

CITY OF PIQUA, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2004

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



**Auditor of State
Betty Montgomery**

To the City Commission
City of Piqua
Piqua, Ohio

We have reviewed the *Independent Auditor's Report* of the City of Piqua, Miami County, prepared by Kennedy, Cottrell & Associates, LLC, for the audit period January 1, 2004 through December 31, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 4, 2005

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INTRODUCTORY SECTION

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June 24, 2005

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, 2004. 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.

This Comprehensive Annual Financial Report continues to address and incorporate Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Statement No. 34 was designed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information. This year's report is a reflection of our continuing efforts to disseminate clear and useful financial information to our users.

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 six 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. Promoting Piqua as a good place for all types of businesses will continue to be one of our highest priorities.

Major Initiatives

Current Year Projects: During 2004 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 by completing its sixth round of a Federal Comprehensive Housing Improvement Program in which local housing rehabilitation loans totaling \$3,757,497 were given to some 297 qualified low and moderate income property owners. During 2005 the City will complete the seventh round of CHIP grants by awarding an additional twenty-one families with \$411,000 in assistance.

Reconstruction of Mulberry, Renche, and Glenn Streets was completed and the City resurfaced an additional two miles of streets. In 2004 the City constructed public restrooms, handicapped accessible parking ramp, drinking fountains in the French Park and mile markers along the LOOP. Also water aeration fountains were installed along the historic hydraulic canal.

The City downtown revitalization efforts advanced by aiding downtown property owners with federal and state funding in the amount of \$93,788 in matching grants to improve six 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 City continues to enhance the safety services provided to our citizens. The Fire Department acquired an additional ambulance for its fleet. The Police Department renewed its fleet of cruisers with the purchase of four cruisers and received its tenth consecutive renewal of the C.A.L.E.A. certification for excellence.

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

A spillway modification project as to the City's water system was started. In addition, plans were approved and financing secured for the construction in 2005 of an elevated water tank on R.W. Davis Parkway at a cost of \$1.8 million, which will improve the city's water storage capacity.

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, architectural design, and historical tax credit application and review.

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

The City is enhancing the safety services of the city by adding additional fire safety vehicles and replacing police cruisers.

The elevated water tank construction on R.W. Davis Parkway is expected to be completed by late fall 2005 at a cost of \$1.8 million to improve the city’s water storage system.

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, 2004, 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 (personnel, operation and maintenance, administrative support, capital expenditures and transfers) for all funds. Lower levels within each object 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 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 2004.

General Government

General Fund Revenues: The 2004 municipal income tax revenue of \$7,338,490 decreased slightly as compared to 2003, while the Kwh tax revenues remained relatively the same. Interest revenue continued to decline due to falling interest rates. Municipal income tax revenue has shown some improvement through May 2005, as compared to the same period in 2004.

General Fund Expenditures: The 2004 General Fund expenditures and other financing uses increased 4.7% compared with 2003.

General Fund Balances: Current year activity contributed to a \$.4 million decrease in the undesignated fund balance from 2003.

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.

Unlike in 2002 which was extremely hot and dry, during 2003 and 2004 the area experienced more seasonal temperatures and increased moisture returning usage and revenue to more historical levels. Utility usage and revenue in 2004 was stable and comparable to 2003 levels.

Power System: Kilowatt hours of sales increased 1.5% and total customer revenues were \$16.7 million similar to 2003 levels. With operating costs increasing 1% expenditures exceeded revenues in 2004 by \$420,901.

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 at \$2.6 million showed a slight increase over 2003 levels with gallons sold increasing 1.5%. Operating expenses increased 9.2%. Net income was \$200,000. More than 8,800 accounts are serviced by Piqua's municipal water system.

Wastewater System: System revenues remained at levels of the previous year. Operating expenses rose a mere .5% and the net loss was \$150,593.

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 2004, the City's return on average investment balances equaled 1.7%, a slight decrease from the 2003 level of 1.8%.

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 2004 audit was completed by Kennedy, Cottrell & Associates and represents the twenty-fifth 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 fourteenth 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, 2003. 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 fourteen 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

To the many conscientious people who have contributed so much of their time and effort to the preparation of this report our sincere appreciation is extended. The Finance Department staff is commended for their commitment to professional excellence once again exemplified by the contents of this report. Timely preparation of this report was accomplished by the diligent efforts and contributions of the entire Finance Department working jointly with the engagement team representing the independent public accounting firm of Kennedy, Cottrell & Associates. Finally, contributions to the financial condition of the City of Piqua by the Mayor, members of City Commission, the City Manager, and Department Directors and Managers cannot be overlooked. Their support and guidance are invaluable factors necessary for the City to continue to successfully manage the financial affairs and reporting requirements of municipal government within the Piqua Community.

Respectfully submitted,

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

N. Lawrence Wolke

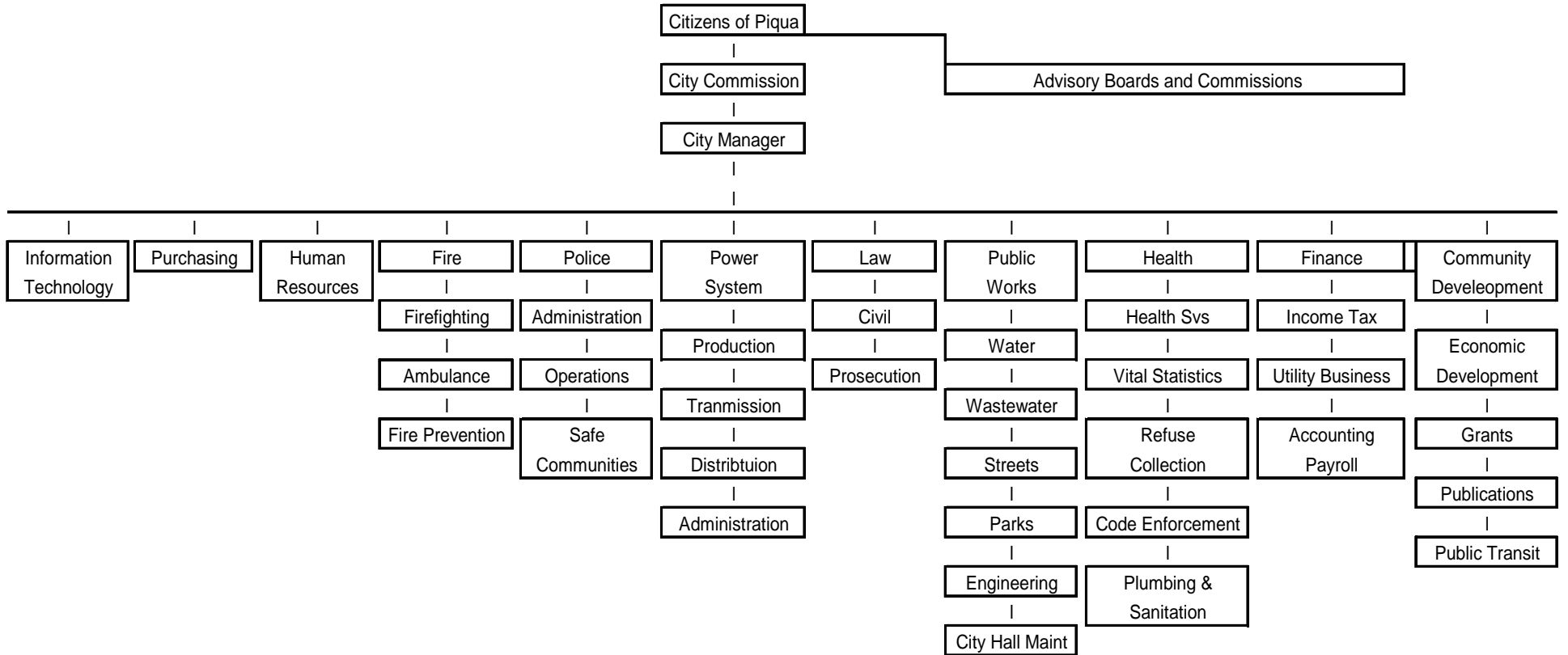
INDEPENDENT AUDITORS

Kennedy, Cottrell & Associates

CITY OF PIQUA, OHIO

City Organization Chart

2004



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, 2003

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.



