided by (used in) operating activities	-	-	77,876	77,876
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers, in	-	-	-	-
Transfers, out	<u>(632,454)</u>	<u>(186,357)</u>	<u>(260,815)</u>	<u>(1,079,626)</u>
Net cash provided by (used in) noncapital financing activities	(632,454)	(186,357)	(260,815)	(1,079,626)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of bonds and notes	-	-	-	-
Principal paid on bonds and notes	-	-	-	-
Interest paid on bonds and notes	-	-	-	-
Acquisition and construction of capital assets	-	-	-	-
Disposals of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of investment securities	(1,072,819)	(580,016)	(151,854)	(1,804,689)
Proceeds from sale or maturity of investment securities	1,311,508	625,376	167,972	2,104,856
Interest received	<u>101,135</u>	<u>50,880</u>	<u>40,286</u>	<u>192,301</u>
Net cash provided by (used in) investing activities	339,824	96,240	56,404	492,468
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(292,630)	(90,117)	(126,534)	(509,281)
CASH AND CASH EQUIVALENTS - Beginning of year	452,041	93,975	393,704	939,720
CASH AND CASH EQUIVALENTS - End of year	\$ 159,411	\$ 3,858	\$ 267,170	\$ 430,439
RECONCILIATIONS OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ -	\$ -	\$ (20,864)	\$ (20,864)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	-	-	-	-
(Increase)/Decrease in Accounts Receivable	-	-	26,590	26,590
(Increase)/Decrease in Inventory	-	-	-	-
(Increase)/Decrease in Prepaids	-	-	1,457	1,457
Increase/(Decrease) in Accounts Payable	-	-	43,910	43,910
Increase/(Decrease) in Accrued Wages and Benefits	-	-	-	-
Decrease in Deferred Revenues	-	-	-	-
Net (Increase)/Decrease in Other Operating Net Assets	<u>-</u>	<u>-</u>	<u>26,783</u>	<u>26,783</u>
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,876</u>	<u>\$ 77,876</u>

STATISTICAL SECTION

CITY OF PIQUA, OHIO

Table 1

GENERAL FUND REVENUES BY SOURCE AND EXPEDITURES BY FUNCTION (GAAP BASIS) LAST TEN YEARS

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
REVENUES:										
Municipal income tax	\$4,061,089	\$4,683,796	\$4,644,293	\$4,767,994	\$4,884,052	\$5,219,996	\$5,165,239	\$ 4,932,680	\$4,925,442	\$5,568,25
Property taxes	781,938	816,904	945,530	987,946	1,007,828	1,164,831	1,147,717	1,196,982	1,132,221	1,144,69
State shared revenues	1,149,137	1,211,548	1,060,200	1,367,341	1,465,216	1,591,450	1,727,862	1,903,063	1,680,429	1,513,75
Kwh tax revenues								651,078	1,084,235	1,057,68
Licenses, permits, fees	198,276	234,475	240,499	250,750	359,439	300,552	322,300	349,620	346,615	277,41
Intergovernment grants	120,698	170,457	160,730	190,544	202,653	140,143	578,824	440,472	69,001	417,18
Net increase (decrease) in fair market value of investments	-	-	-	-	56,643	(145,591)	96,636	53,866	15,282	(77,63
Interest income	204,503	324,300	358,330	387,702	379,343	380,618	433,511	331,718	186,393	145,77
Other	282,829	305,954	425,137	318,069	385,867	480,855	414,960	294,343	211,581	342,43
Total revenues	<u>6,798,470</u>	<u>7,747,434</u>	<u>7,834,719</u>	<u>8,270,346</u>	<u>8,741,041</u>	<u>9,132,854</u>	<u>9,887,049</u>	<u>10,153,822</u>	<u>9,651,199</u>	<u>10,389,56</u>
EXPENDITURES:										
Public safety	4,275,004	4,640,175	4,948,315	5,365,339	5,695,649	5,726,082	5,972,147	6,141,505	6,183,956	6,547,48
Public health and welfare	136,416	150,006	168,515	177,773	201,074	203,838	311,729	345,999	273,225	301,93
General government administration	850,819	968,591	920,433	1,042,598	1,036,924	1,141,425	1,315,166	1,224,797	1,288,269	1,142,99
Parks and recreation	296,784	273,346	332,486	345,985	336,564	415,926	517,545	631,079	519,258	488,07
Capital outlay	427,534	630,700	820,736	724,613	329,506	750,799	961,304	1,133,986	608,026	988,93
Other	-	-	-	-	-	-	-	9,427	37,280	16,20
Total expenditures	<u>5,986,557</u>	<u>6,662,818</u>	<u>7,190,485</u>	<u>7,656,308</u>	<u>7,599,717</u>	<u>8,238,070</u>	<u>9,077,891</u>	<u>9,486,793</u>	<u>8,910,014</u>	<u>9,485,62</u>
Transfers in	90,189	131,558	482,364	160,480	119,849	137,160	220,289	117,000	136,885	1,438,42
Transfers out	<u>(91,883)</u>	<u>(82,950)</u>	<u>(313,894)</u>	<u>(1,067,184)</u>	<u>(550,196)</u>	<u>(654,212)</u>	<u>(682,159)</u>	<u>(3,268,059)</u>	<u>(913,623)</u>	<u>(861,44</u>
Net change in fund balance	<u>\$ 810,219</u>	<u>\$1,133,224</u>	<u>\$ 812,704</u>	<u>\$ (292,666)</u>	<u>\$ 710,977</u>	<u>\$ 377,732</u>	<u>\$ 347,288</u>	<u>\$(2,484,030)</u>	<u>\$ (35,553)</u>	<u>\$1,480,92</u>