Nancy L. Zjelle

President

Jeffrey R. Emswiler

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, 2004, 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, 2004, 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 9, 2005 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 9, 2005

CITY OF PIQUA, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

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, 2004. 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, 2004 by \$106 million (net assets). Of this amount, \$20.1 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 \$.6 million, or .6% and unrestricted net assets decreased by \$1.6 million
- The General Fund reported a decrease in the fund balance of \$447,893.
- The City had \$1.4 million less in debt at December 31, 2004 than at December 31, 2003.

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 2004?" 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.

CITY OF PIQUA, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

- 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, wastewater, golf and municipal pool activities 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, wastewater services, golf and municipal pool. 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 information technology and 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 as well as golf and municipal pool, 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.
- *Fiduciary funds* -- Funds used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements as the resources of those funds are not available to support the City's own programs.

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 and Analysis
For the Year Ended December 31, 2004
(Unaudited)

The City of Piqua as a Whole

This begins our analysis of the City as a whole. One of the most important questions to consider is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information to help answer this question. The Net Asset statement shows the difference between assets and liabilities, which is one way to measure the City's financial position. As reviewed over time, increases or decreases in the City's net assets are an indicator of whether the City's financial health is improving or deteriorating. However, other non-financial factors must also be considered such as changes in the property tax base of the city, the condition of the City's roads and neighborhoods, and the reputation of the public schools in order to assess the overall health of the City. Our analysis below 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 2004 and 2003.

Table 1
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 16,472,474	\$ 16,917,138	\$ 13,575,873	\$ 13,553,596	\$ 30,048,347	30,470,734
Capital assets	39,022,530	38,081,235	57,980,996	58,856,336	97,003,526	96,937,571
Total assets	55,495,004	54,998,373	71,556,869	72,409,932	127,051,873	127,408,305
Long-term debt	5,307,989	4,554,497	10,357,157	9,858,496	15,665,146	14,412,993
Other liabilities	3,157,059	4,285,575	1,896,661	3,028,035	5,053,720	7,313,610
Total liabilities	8,465,048	8,840,072	12,253,818	12,886,531	20,718,866	21,726,603
Net assets:						
Invested in capital assets, net of debt	35,501,878	34,348,207	48,803,820	48,428,042	84,305,698	82,776,249
Restricted	1,597,666	963,985	303,180	168,888	1,900,846	1,132,873
Unrestricted	9,930,412	10,846,109	10,196,051	10,926,471	20,126,463	21,772,580
Total net assets	\$ 47,029,956	\$ 46,158,301	\$ 59,303,051	\$ 59,523,401	\$ 106,333,007	105,681,702

The amount by which the City's assets exceed its liabilities is called net assets. At year-end, the City's net assets were \$106 million compared to \$105 million in 2003. Of that amount, in 2004 approximately \$84.3 million (79.3%) was invested in capital assets, net of debt related to those assets. At year-end 2003 that amount was approximately \$82.7 million (78.3%). For 2004 another \$1.8 million (1.8%) was subject to external restrictions upon its use. The remaining \$20.1 million (18.9%) in 2004 was unrestricted and available for future use. For 2003 \$1.1 million (1.1%) was subject to external restrictions and \$21.7 million (20.6%) was unrestricted.

CITY OF PIQUA, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

Table 2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for Services	\$ 737,209	\$ 554,349	\$ 23,859,221	\$ 23,779,300	\$ 24,596,430	\$ 24,333,649
Operating Grants/Contributions	742,628	640,700			742,628	640,700
Capital Grants/Contributions	596,094	737,223	64,276	66,651	660,370	803,874
General revenues:						
Property Taxes	1,452,019	1,503,856			1,452,019	1,503,856
Income Taxes	7,338,490	7,364,357			7,338,490	7,364,357
Other Taxes	3,526,472	3,844,650			3,526,472	3,844,650
Investment Earnings & Misc.	250,491	293,882	173,763	167,710	424,254	461,592
Total Revenues	14,643,403	14,939,017	24,097,260	24,013,661	38,740,663	38,952,678
Program Expenses						
General Government	1,797,660	1,859,642			1,797,660	1,859,642
Public Safety	7,363,799	6,844,602			7,363,799	6,844,602
Street and Maintenance	2,787,428	2,424,531			2,787,428	2,424,531
Parks and Recreation	636,230	561,058			636,230	561,058
Community Development	721,741	604,099			721,741	604,099
Interest on long-term debt	234,029	246,298			234,029	246,298
Electric			17,123,814	16,962,240	17,123,814	16,962,240
Wastewater			2,814,171	2,800,775	2,814,171	2,800,775
Water			2,408,664	2,205,581	2,408,664	2,205,581
Garbage			1,340,265	1,291,240	1,340,265	1,291,240
Golf			738,514	674,858	738,514	674,858
Pool			161,821	160,093	161,821	160,093
Total Expenses	13,540,887	12,540,230	24,587,249	24,094,787	38,128,136	36,635,017
Increase in Net Assets before Transfers & Proceeds	1,102,516	2,398,787	(489,989)	(81,126)	612,527	2,317,661
Transfers	(230,861)	(139,574)	230,861	139,574	-	-
Increase(Decrease) in Net Assets	\$ 871,655	\$ 2,259,213	\$ (259,128)	\$ 58,448	\$ 612,527	\$ 2,317,661

CITY OF PIQUA, OHIO
Management's Discussion and Analysis
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Governmental Activities

Governmental activities increased the City's net assets by \$871,655, in 2004 thereby accounting for 1.9 percent of growth in total net assets.

The income tax revenue for 2004 was \$7,338,490 compared to \$7,364,357 in 2003. In 2004 this accounts for 50.1 percent of total revenues. The City's income tax rate was 1.75 percent for 2004, 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 Kilowatt-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 54.4 percent of total program expenses. Street and Maintenance accounts for 20.6 percent of total program expenses, while General Government accounts for 13.3 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	
	2004	2003	2004	2003	2004	2003
General Government	\$ 1,797,660	\$ 1,859,642	\$ 273,177	\$ 221,130	\$ 1,524,483	\$1,638,512
Public Safety	7,363,799	6,844,602	522,132	299,622	6,841,667	6,544,980
Street and Maintenance	2,787,428	2,424,531	553,725	490,580	2,233,703	1,933,951
Parks and Recreation	636,230	561,058	27,662	388,212	608,568	172,846
Community Development	721,741	604,099	699,235	532,728	22,506	71,371
Interest on long-term debt	234,029	246,298	-	-	234,029	246,298
Total	\$ 13,540,887	\$ 12,540,230	\$ 2,075,931	\$ 1,932,272	\$ 11,464,956	\$10,607,958

CITY OF PIQUA, OHIO
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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	
	2004	2003	2004	2003	2004	2003
Electric	\$ 17,123,814	\$ 16,962,240	\$ 16,702,913	\$ 16,745,273	\$ (420,901)	\$ (216,967)
Wastewater	2,814,171	2,800,775	2,663,578	2,620,654	(150,593)	\$ (180,121)
Water	2,408,664	2,205,581	2,609,331	2,542,575	200,667	336,994
Garbage	1,340,265	1,291,240	1,281,780	1,261,666	(58,485)	(29,574)
Golf	738,514	674,858	591,972	533,654	(146,542)	(141,204)
Pool	161,821	160,093	73,923	75,478	(87,898)	(84,615)
Total	\$ 24,587,249	\$ 24,094,787	\$ 23,923,497	\$ 23,779,300	\$ (663,752)	\$ (315,487)

For 2004 the Water utilities had operating revenues in excess of expenditures, while the Electric, Wastewater, and Garbage utility had operating expenditures in excess of generated revenues. Golf and Pool activity funds had expenditures in excess of revenues of \$234,440.