Source: City of Piqua Finance Department

CITY OF PIQUA, OHIO

Table 2

**AD VALOREM-- PROPERTY TAX LEVIES
AND COLLECTIONS, REAL, UTILITY AND TANGIBLE TAXES
LAST TEN YEARS**

Tax Year Collection Year	Total Levy	Current Collection	Percent of Total Levy Collected	Delinquent Collection	Total Collection	Total Collection as Percent of Total Levy	Cumulative Delinquency
1993/1994	\$ 945,307	\$ 914,964	96.79	\$ 36,286	\$ 951,250	100.63	\$ 42,057
1994/1995	970,107	952,631	98.20	40,105	992,736	102.33	29,944
1995/1996	1,130,045	1,088,435	96.32	20,175	1,108,610	98.10	30,111
1996/1997	1,193,069	1,173,640	98.37	32,019	1,205,659	101.06	33,510
1997/1998	1,278,385	1,265,662	99.00	33,239	1,298,901	101.60	46,585
1998/1999	1,457,727	1,382,089	94.81	72,483	1,454,572	99.78	42,953
1999/2000	1,427,572	1,376,907	96.45	100,749	1,477,656	103.51	68,162
2000/2001	1,487,288	1,430,444	96.18	26,364	1,456,808	97.95	79,820
2001/2002	1,549,860	1,511,981	97.56	38,347	1,550,328	100.03	69,998
2002/2003	1,543,196	1,501,773	97.32	42,463	1,544,236	100.07	80,815

Source: Miami County Auditor's Office

CITY OF PIQUA

Table 3

**ASSESSED AND ESTIMATED
ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Tax Year/ Collection Year	REAL PROPERTY		PERSONAL PROPERTY		PUBLIC UTILITIES		TOTAL		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1993/1994	\$ 158,604,210	\$ 453,154,886	\$ 45,535,810	\$ 182,143,240	\$ 6,845,950	\$ 19,559,857	\$ 210,985,970	\$ 654,857,983	32.22
1994/1995	160,124,960	457,499,886	45,692,522	182,770,088	7,443,300	21,266,571	213,260,782	661,536,545	32.24
1995/1996	196,356,890	561,019,686	48,495,460	193,981,840	7,199,620	20,570,343	252,051,970	775,571,869	32.50
1996/1997	199,918,260	571,195,029	52,324,640	209,298,560	7,086,690	20,247,686	259,329,590	800,741,275	32.39
1997/1998	206,442,250	589,835,000	58,841,140	235,364,560	7,073,030	20,208,657	272,356,420	845,408,217	32.22
1998/1999	235,594,180	673,126,229	62,302,100	249,208,400	7,188,910	20,539,743	305,085,190	942,874,372	32.36
1999/2000	247,132,470	706,092,771	69,678,590	278,714,360	7,510,720	21,459,200	324,321,780	1,006,266,331	32.23
2000/2001	256,052,460	731,578,457	65,780,800	263,123,200	6,512,470	18,607,057	328,345,730	1,013,308,714	32.40
2001/2002	270,749,680	773,570,514	69,272,390	277,089,560	3,920,000	11,200,000	343,942,070	1,061,860,074	32.39
2002/2003	275,053,010	785,865,743	72,398,130	289,592,520	3,991,780	11,405,086	351,442,920	1,086,863,349	32.34