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 2004 of \$14.5 million compared to \$14.5 million in 2003. All governmental funds had expenditures in 2004 of \$14.9 million compare to \$13.6 million in 2003. The most significant fund is our general fund, which had an unreserved fund balance at year-end of \$6.6 million in 2004 compared to \$7.1 million in 2003. The General fund accounts for such activities as Police and Fire protection, and parks and recreation along with city administration. Within the General fund, expenditures exceeded revenues by \$132,456 in 2004 and revenues exceeded expenditures by \$904,000 in 2003. 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 \$23.9 million in 2004 and \$23.8 million in 2003. Operating expenses were \$24.5 million in 2004 and \$24.1 million in 2003. 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 2004, the City amended its general fund budget twice at the end of the fiscal year. The second amendment was due to the unforeseen expenditures related to a major snowstorm that hit the city in late December.

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For the 2004 general fund, original budgeted revenues were \$9.8 million. The final budgeted revenue amount was \$10.1 million. Actual revenues collected were \$10 million. The decrease in actual revenues over budget was due to reduced property taxes and miscellaneous revenues. 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 2004, original general fund appropriations were budgeted at \$10.8 million. Final budgeted appropriations were \$10.2 million. This decrease was due to lower than expected personnel costs within the safety and the parks departments. For 2003, original general fund appropriations were budgeted at \$8.9 million. Final budgeted appropriations were \$9.5 million. This increase was primarily due to the increased costs of building the Linear Park Phase V and increases in personal services due to rising health care costs.

Capital Asset and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Land and Land Improvements	\$ 3,965,370	\$ 3,932,823	\$ 1,424,650	\$ 1,445,406
Infrastructure Land	849,892	837,912		
Construction in Progress	723,991	433,978	588,162	738,723
Buildings and Improvements	9,995,765	10,179,440	20,767,624	21,544,699
Furniture, Fixtures & Equipment	3,515,164	3,176,937	33,006,383	32,810,100
Infrastructure	19,972,348	19,520,145		
Intangible Assets			2,194,177	2,317,408
Total Capital Assets	\$ 39,022,530	\$ 38,081,235	\$ 57,980,996	\$ 58,856,336

Total Capital Assets for the City of Piqua for the year ended December 31, 2004 were \$97,003,526, a minimal increase of \$65,955 more than in 2003. Additions in 2004 were \$605,473 less than in 2003. 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. Additional infrastructure asset additions added in 2004 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. Additional information concerning the City's capital assets can be found in the notes to the financial statements.

CITY OF PIQUA, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

Debt

At December 31, 2004, the City of Piqua had \$1.4 million less in debt at \$12.7 million compared to \$14.1 million in debt outstanding at December 31, 2003.

Table 6
Outstanding Debt at December 31

	Governmental Activities		Business-type Activities	
	2004	2003	2004	2003
General Obligation Bonds	\$ 2,713,133	\$ 3,083,620	\$ 4,944,078	\$ 5,640,746
Pension Bonds	405,000	420,000		
Special Assessment Bonds	193,654	186,042		
OWDA Loans			4,233,098	4,787,547
Capital Lease	208,864	43,366	-	-
Total	\$ 3,520,651	\$ 3,733,028	\$ 9,177,176	\$ 10,428,293

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 Ohio Water Development Authority ("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 \$36,529,207 on December 31, 2004.

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

CITY OF PIQUA, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2004
(Unaudited)

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 2005:

- Completion of a replacement water tower at an estimated cost of \$1.8 million to be financed by OWDA and the City of Piqua.
- Replacement of the Shawnee Bridge over the Miami River to be financed by Miami County 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.
- Study and review of City's potential part in the historic Piqua Hotel restoration and development.

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 fourteenth 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, 2004

	Government Activities	Business Type Activities	Total Activities
ASSETS:			
Equity in pooled cash and cash equivalents	\$ 5,110,982	\$ 2,550,516	\$ 7,661,498
Equity in pooled investments	6,571,608	7,440,748	14,012,356
Accounts receivable	4,685,050	3,066,683	7,751,733
Allowance for Bad Debts		(358,330)	(358,330)
Interfund balances	49,966	(49,966)	-
Inventories	-	766,240	766,240
Prepaid items and other assets	29,198	159,982	189,180
Loans receivable, net of allowance	25,670	-	25,670
Capital assets not being depreciated	5,539,253	1,241,184	6,780,437
Capital assets being depreciated, net	33,483,277	56,739,812	90,223,089
Total assets	<u>55,495,004</u>	<u>71,556,869</u>	<u>127,051,873</u>
 LIABILITIES:			
Accounts payable	857,400	1,805,409	2,662,809
Salary and benefits payable	346,763	66,411	413,174
Other accruals	23,857	23,179	47,036
Deferred revenue	1,929,039	1,662	1,930,701
Long-term debt:			
Due within one year	1,220,646	1,687,861	2,908,507
Due in more than one year	4,087,343	8,669,296	12,756,639
Total Liabilities	<u>8,465,048</u>	<u>12,253,818</u>	<u>20,718,866</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	35,501,878	48,803,820	84,305,698
Restricted for:			
Debt Service	598,785	303,180	901,965
Other Purposes	998,881		998,881
Unrestricted	9,930,412	10,196,051	20,126,463
Total net assets	<u>47,029,956</u>	<u>59,303,051</u>	<u>106,333,007</u>
Total liabilities and net assets	<u>\$ 55,495,004</u>	<u>\$ 71,556,869</u>	<u>\$ 127,051,873</u>

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES:							
General government	\$ 1,797,660	\$ 264,426	\$ 8,751	\$ -	\$ (1,524,483)	\$ -	\$ (1,524,483)
Public safety	7,363,799	328,505	102,451	91,176	(6,841,667)	-	(6,841,667)
Streets and maintenance	2,787,428	50,637	-	503,088	(2,233,703)	-	(2,233,703)
Parks and recreation	636,230	20,415	5,417	1,830	(608,568)	-	(608,568)
Community development	721,741	73,226	626,009	-	(22,506)	-	(22,506)
Interest on long term debt	234,029	-	-	-	(234,029)	-	(234,029)
Total governmental activities	<u>13,540,887</u>	<u>737,209</u>	<u>742,628</u>	<u>596,094</u>	<u>(11,464,956)</u>	<u>-</u>	<u>(11,464,956)</u>
BUSINESS-TYPE ACTIVITIES:							
Electric	17,123,814	16,702,913	-	-	-	(420,901)	(420,901)
Wastewater	2,814,171	2,643,578	-	20,000	-	(150,593)	(150,593)
Garbage	1,340,265	1,281,780	-	-	-	(58,485)	(58,485)
Water	2,408,664	2,565,055	-	44,276	-	200,667	200,667
Golf	738,514	591,972	-	-	-	(146,542)	(146,542)
Municipal Pool	161,821	73,923	-	-	-	(87,898)	(87,898)
Total business-type activities	<u>24,587,249</u>	<u>23,859,221</u>	<u>-</u>	<u>64,276</u>	<u>-</u>	<u>(663,752)</u>	<u>(663,752)</u>
Total	<u>\$ 38,128,136</u>	<u>\$ 24,596,430</u>	<u>\$ 742,628</u>	<u>\$ 660,370</u>	<u>\$ (11,464,956)</u>	<u>\$ (663,752)</u>	<u>\$ (12,128,708)</u>
GENERAL REVENUES:							
Property taxes					1,452,019	-	1,452,019
State shared taxes					2,431,261	-	2,431,261
Income tax					7,338,490	-	7,338,490
KWH tax					1,095,211	-	1,095,211
Investment earnings					177,473	173,763	351,236
Miscellaneous					73,018	-	73,018
Total general revenues					<u>12,567,472</u>	<u>173,763</u>	<u>12,741,235</u>
Transfers, in (out)					<u>(\$230,861)</u>	<u>230,861</u>	<u>-</u>
Change in net assets					871,655	(259,128)	612,527
Total net assets:							
Beginning of year					<u>46,158,301</u>	<u>59,562,179</u>	<u>105,720,480</u>
End of year					<u>\$ 47,029,956</u>	<u>\$ 59,303,051</u>	<u>\$ 106,333,007</u>

See accompanying notes to the basic financial statements.

CITY OF PIQUA, OHIO

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

ASSETS	General Fund	Street Maintenance	Street Levy Construction	Debt Service	Other Governmental	Total Governmental
Equity in pooled cash and cash equivalents	\$3,517,299	\$97,910	\$22,390	\$161,937	\$914,876	\$4,714,412
Equity in pooled investments	2,701,398	49,101	-	191,590	-	2,942,089
Accounts receivable	3,122,353	729,090	271,995	245,259	284,855	4,653,552
Interfund receivable	185,110	-	-	-	-	185,110
Inventories	-	-	-	-	-	-
Prepaid items and other assets	6,863	-	-	-	-	6,863
Loans Receivable, net of allowance	-	-	-	-	25,670	25,670
Total Assets	\$ 9,533,023	\$ 876,101	\$ 294,385	\$ 598,786	\$ 1,225,401	\$ 12,527,696
LIABILITIES						
CURRENT LIABILITIES:						
Accounts payable	\$ 343,891	\$ 41,779	\$ 56,243	\$ -	\$ 53,134	\$ 495,047
Interfund payable	163,675	24,459	-	-	179,992	368,126
Salaries and benefits	327,539	14,054	-	-	2,578	344,171
Accrued vacation, personal and sick leave	433,418	35,570	-	-	14,047	483,035
Accruals	3,111	-	-	-	-	3,111
Total Current Liabilities	1,271,634	115,862	56,243	-	249,751	1,693,490
LONG-TERM LIABILITIES:						
Restricted deposits	-	-	-	-	-	-
Deferred revenue	1,566,458	320,197	-	244,539	265,188	2,396,382
Total Long Term Liabilities	1,566,458	320,197	-	244,539	265,188	2,396,382
Total Liabilities	2,838,092	436,059	56,243	244,539	514,939	4,089,872
FUND BALANCES						
Reserved for encumbrances	860,829	4,121	30,642	-	76,738	972,330
Reserved for inventory and prepaids	6,863	-	-	-	-	6,863
Reserved for debt service	-	-	-	354,247	-	354,247
Reserved for non-current loans	-	-	-	-	25,670	25,670
Unreserved reported in:						
General Fund	5,827,239					5,827,239
Special revenue funds		435,921	207,500	-	608,054	1,251,475
Total fund balances	6,694,931	440,042	238,142	354,247	710,462	\$ 8,437,824
Total liabilities and fund balance	\$ 9,533,023	\$ 876,101	\$ 294,385	\$ 598,786	\$ 1,225,401	

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 \$ 39,022,530
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 467,343
- 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 (3,520,652)
 - Sick leave benefits (1,289,034)
 - Accrued interest on bonds payable (20,747)
- 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 are included in the governmental activities in the statement of net assets 3,932,692
- Net assets of governmental activities \$ 47,029,956

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, 2004**

	General Fund	Street Maintenance	Street Levy Construction	Debt Service	Other Governmental	Total Governmental
REVENUES:						
Municipal income tax	\$ 5,373,500	\$ 905,922	\$ 1,059,068	\$ -	\$ -	\$ 7,338,490
Property taxes	1,136,455	-	-	69,367	246,197	1,452,019
State shared revenues	1,501,486	848,896	-	-	90,572	2,440,954
KWH tax	1,095,211	-	-	-	-	1,095,211
Licenses and permits, fees	307,302	-	-	-	50,876	358,178
Grants: capital	23,538	18,622	324,712	-	35,542	402,414
Grants: operating	86,007	-	-	-	628,026	714,033
Investment income	117,485	1,903	2,081	21,300	7,303	150,072
(Decrease) in fair market value of investments	(29,453)	(483)	-	-	-	(29,936)
Donations:						
Capital	33,926	159,754	-	-	-	193,680
Operating	13,992	-	-	-	14,603	28,595
Other fines, rents, and reimbursements	255,905	24,936	24,248	-	62,030	367,119
Total Revenues	9,915,354	1,959,550	1,410,109	90,667	1,135,149	14,510,829
EXPENDITURES:						
General government administration	1,135,630	-	-	-	-	1,135,630
Public safety	7,005,224	-	-	-	35,542	7,040,766
Public health	316,083	-	-	-	-	316,083
Street repairs and maintenance	-	1,398,722	535,383	-	6,303	1,940,408
Parks and recreation	570,221	-	-	-	-	570,221
Community planning and development	285,096	-	-	-	424,462	709,558
Other	-	-	-	3,695	99,979	103,674
Debt principal payment	13,630	-	-	434,783	-	448,413
Debt interest payment	2,578	-	-	228,934	-	231,512
Capital costs	719,348	645,651	1,025,520	-	16,620	2,407,139
Total expenditures	10,047,810	2,044,373	1,560,903	667,412	582,906	14,903,404
Excess(Deficiency)of revenues over expenditures	(132,456)	(84,823)	(150,794)	(576,745)	552,243	(392,575)
OTHER FINANCING SOURCES (USES):						
Debt Issuances proceeds	-	190,948	-	45,089	-	236,037
Disposal of capital assets	27,515	31,533	-	-	13,970	73,018
Transfers, in	447,049	58,600	64,247	619,975	68,567	1,258,438
Transfers, out	(790,001)	(39,816)	-	(48,567)	(610,914)	(1,489,298)
Total other financing sources(uses)	(315,437)	241,265	64,247	616,497	(528,377)	78,195
Net change in fund balance	(447,893)	156,442	(86,547)	39,752	23,866	(314,380)
Fund balance-beginning of year	7,142,824	283,600	324,689	314,495	686,596	8,752,204
Fund balance-end of year	\$ 6,694,931	\$ 440,042	\$ 238,142	\$ 354,247	\$ 710,462	\$ 8,437,824

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, 2004

Total net change in fund balances Governmental funds \$ (314,380)

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 (\$2,407,139) exceed depreciation expense(\$1,423,350)

983,789

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds: State levied taxes

(9,694)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

448,413

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

(28,396)

Interest payable

(2,517)

Proceeds from the issuance of bonds, capital lease or other debt instruments are not considered revenues on the Statement of Activities

(236,037)

The net book value of assets retired (the difference of original cost (\$378,069) and accumulated depreciation (\$342,978) is not recorded on the Governmental Fund Statements, but is recorded as a expense on the Statement of Activities

(35,091)

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

65,568

Change in the net assets of governmental activities on the statement of activities