Source: Miami County Auditor's Office

CITY OF PIQUA, OHIO

Table 4

**AD VALOREM - PROPERTY TAX RATES DIRECT
AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS (PER \$1,000 OF ASSESSED VALUATION)**

Tax Year/ Collection Year	City of Piqua					Cemetery	County	Joint Vocational and City Schools	Total
	General Fund	Conservancy	Police Pension	Fire Pension	Total City Rate				
1993/1994	3.70	0.07	0.30	0.30	4.37	0.50	10.51	41.90	57.28
1994/1995	3.70	0.09	0.30	0.30	4.39	0.50	10.51	44.90	60.30
1995/1996	3.70	0.10	0.30	0.30	4.40	0.50	6.02	46.20	57.12
1996/1997	3.70	0.12	0.30	0.30	4.42	0.50	7.03	45.60	57.55
1997/1998	3.70	0.12	0.30	0.30	4.42	0.50	8.82	45.60	59.34
1998/1999	3.70	0.13	0.30	0.30	4.43	0.50	8.82	45.52	59.27
1999/2000	3.70	0.11	0.30	0.30	4.41	0.50	8.81	45.46	59.18
2000/2001	3.70	0.15	0.30	0.30	4.45	0.50	8.83	45.50	59.28
2001/2002	3.70	0.15	0.30	0.30	4.45	0.50	8.43	45.40	58.78
2002/2003	3.70	0.13	0.30	0.30	4.43	0.50	9.13	45.32	59.38

Source: Miami County Auditor's Office

CITY OF PIQUA, OHIO

Table 5

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

Fiscal Year	Current Assessments Due	Total Assessments Collected	Total Collections as a Percent of Current Assessments	Total Outstanding Assessments (1)
1994	\$ 62,773	\$ 64,052	102.04	\$ 248,004
1995	61,663	70,799	114.82	229,024
1996	63,058	74,602	118.31	203,913
1997	52,522	53,358	101.59	146,309
1998	48,663	53,535	110.01	97,881
1999	34,310	35,278	102.82	168,886
2000	53,524	48,143	89.95	267,419
2001	66,289	62,896	94.88	209,456
2002	71,910	54,096	75.23	226,353
2003	76,390	73,948	96.80	230,335

(1) Assessments to be billed in future years

Source: Miami County Auditor's Office

CITY OF PIQUA, OHIO

Table 6

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA
LAST TEN YEARS**

<u>Year</u>	<u>Population</u>	<u>Assessed Valuation</u>	<u>Gross General Bonded Debt</u>	<u>Less Balance in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	20,612 (1)	\$210,985,970	\$ -	\$ -	\$ -	-	-
1995	20,612 (1)	213,260,782	-	-	-	-	-
1996	20,612 (1)	252,051,970	-	-	-	-	-
1997	20,612 (1)	259,329,590	-	-	-	-	-
1998	20,612 (1)	272,356,420	-	-	-	-	-
1999	20,612 (1)	305,085,190	-	-	-	-	-
2000	20,738 (2)	324,321,780	4,079,127	50,607	4,028,520	1.24	194.26
2001	20,738 (2)	328,345,730	3,764,594	55,885	3,708,709	1.13	178.84
2002	20,738 (2)	343,942,070	3,434,107	50,472	3,383,635	0.98	163.16
2003	20,738 (2)	351,442,920	3,083,620	49,207	3,034,413	0.86	146.32