\$ 871,655

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

BALANCE SHEET PROPRIETARY FUNDS DECEMBER 31, 2004

	Electric	Wastewater	Refuse	Water	Golf	Municipal Pool	Total	Governmental Activities - Internal Service Funds
ASSETS								
Current assets:								
Equity in pooled cash and cash equivalents	\$ 1,272,429	\$ 282,403	\$ 104,079	\$ 852,023	\$ 13,968	\$ 25,614	\$ 2,550,516	\$ 396,571
Equity in pooled investments	6,646,081	446,898	100,021	247,748	-	-	7,440,748	3,629,519
Accounts receivable	2,156,471	377,049	182,057	351,106	-	-	3,066,683	31,499
Interfund receivable	-	-	-	-	-	-	-	307,057
Allowance for uncollectible accounts	(219,521)	(55,209)	(27,275)	(56,325)	-	-	(358,330)	-
Inventories	600,140	-	-	142,787	23,313	-	766,240	-
Prepaid items and other assets	29,402	6,963	-	1,321	3,198	153	41,037	22,335
Total Current Assets	10,485,002	1,058,104	358,882	1,538,660	40,479	25,767	13,506,894	4,386,981
Noncurrent assets:								
Capital assets not being depreciated								
Land	68,661	33,775	17,949	162,293	370,344	-	653,022	-
Construction in process	489,806	-	-	98,356	-	-	588,162	-
Capital assets being depreciated								
Plant and equipment in service, net	33,224,018	12,495,495	297,186	8,674,631	1,581,972	466,510	56,739,812	135,215
Total Capital Assets	33,782,485	12,529,270	315,135	8,935,280	1,952,316	466,510	57,980,996	135,215
Other noncurrent assets, net	51,101	24,545	-	1,361	39,932	2,005	118,944	-
Total Assets	\$ 44,318,588	\$ 13,611,919	\$ 674,017	\$ 10,475,301	\$ 2,032,727	\$ 494,282	\$ 71,606,834	\$ 4,522,196

See accompanying notes to the basic financial statements

continued

CITY OF PIQUA, OHIO

**BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	Electric	Wastewater	Refuse	Water	Golf	Municipal Pool	Total	Governmental Activities - Internal Service Funds
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 1,526,733	\$ 56,648	\$ 56,510	\$ 157,486	\$ 4,694	\$ 3,338	\$ 1,805,409	\$ 362,353
Interfund payable	58,184	20,605	10,523	25,998	3,748	-	119,058	4,984
Salaries and benefits	29,670	10,026	5,094	13,145	8,476	-	66,411	2,592
Accrued vacation, personal, and sick leave	186,387	45,903	46,399	113,023	8,665	-	400,377	15,268
Accruals and prepaid memberships	8,618	2,990	-	697	11,788	748	24,841	-
Current portion of long term debt	335,000	784,877	-	44,547	117,540	5,520	1,287,484	-
Total Current Liabilities	2,144,592	921,049	118,526	354,896	154,911	9,606	3,703,580	385,197
Long-term liabilities:								
Accrued vacation, personal, and sick leave	468,281	104,455	33,452	159,166	14,250	-	779,604	-
Long term Debt	2,163,452	3,943,221	-	92,520	1,610,154	80,345	7,889,692	-
Total Long-Term Liabilities	2,631,733	4,047,676	33,452	251,686	1,624,404	80,345	8,669,296	-
Total Liabilities	4,776,325	4,968,725	151,978	606,582	1,779,315	89,951	12,372,876	385,197
NET ASSETS								
Invested in capital assets, net of related debt	31,284,033	7,801,172	315,135	8,798,213	224,622	380,645	48,803,820	135,215
Restricted for debt service	192,930	21,760	-	50,781	12,468	25,241	303,180	-
Unrestricted	8,065,300	820,262	206,904	1,019,725	16,322	(1,555)	10,126,958	4,001,784
Total Net Assets	39,542,263	8,643,194	522,039	9,868,719	253,412	404,331	59,233,958	4,136,999
Total Liabilities and Net Assets	\$ 44,318,588	\$ 13,611,919	\$ 674,017	\$ 10,475,301	\$ 2,032,727	\$ 494,282	\$ 71,606,834	\$ 4,522,196

See accompanying notes to the financial statements

CITY OF PIQUA, OHIO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31,2004

	Electric	Wastewater	Refuse	Water	Golf	Municipal Pool	Total	Governmental Activities- Internal Service Funds
OPERATING REVENUES:								
Customer services	\$ 16,545,530	\$ 2,602,305	\$ 1,255,737	\$ 2,473,696	\$ 593,289	\$ 74,049	\$ 23,544,606	\$ 2,103,475
Penalty charges	107,991	34,011	18,103	30,886	-	-	190,991	-
Total operating revenues	16,653,521	2,636,316	1,273,840	2,504,582	593,289	74,049	23,735,597	2,103,475
OPERATING EXPENSES:								
Fossil fuels used for production	544,921	-	-	-	-	-	544,921	-
Purchased power	11,426,543	-	-	-	-	-	11,426,543	-
Salaries and employee benefits	1,603,907	874,821	424,514	1,012,849	280,342	78,844	4,275,277	1,774,147
Depreciation	1,593,231	941,152	34,195	312,709	108,557	37,329	3,027,173	17,074
Materials and supplies	199,269	43,035	23,115	124,285	137,749	9,435	536,888	-
Utilities	56,279	92,386	2,010	141,382	33,552	6,071	331,680	-
Outside services	898,217	296,946	737,695	401,845	11,419	3,296	2,349,418	305,924
Billing costs	345,114	182,630	74,814	207,775	-	-	810,333	-
Chemicals	15,853	5,052	-	103,360	40,904	12,644	177,813	-
Other	358,781	67,488	43,075	92,449	38,942	9,826	610,561	-
Total operating expenses	17,042,115	2,503,510	1,339,418	2,396,654	651,465	157,445	24,090,607	2,097,145
Operating income (loss)	(388,594)	132,806	(65,578)	107,928	(58,176)	(83,396)	(355,010)	6,330
NON-OPERATING REVENUES(EXPENSES):								
Interest on debt	(78,789)	(309,243)	-	(10,403)	(87,017)	(4,292)	(489,744)	-
Interest income	234,791	17,840	4,433	14,416	1,366	460	273,306	127,503
Net (decrease) in fair market value of investments	(119,802)	(3,344)	(736)	(2,291)	-	-	(126,173)	(43,536)
Other, net	45,647	6,027	7,203	58,700	(1,835)	(125)	115,617	3,008
Donated capital	-	20,000	-	44,276	-	-	64,276	-
Transfers, in	-	-	-	-	186,263	44,597	230,860	-
Transfers, out	-	-	-	-	-	-	-	-
Net non-operating revenues(expenses)	81,847	(268,720)	10,900	104,698	98,777	40,640	68,142	86,975
Change in net assets	(306,747)	(135,914)	(54,678)	212,626	40,601	(42,756)	(286,868)	93,305
Total net assets-beginning of year	39,849,010	8,779,108	576,717	9,656,093	212,811	447,087		4,043,694
Total net assets-end of year	\$ 39,542,263	\$ 8,643,194	\$ 522,039	\$ 9,868,719	\$ 253,412	\$ 404,331		\$ 4,136,999
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							27,740	
Change in net assets of business-type activities							\$ (259,128)	