(1) 1990 United States Census Bureau

(2) 2000 United States Census Bureau

Source: City of Piqua Finance Department

CITY OF PIQUA, OHIO

Table 8

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2003**

	Gross Debt	Debt Service	Net Debt	Percent Applicable to City (1)	City's Share
Piqua School District	\$10,135,432	\$ 43,342	\$ 10,092,090	81.35%	\$ 8,209,915
Upper Valley Joint Vocational School	7,094,950		7,094,950	15.33	1,087,656
Miami County	<u>12,785,180</u>	<u>78,154</u>	<u>12,707,026</u>	17.24	<u>2,190,691</u>
Total overlapping debt	30,015,562	121,496	29,894,066		11,488,262
City of Piqua	3,171,986	49,208	3,122,778	100.00%	3,122,778
Total net direct and overlapping debt	<u>\$33,187,548</u>	<u>\$ 170,704</u>	<u>\$ 33,016,844</u>		<u>\$ 14,611,040</u>

(1) Assessed valuation of City of Piqua divided by assessed valuation of each taxing district.

Source: Individual Jurisdictions

City of Piqua, Ohio

Table 9

**STATEMENT OF DIRECT DEBT
DECEMBER 31, 2003**

LONG-TERM DEBT:

General obligation bonds and notes and bonds

Wastewater system	\$ 660,000
Special assessment	186,042
Power system	2,860,000
Public improvement (golf)	31,620
Public improvement (water)	174,760
Public improvement (street)	48,620
Recreation facility (golf)	1,994,440
Recreation facility (swimming pool)	100,560
Building facility (general)	3,080,000
Pension refunding (general)	<u>420,000</u>

\$ 9,556,042

Capitalized lease obligation (safety) 43,366

Total long-term debt 9,599,408

GROSS DIRECT DEBT:

9,599,408

Deduct:

General obligation debt service fund balance 49,208

Exempt self-supporting obligation debt:

Wastewater system	\$ 660,000
Power system	2,860,000
Golf course	2,026,060
Water system	174,760
Special assessment	186,042
Pension refunding	420,000
Swimming pool	100,560

Total self-supporting general obligation debt 6,427,422

Total deductions 6,476,630

NET DIRECT DEBT \$ 3,122,778

City of Piqua, Ohio

Table 10

**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED
DEBT TO TOTAL GENERAL FUND EXPENDITURES (GAAP BASIS)
LAST TEN YEARS**

Year	Annual Debt Service General Tax Supported Debt	Annual Debt Service Self -Supporting Debt Service	General Fund Expenditures	Ratio of Tax Supported Debt Service to General Fund Expenditures	Ratio of Self-Supported Debt Service to General Fund Expenditures
1994	\$ -	\$ -	\$ 6,078,440	0.00	0.00
1995	-	-	6,745,768	0.00	0.00
1996	-	-	7,504,379	0.00	0.00
1997	-	-	8,723,492	0.00	0.00
1998	-	-	8,149,913	0.00	0.00
1999	-	-	8,892,282	0.00	0.00
2000	145,933	-	9,760,009	1.50	0.00
2001	543,800	-	12,754,852	4.26	0.00
2002	540,592	-	9,823,637	5.50	0.00
2003	541,149	-	10,347,075	5.23	0.00

Source: City of Piqua Finance Department

City of Piqua, Ohio

Table 11

**BOND DEBT COVERAGE-POWER SYSTEM BONDS
LAST TEN YEARS**

YEAR	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement(3)	Coverage
1994	\$ 16,178,676	\$ 12,597,442	\$ 3,581,234	\$ 1,472,220	243
1995	16,196,267	12,597,979	3,598,288	1,479,540	243
1996	16,237,316	11,971,123	4,266,193	1,472,555	290
1997	16,142,720	11,790,253	4,352,467	1,476,525	295
1998	16,690,016	11,368,699	5,321,317	1,481,355	359
1999	16,851,349	11,585,345	5,266,004	1,481,560	355
2000	17,125,470	12,167,826	4,957,644	1,477,930	335
2001	17,411,299	12,375,133	5,036,166	448,375	1,123
2002	17,648,101	15,639,200	2,008,901	449,075	447
2003	16,872,661	15,163,632	1,709,029	488,902	350

- (1) Gross revenues include operating revenues plus interest income.
- (2) Direct operating expenses exclude depreciation.
- (3) Annual debt service requirement includes principal and interest of self-supported general obligation bonds.

Source: City of Piqua Finance Department

CITY OF PIQUA, OHIO

Table 12

**BOND DEBT COVERAGE
WASTEWATER SYSTEM BONDS
LAST TEN YEARS**

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1994	\$ 2,566,510	\$ 1,172,878	\$ 1,393,632	\$ 1,009,804	138
1995	2,585,955	1,142,563	1,443,392	503,416	287
1996	2,639,520	1,179,744	1,459,776	302,825	482
1997	2,632,243	1,309,157	1,323,086	291,225	454
1998	2,696,766	1,318,725	1,378,041	284,625	484
1999	2,715,283	1,296,479	1,418,804	272,662	520
2000	2,759,431	1,323,629	1,435,802	260,700	551
2001	2,675,182	1,340,327	1,334,855	248,738	537
2002	2,673,074	1,414,830	1,258,244	236,775	531
2003	2,640,767	1,532,618	1,108,150	224,813	493

(1) Gross revenues include operating revenues plus interest income.

(2) Direct operating expenses exclude depreciation.

(3) Annual debt service requirement includes principal and interest self-supported general obligation bonds.

Source: City of Piqua Finance Department

CITY OF PIQUA, OHIO

Table 13

**BOND DEBT COVERAGE
WATER SYSTEM BONDS
LAST TEN YEARS**

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1994	\$ 2,388,239	\$ 1,431,681	\$ 956,558	\$ 715,352	134
1995	2,558,474	1,539,587	1,018,887	719,284	142
1996	2,615,604	1,573,544	1,042,060	717,287	145
1997	2,566,714	1,621,471	945,243	712,789	133
1998	2,638,260	1,532,711	1,105,549	714,692	155
1999	2,639,794	1,630,867	1,008,927	714,068	141
2000	2,628,040	1,584,915	1,043,125	717,975	145
2001	2,551,938	1,896,951	654,987	51,003	1,284
2002	2,531,566	2,116,968	414,598	52,578	789
2003	2,505,710	1,845,434	660,276	50,468	1,308

- (1) Gross revenues include operating revenues plus interest income.
- (2) Direct operating expenses exclude depreciation.
- (3) Annual debt service requirement includes principal and interest of self-supported general obligation bonds.

Source: City of Piqua Finance Department

CITY OF PIQUA, OHIO

Table 14

**BOND DEBT COVERAGE
BUSINESS TYPE NON MAJOR BONDS
LAST TEN YEARS**

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1994	\$ 340,983	\$ 226,262	\$ 114,721	\$ 9,081	1,263
1995	533,216	395,055	138,161	244,674	56
1996	555,131	397,295	157,836	245,425	64
1997	621,988	401,033	220,955	245,927	90
1998	628,143	396,172	231,971	241,814	96
1999	685,944	501,218	184,726	242,660	76
2000	647,239	431,007	216,232	242,625	89
2001	636,486	499,216	137,270	242,353	57
2002	596,425	506,762	89,663	242,463	37
2003	639,981	585,098	54,883	281,372	20

- (1) Gross revenues include operating revenues plus interest income.
- (2) Direct operating expenses exclude depreciation.
- (3) Annual debt service requirement includes principal and interest of self-supported general obligation bonds.

Source: City of Piqua Finance Department

CITY OF PIQUA, OHIO

Table 15

**CONSTRUCTION, PROPERTY VALUES
LAST TEN YEARS**

Year	Commercial Construction (1)		Residential Construction (1)		Estimated Actual Property Value(2)
	Number of Permits	Value	Number of Permits	Value	
1994	18	\$ 2,661,400	20	\$ 2,477,500	\$ 654,857,983
1995	14	4,456,000	60	8,070,170	661,536,545
1996	23	12,629,210	67	13,268,400	775,571,869
1997	22	6,991,340	49	6,897,700	800,741,275
1998	17	18,310,500	66	9,255,800	845,408,217
1999	20	4,936,887	56	8,545,400	942,874,372
2000	15	15,054,061	59	9,153,197	1,006,266,331
2001	23	9,485,600	50	7,978,500	1,013,308,714
2002	8	2,681,000	56	8,243,875	1,061,860,074
2003	16	7,938,800	34	5,283,600	1,086,863,349

Sources:

- 1). City of Piqua, Ohio Engineering Department
- 2). Miami County Auditors Office