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities						Governmental Activities- Internal Service Funds	
	Electric	Wastewater	Garbage	Water	Golf Course	Pool		Total
OPERATING ACTIVITIES:								
Cash received for services	\$ 16,766,776	\$ 2,663,045	\$ 1,277,083	\$ 2,605,284	\$ 595,387	\$ 74,191	\$ 23,981,766	\$ 2,068,073
Cash paid to suppliers for goods or services	(13,542,361)	(658,375)	(870,326)	(971,424)	(261,814)	(40,625)	(16,344,925)	(1,836,621)
Cash paid to employees for services	(1,621,535)	(891,030)	(426,339)	(1,005,779)	(282,438)	(78,844)	(4,305,965)	(221,461)
Net cash provided by (used in) operating activities	1,602,880	1,113,640	(19,582)	628,081	51,135	(45,278)	3,330,876	9,991
NONCAPITAL FINANCING ACTIVITIES:								
Transfers, in	-	-	-	-	186,263	44,598	230,861	-
Transfers, out	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-	-	186,263	44,598	230,861	-
CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds from issuance of bonds and notes	-	-	-	-	-	-	-	-
Principal paid on bonds and notes	(319,780)	(719,449)	-	(37,693)	(166,161)	(8,035)	(1,251,118)	-
Interest paid on bonds and notes	(79,600)	(310,241)	-	(10,588)	(82,536)	(4,064)	(487,029)	-
Acquisition and construction of capital assets	(1,688,447)	(127,318)	(80,075)	(315,698)	(7,500)	-	(2,219,038)	(9,672)
Disposals of capital assets	71,871	-	-	(4,664)	-	-	67,207	-
Net cash provided by (used in) capital & related financing activities	(2,015,956)	(1,157,008)	(80,075)	(368,643)	(256,197)	(12,099)	(3,889,978)	(9,672)
INVESTING ACTIVITIES:								
Purchases of investment securities	(3,178,339)	(373,775)	(100,000)	(149,404)	-	-	(3,801,518)	(1,967,939)
Proceeds from sale or maturity of investment securities	3,756,782	263,123	106,430	156,431	-	-	4,282,766	1,735,449
Interest received	252,093	16,701	3,881	14,196	1,366	460	288,697	125,417
Net cash provided by (used in) investing activities	830,536	(93,951)	10,311	21,223	1,366	460	769,945	(107,073)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	417,460	(137,319)	(89,346)	280,661	(17,433)	(12,319)	441,704	(106,754)
CASH AND CASH EQUIVALENTS - Beginning of year	854,969	419,722	193,425	571,362	31,401	37,933	2,108,812	503,325
CASH AND CASH EQUIVALENTS - End of year	\$ 1,272,429	\$ 282,403	\$ 104,079	\$ 852,023	\$ 13,968	\$ 25,614	\$ 2,550,516	\$ 396,571
OPERATING INCOME (LOSS)	\$ (388,594)	\$ 132,806	\$ (65,578)	\$ 107,928	\$ (58,176)	\$ (83,396)	\$ (355,010)	\$ 6,330
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	1,593,231	941,152	34,195	312,709	108,557	37,329	3,027,173	17,074
(Increase)/Decrease in Accounts Receivable	(72,284)	(4,388)	(3,960)	(2,968)	-	-	(83,600)	(38,410)
(Increase)/Decrease in Inventory	19,762	-	-	6,960	4,988	-	31,710	-
(Increase)/Decrease in Prepaids	70,930	4,848	-	3,760	3,313	308	83,159	(2,471)
Increase/(Decrease) in Accounts Payable	351,817	29,404	10,382	89,647	(4,351)	494	477,393	19,375
Increase/(Decrease) in Accrued Wages and Benefits	(17,628)	(16,209)	(1,825)	7,070	(2,096)	-	(30,688)	5,085
Decrease in Deferred Revenues	-	-	-	-	735	113	848	-
Net (Increase)/Decrease in Other Operating Net Assets	45,646	26,027	7,204	102,975	(1,835)	(126)	179,891	3,008
Net cash provided by (used in) operating activities	\$ 1,602,880	\$ 1,113,640	\$ (19,582)	\$ 628,081	\$ 51,135	\$ (45,278)	\$ 3,330,876	\$ 9,991
SUPPLEMENTAL INFORMATION:								
Noncash activities:								
Change in fair value of investments	\$ (119,802)	\$ (3,344)	\$ (736)	\$ (2,291)	\$ -	\$ -	\$ (126,173)	\$ (43,536)
Contribution of capital assets	\$ -	\$ 20,000	\$ -	\$ 44,276	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

CITY OF PIQUA, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

ASSETS:	<u>Agency Funds</u>
Equity in pooled cash and cash equivalents	\$ 7,974
Equity in pooled investments	-
Accounts receivable	-
Prepaid items and other assets	1,850
	-
 Total Assets	 <u><u>\$ 9,824</u></u>
 LIABILITIES:	
Withholdings payable	\$ 8,923
Undistributed monies	<u>901</u>
 Total Current Liabilities	 <u><u>\$ 9,824</u></u>

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

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.

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

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

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.

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, water, golf, and municipal pool.

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 and information technology functions. Because these activities predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary Fund Types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governments, and /or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in the same manner as governmental fund types.

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 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.

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

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 on or before 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, 2004

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.

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.

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

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 the 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 proprietary funds’ statements for 2003 and 2004 were as follows:

	<u>2003</u>	<u>Net Change</u>	<u>2004</u>	<u>Amount Payable within one Year</u>
Governmental Activities	\$1,790,449	(3,112)	1,787,337	725,356
Business Type Activities	1,116,702	63,279	1,179,981	400,377

Vested vacation, personal, and sick leave is recorded as an expense in both the government wide statements and 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, 2004, the carrying amount of the City’s cash deposits was \$1,313,709 while the balance as shown by the bank statements was \$1,730,259. 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 \$1,630,258.72 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.

CITY OF PIQUA, OHIO
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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 \$6,346,356 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, 2004. A summary of the fair/carrying value of investments held at December 31, 2004, and an indication of the related credit risk is as follows:

	Fair/Carrying Value	Risk Category
City of Piqua Bonds and Notes	\$ 598,654	1
U.S. Government Securities	<u>13,413,702</u>	1
	14,012,356	
STAR Ohio Investment Pool	<u>6,346,356</u>	
Total Investments	<u>\$ 20,358,712</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, 2003
Lien date	January 1, 2004
Tax bill mailed	January 20, 2004
First installment payment due	February 20, 2004
Second installment payment due	July 20, 2004

The assessed values for the City at January 1, 2004 were as follows:

Real estate	\$277,754,750
Tangible personal property	<u>70,142,460</u>
Total	<u>\$ 347,897,210</u>

CITY OF PIQUA, OHIO
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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, 2004, nor are they intended to finance 2004 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 2004, 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.

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 2004 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	\$ 245,391
Local government revenue assistance	1,276,955
Gasoline taxes	584,820
Vehicle license taxes	293,775
Miscellaneous other taxes	<u>30,320</u>
	<u>\$ 2,431,261</u>

CITY OF PIQUA, OHIO
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December 31, 2004