City of Piqua, Ohio

Table 16

**PRINCIPAL MANUFACTURING EMPLOYERS
DECEMBER 31, 2003**

Name of Employer	NATURE OF BUSINESS	TOTAL EMPLOYMENT
Spalding and Evenflo Company Inc.	Manufacturer of juvenile furniture	400
Crane Pumps & Systems Inc.	Manufacturer of industrial, wastewater, water supply pumps and cleaning systems	353
Jackson Tube Service Inc.	Manufacturer of steel tubing	350
Takata Seat Belts Inc.	Distribution center for seat belts	302
Charter Corporation	Manufacturer of aircraft propellers	293
Industry Products	Manufacturer of die cutting equipment	283
Piqua Technologies Inc.	Manufactuer of automotive gaskets and insulating products	200
Hartzell Industries Inc.	Manufacturer of industrial fans	171
Illinois Tool Works Inc.	Manufacturer of welding wire	159
Miami Valley Steel	Manufacturer of split coiled steel	150

Source: Piqua Chamber of Commerce

CITY OF PIQUA, OHIO

Table 17

**PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2003**

Name of Taxpayer	Nature of Business	Assessed Valuation	Percent of Total Assessed Valuation
Midamco	Shopping mall	\$ 9,677,310	2.75%
Spalding & Evenflo Co., Inc.	Manufacturer of juvenile furniture	8,514,030	2.42
Jackson Tube Service Inc.	Manufacturer of steel tubing	8,389,390	2.39
Charter Corporation	Manufacturer of aircraft propellers	5,213,170	1.48
Illinois Tool Works Inc.	Manufacturer of Kitchen Aide appliances	4,755,440	1.35
Paul Sherry Chevrolet/Chrysler	Automobile and recreation vehicle retailer	4,745,020	1.35
Miami Valley Steel	Manufacturer of split rolled steel	4,618,970	1.31
Crane Pumps & Systems Inc.	Manufacturer of industrial, wastewater, water supply pumps and cleaning systems	4,271,600	1.22
HCF Inc.	Nursing home facility	2,691,260	0.77
Hartzell Hardwoods Inc.	Manufacturer of wood veneer products	<u>2,650,480</u>	<u>0.75</u>
TOTAL		<u><u>55,526,670</u></u>	<u><u>15.79%</u></u>
TOTAL ASSESSED VALUATION		<u><u>\$351,442,920</u></u>	

CITY OF PIQUA , OHIO

Table 18

**MISCELLANEOUS STATISTICS
FOR YEAR ENDED DECEMBER 31. 2003**

NET INCOME TAX COLLECTIONS

2003	\$7,377,796
2002	6,987,530
2001	7,080,816
2000	7,473,123
1999	7,350,955

ELECTRIC AND WATER CUSTOMER STATISTICS

	Electric		Water	
	Kwh Sold	Customers	Gallons	Customers
2003	287,866,523	11,015	642,855,000	8,733
2002	296,243,404	10,941	672,169,000	8,670
2001	284,133,231	10,474	652,125,000	8,635
2000	286,812,597	10,431	672,510,000	8,556
1999	282,275,157	10,319	692,234,000	8,475

GENERAL INFORMATION

Date of Incorporation	1823
Form of government	Commisson-Manager
Population (2000 census)	20,738
Area in square miles	11.34
School enrollment	3,932
Miles of streets	102.97
Number of street lights	2,899.00
Miami county unemployment rate	5.80%
One fire station with	29 firefighters
One police station with	34 officers
Building permits issued	50
Recreation and culture:	
Acreage of 19 parks and recreational facilities	441.7
1 Public library with	165,179 volumes
Total city employees	224

Source: City of Piqua Finance department

CITY OF PIQUA, OHIO

Reports Issued Pursuant to

Government Auditing Standards
and
OMB Circular A-133

For the year ended December 31, 2003

**CITY OF PIQUA, OHIO
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROLS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

To the City Commission
City of Piqua, Ohio

We have audited the accompanying financial statements of the City of Piqua, Miami County, Ohio (the City) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 18, 2004. 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 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 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*. We noted other immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 18, 2004.

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 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 over financial reporting 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 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 this report, that we have reported to management of the City in a separate letter dated June 18, 2004.

This report is intended for the information and use of the audit committee, management, City Commission, and 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.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
June 18, 2004



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

To the City Commission
City of Piqua, Ohio

Compliance

We have audited the compliance of The City of Piqua, Miami County, Ohio (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's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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.

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 a 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 a 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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended December 31, 2003, and have issued our report thereon dated June 18, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended for the information and use of the audit committee, management, City Commission, and 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.

Kennedy, Cottrell + Associates LLC

Kennedy, Cottrell + Associates
June 18, 2004

CITY OF PIQUA, OHIO
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HUD</u>			
<i>Pass-through State Department of Development:</i>			
Community Development Block Grant - 2001 CHIP	14.228	a-c-01-165-1	41,989
Community Development Block Grant - 2001 Formula Program	14.228	a-f-01-165-1	81,836
Community Development Block Grant - 2002 Formula Program	14.228	a-f-02-165-1	4,208
Community Development Block Grant - 2003 Formula Program	14.228	a-f-03-165-1	347
Community Development Block Grant - 2000 Downtown Revitalization	14.228	a-t-00-165-1	1,579
Community Development Block Grant - 2002 Downtown Revitalization	14.228	a-t-02-165-1	189,089
HOME Investments Partnership Program	14.239	a-c-01-165-2	205,546
Total U.S. Department of HUD			<u>524,594</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Pass-through Ohio Office of Justice Programs:</i>			
Bulletproof Vest Partnership Program	16.607	1999BUBX99001897	2,725
Public Safety Partnership and Community Policing Grant	16.710	Oh05502-2003Shwx0048	19,900
Total U.S. Department of Justice			<u>22,625</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Pass-through Governor's Highway Safety Office:</i>			
Highway Planning and Construction	20.205	TE21-G00000286	117,154
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<i>Pass-through Ohio Emergency Management Agency:</i>			
Public Assistance Grant	83.544	Dr-1453-03	20,376
Total Federal Awards Expenditures			<u><u>684,749</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF PIQUA, OHIO
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2003

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal financial assistance programs of the City of Piqua, Ohio (City) as the primary government and is presented on the accrual basis of accounting. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies is included on the Schedule.

Note 2. Matching Requirements

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 expenditure of non-federal matching funds is not included on the Schedule.

Note 3. Loans Outstanding

The City of Piqua had the following loan balances outstanding at December 31, 2003:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.228	\$ 76,939
HOME Investment Partnerships Program	14.239	\$985,837

**CITY OF PIQUA, OHIO
MIAMI COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a) of Circular A-133?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant CFDA # 14.228 HOME Investments Partnership Program CFDA# 14.239
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

1. NONCOMPLIANCE – EXPENDITURES EXCEEDED APPROPRIATIONS

Ohio Revised Code Section 5705.41(B) provides, in part, that no subdivision or taxing unit shall “make any expenditure of money unless it has been appropriated as provided in such chapter.”

In our testing, we noted that various funds for 2003 had an excess of expenditures (total disbursements plus encumbrances) over appropriations. The amounts exceeding appropriations are detailed below:

	Final Appropriation	Expenditures	Excess
General Fund			
Safety Department	6,708,889	6,900,117	(191,228)
Comp. Housing Improvement Program	243,907	268,020	(24,113)
Downtown Revitalization	207,098	212,892	(5,794)
Street Income Tax	1,256,727	1,421,442	(164,715)
Street Construction & Maintenance	1,635,800	1,729,812	(94,012)
Income Tax	7,809,396	7,942,932	(133,536)
Garbage & Refuse	1,246,543	1,268,930	(22,387)

It appears that many of the excesses identified above were a result of the City encumbering funds in 2003 for contracts to be fulfilled in 2004. Ohio Revised Code Section 5705.44 provides that where a contract or lease runs beyond the termination of the fiscal year in which it is made, only the amount of the obligation maturing in the current fiscal year need be certified. The remaining amount is a fixed charge required to be provided for in the subsequent fiscal year’s appropriations.

Noncompliance with this Ohio Revised Code requirement can result in deficit spending. We recommend City management take appropriate steps to ensure that adequate internal controls are in place to prevent expenditures, including encumbrances, that exceed amounts appropriated from being made.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

CITY OF PIQUA

MIAMI 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
AUGUST 17, 2004**