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	\$ 3,932,823	\$ 4,197	\$ -	\$ 28,350	\$ 3,965,370
Infrastructure land	837,912	10,220	-	1,760	849,892
Construction in progress	<u>433,978</u>	<u>1,638,837</u>	<u>-</u>	<u>(1,348,824)</u>	<u>723,991</u>
Assets not depreciated	<u>5,204,713</u>	<u>1,653,254</u>	<u>-</u>	<u>(1,318,714)</u>	<u>5,539,253</u>
Capital assets being depreciated:					
Buildings and improvements	11,248,391	2,490	(602)	56,278	11,306,557
Furniture, fixtures and equipment	9,046,301	701,489	(363,467)	288,881	9,673,204
Infrastructure	<u>23,019,087</u>	<u>59,578</u>	<u>(14,000)</u>	<u>973,555</u>	<u>24,038,220</u>
Depreciated capital assets	43,313,779	763,557	(378,069)	1,318,714	45,017,981
Accumulated depreciation:					
Buildings and improvements	(1,068,950)	(242,173)	331	-	(1,310,792)
Furniture, fixtures and equipment	(5,812,365)	(687,078)	341,403	-	(6,158,040)
Infrastructure	<u>(3,555,942)</u>	<u>(511,173)</u>	<u>1,243</u>	<u>-</u>	<u>(4,065,872)</u>
Total accumulated depreciation	<u>(10,437,257)</u>	<u>(1,440,424)</u>	<u>342,977</u>	<u>-</u>	<u>(11,534,704)</u>
Net capital assets being depreciated	<u>32,876,522</u>	<u>(676,867)</u>	<u>(35,092)</u>	<u>1,318,714</u>	<u>33,483,277</u>
Net capital assets	<u>38,081,235</u>	<u>976,387</u>	<u>(35,092)</u>	<u>-</u>	<u>39,022,530</u>

* Depreciation expense was charged to governmental functions as follows:

General governmental	\$ 249,411
Public safety	263,057
Street repairs and maintenance	826,595
Community development	73,871
Parks	10,416
Information technology (internal service fund)	<u>17,074</u>
Total depreciation expense	<u>\$ 1,440,424</u>

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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	\$ 653,022	\$ -	\$ -	\$ -	\$ 653,022
Construction in progress	<u>738,723</u>	<u>1,813,264</u>	<u>-</u>	<u>(1,963,825)</u>	<u>588,162</u>
Assets not depreciated	<u>1,391,745</u>	<u>1,813,264</u>	<u>-</u>	<u>(1,963,825)</u>	<u>1,241,184</u>
Capital assets being depreciated:					
Land improvements	1,424,483	-	-	-	1,424,483
Buildings and improvements	32,570,806	-	(227)	131,766	32,702,345
Furniture, fixtures and equipment	75,720,107	405,775	(157,617)	1,832,059	77,800,324
Intangible assets	<u>2,962,905</u>	<u>-</u>	<u>(34,344)</u>	<u>-</u>	<u>2,928,561</u>
Depreciated capital assets	112,678,301	405,775	(192,188)	1,963,825	114,855,713
Accumulated depreciation:					
Land improvements	(632,099)	(20,756)	-	-	(652,855)
Buildings and improvements	(11,026,107)	(908,841)	227	-	(11,934,721)
Furniture, fixtures and equipment	(42,910,007)	(2,008,689)	124,755	-	(44,793,941)
Intangible assets	<u>(645,497)</u>	<u>(88,887)</u>	<u>-</u>	<u>-</u>	<u>(734,384)</u>
Total accumulated depreciation	<u>(55,213,710)</u>	<u>(3,027,173)</u>	<u>124,982</u>	<u>-</u>	<u>(58,115,901)</u>
Net capital assets being depreciated	<u>57,464,591</u>	<u>(2,621,398)</u>	<u>(67,206)</u>	<u>1,963,825</u>	<u>56,739,812</u>
Net capital assets	<u>58,856,336</u>	<u>(808,134)</u>	<u>(67,206)</u>	<u>-</u>	<u>57,980,996</u>

* Depreciation expense was charged to enterprise functions as follows:

Electric	\$ 1,593,231
Wastewater	941,152
Garbage	34,195
Water	312,709
Golf	108,557
Municipal Pool	<u>37,329</u>
Total depreciation expense	<u>\$ 3,027,173</u>

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
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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, 2004 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%	\$ 48,620	\$ -	\$ 10,487	\$ 38,133	\$ 12,393
Building facility bonds, 5.97%	<u>3,035,000</u>	<u> </u>	<u>360,000</u>	<u>2,675,000</u>	<u>385,000</u>
Total governmental general obligation bonds	3,083,620		370,487	2,713,133	397,393
Capital Lease (Note H)	43,366	190,948	25,449	208,865	39,361
Special assessment bonds, 9%	186,042	45,088	37,476	193,654	43,536
Compensated absences	1,790,449	752,810	755,922	1,787,337	725,356
Other—Pension refunding bonds, 6.25%	<u>420,000</u>	<u> </u>	<u>15,000</u>	<u>405,000</u>	<u>15,000</u>
Total governmental long-term liabilities	<u>\$ 5,523,477</u>	<u>\$ 988,846</u>	<u>\$ 1,204,334</u>	<u>\$ 5,307,989</u>	<u>\$ 1,220,646</u>
Business-Type Activities:					
General obligation bonds:					
Electric G.O. bonds, 2.0%-3.4%	\$ 2,818,231	\$ -	\$ 319,779	\$ 2,498,452	\$ 335,000
Public improvement G.O. bonds, 3.0%-6.2%	206,380		44,513	161,867	52,607
Wastewater G.O. Improvement bonds, 7.25%	660,000		165,000	495,000	165,000
Ohio Water Development Authority Loan-1981, 7.00%	564,308		270,802	293,506	293,507
Ohio Water Development Authority Loan-1995, 4.56%	4,223,239		283,647	3,939,592	326,370
Recreational facility bonds, 4.5%-5.5%	130,000		130,000	-	-
Recreational facility bonds, 2.0%-4.1%	1,826,135	-	37,376	1,788,759	115,000
Compensated Absences	<u>1,116,704</u>	<u>351,051</u>	<u>287,774</u>	<u>1,179,981</u>	<u>400,377</u>
Total long-term liabilities	<u>\$ 11,544,997</u>	<u>\$ 351,051</u>	<u>\$ 1,538,891</u>	<u>\$ 10,357,157</u>	<u>\$ 1,687,861</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.

CITY OF PIQUA, OHIO
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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 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.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2004 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>				
2005	397,393	162,025	1,241,304	378,581	15,000	25,313	43,536	17,429
2006	417,393	138,296	972,850	318,875	15,000	24,375	39,871	13,511
2007	443,347	113,362	1,002,643	278,757	20,000	23,438	27,677	9,922
2008	455,000	86,864	828,713	236,000	20,000	22,188	27,685	7,431
2009	485,000	59,700	868,029	206,047	20,000	20,938	20,322	4,940
2010—2014	515,000	30,746	3,623,637	533,779	115,000	85,000	32,578	7,304
2015—2019			640,000	65,930	160,000	43,438	1,985	179
2020—2024					40,000	2,500		
Total	<u>\$ 2,713,133</u>	<u>\$ 590,993</u>	<u>\$ 9,177,176</u>	<u>\$ 2,017,969</u>	<u>\$ 405,000</u>	<u>\$ 247,190</u>	<u>\$ 193,654</u>	<u>\$ 60,716</u>

H. CAPITAL LEASE COMMITMENTS

The City is obligated under three leases accounted for as capital leases. 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 \$280,222

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, 2004. This amount also appears in Note G.

<u>Year ending December 31,</u>	<u>Capital Lease</u>
2005	\$46,315
2006	58,430
2007	42,221
2008	42,221
2009	<u>41,873</u>
Total minimum lease payments	231,060
Less: amount representing interest At 3.50%-5.95%	<u>(22,195)</u>
Present value of minimum lease payments	<u>\$208,865</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 which caused interfund balances from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund receivable and payable balances at December 31, 2004 are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 185,110	\$ 163,675
Street Maintenance		24,459
Non-major Governmental Funds		179,991
Proprietary Funds:		
Electric		58,184
Wastewater		20,605
Garbage		10,523
Water		25,998
Golf		3,748
Internal Service Funds:		
Information Technology		4,984
City Health Insurance		
	<u>307,057</u>	
	<u>\$ 492,167</u>	<u>\$ 492,167</u>

Transfers are used to move revenues; from the fund that statute or budget requires to collect them, to the fund that the statute or budget requires to expend them; or moving unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; or to provide additional resources for current operations or debt service. Interfund transfers for the year ended December 31, 2004 consisted of the following:

	Transfers In	Transfers Out
Governmental		
General Fund	\$ 447,049	\$ 790,001
Street Maintenance	58,600	39,816
Street Levy Construction	64,247	
Debt Service	619,975	48,567
Other Governmental (non-major)	68,567	610,914
Proprietary		
Golf	186,263	
Municipal Pool	44,597	
	<u>\$ 1,489,298</u>	<u>\$ 1,489,298</u>

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
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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, 2004, 2003, and 2002 were \$1,256,214, \$1,195,460 and \$1,126,680, which consisted of \$859,959, \$817,846 and \$766,291 from the City and \$396,255, \$377,614, and \$360,406 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).

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 2004, 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, 2002, 2003 and 2004 were \$1,499,130, \$1,481,972 and \$1,536,454, respectively, equal to the required contributions for the year.

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

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 2003 and in 2004, which resulted in contributions of \$156,644 for police and \$150,320 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.

The number of participants eligible to receive health care benefits statewide as of December 31, 2003, the date of the last actuarial valuation available, was 13,662 for police and 10,474 for firemen. OP&F's total health care expense for the year ending December 31, 2003, the date of the last actuarial valuation available, was \$150,853,148, which was net of member contributions of \$17,207,506.

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 2004 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, 2003.

CITY OF PIQUA, OHIO
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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 2003 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%.

Health Care: Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years in subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. \$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted the Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. the HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a grade monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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. OHIO PROFESSIONAL FIRE FIGHTERS DEFERRED COMPENSATION PROGRAM

In addition to the Ohio Public Employees Deferred Compensation Program; the City offers its sworn fire officers an optional deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan which is only available to sworn fire officers, 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.

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

N. 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.

O. 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 joined 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 2744.081 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 twenty-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 member contributions premium to MVRMA for this coverage. The agreement provides that MVRMA will be self-sustaining through member contributions premiums and the purchase of excess insurance and reinsurance. The deductible per occurrence for all types of claims is \$2,500. During 2004, MVRMA’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.

Excess insurance and/or reinsurance will cover up to the limits stated below:

General Liability (including law enforcement)	\$7,000,000 per occurrence/ excess \$1,000,000 sir
Automobile Liability	\$7,000,000 per occurrence/excess \$1,000,000 sir
Public Officials Liability	\$7,000,000 excess \$1,000,000 (\$7,000,000 aggregate per city)
Boiler and Machinery	\$100,000,000 per occurrence
Property	\$100,000,000 per occurrence
Flood and Earthquake	\$25,000,000 per occurrence and annual aggregate
Employment Practices Liability	\$7,000,000 excess \$1,000,000 (\$7,000,000 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.

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

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 Healthcare, 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:

	2004	2003
Unpaid claims, beginning of year	\$ 338,898	\$ 292,732
Incurred claims (including IBNRs)	1,568,616	1,569,998
Claim payments	<u>(1,547,600)</u>	<u>(1,523,832)</u>
 Unpaid claims, end of year	 <u>\$ 359,914</u>	 <u>\$ 338,898</u>

P. 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
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, 2004

Q. LOANS RECEIVABLE

The City operates a housing rehabilitation loan program funded through federal grants to help LMI families by issuing non-interest bearing loans; that are to be repaid only upon transfer of ownership of the rehabilitated property; otherwise, loans are forgiven. In 2004, the City began recording an allowance for uncollectible loans, which was a change in accounting principle. Of the \$987,309 loans outstanding as of December 31, 2004, the City has estimated \$961,639 to be uncollectible. The remaining portion of the loans receivable is offset by a reserve of fund balance for non-current loans receivable.

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

The changes to the beginning fund balance and net assets are as follows:

	<u>Non-major Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Agency Funds</u>	<u>Governmental Activities</u>
Fund Balance, December 31, 2003	\$ 720,095		\$ -	
Net Assets, December 31, 2003		\$3,841,418		\$46,131,750
Adjustments:				
Reclassified from Governmental to Internal Service	(59,658)	59,658	-	
Reclassified from Special Revenue to Agency	(392)	-	392	
Reserve for non-current loans receivable	26,551			26,551
Net book value of reclassified capital assets from Governmental to Internal Service	-	142,618	-	
Fund Balances, December 31, 2003	<u>\$ 686,596</u>		<u>\$ 392</u>	
Net Assets, December 31, 2003		<u>\$4,043,694</u>		<u>\$46,158,301</u>

S. STATUTORY COMPLIANCE

At November 30, 2004, the following funds had an excess of expenditures over appropriations at the object level, the City's legal level of control:

STREET MAINTENANCE	
Capital	189,818
PARKS & RECREATION	
Capital	44,948
PUBLIC SAFETY	
Police	
Capital	53,319
PUBLIC TRANSIT SYSTEM	
Operating expenditures	156,401
GOLF	
Operating expenditures	55,898
CITY HEALTH INSURANCE	
Administrative support	99,279

CITY OF PIQUA, OHIO
Notes to the Basic Financial Statements
December 31, 2004

During the month of December amounts were re-appropriated and the following funds had an excess of expenditures over appropriations for the year ended December 31, 2004:

GENERAL FUND

Law Department	
Personal services	78
Personnel Department	
Personal services	374
Administrative support	80
Engineering Department	
Personal services	1,035
Pro Piqua	
Operating expenditures	2,417
Police Department	
Operating expenditures	2,316
Capital	8,723

T. SUBSEQUENT EVENT

On June 6, 2005, the City approved the issuance of \$449,000 in bond anticipation notes for the reconstruction of the Shawnee Bridge. This project is in conjunction with the County and the above represents the City's portion of the cost. This issue has a 2.88 percent interest rate and matures in two years.

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE-GENERAL FUND
FOR YEAR ENDED DECEMBER 31,2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Municipal income tax	\$ 5,288,537	\$ 5,380,842	\$ 5,373,500	\$ (7,342)
Property taxes	1,169,277	1,143,537	1,136,455	(7,082)
State shared revenues	1,655,018	1,490,397	1,501,486	11,089
KWH tax	1,050,000	1,092,000	1,095,211	3,211
Licenses and permits	284,005	298,658	307,302	8,644
Grants-capital	-	23,538	23,538	-
Grants-operating	21,585	100,217	86,007	(14,210)
Interest income	117,418	110,871	117,485	6,614
(Decrease) in fair value of investments	-	-	(29,453)	(29,453)
Donations:				-
Capital	-	31,161	33,926	2,765
Operating	-	13,992	13,992	-
Other	196,392	473,908	255,905	(218,003)
Total revenue	<u>9,782,232</u>	<u>10,159,121</u>	<u>9,915,354</u>	<u>(243,767)</u>
CHARGES TO APPROPRIATIONS				
GENERAL GOVERNMENT ADMINISTRATION:				
City building				
Personal services	10,375	9,793	9,575	218
Operating expenditures	79,126	69,902	66,189	3,713
Administrative support	2,791	2,494	2,361	133
Capital	29,309	9,000	755	8,245
Total city commission	<u>121,601</u>	<u>91,189</u>	<u>78,880</u>	<u>12,309</u>
City commission:				
Personal services	29,026	29,138	29,087	51
Operating expenditures	27,190	41,953	38,073	3,880
Administrative support	4,858	4,814	4,532	282
Capital	-	-	-	-
Total city commission	<u>61,074</u>	<u>75,905</u>	<u>71,692</u>	<u>4,213</u>
Office of city manager:				
Personal services	64,422	60,788	55,621	5,167
Operating expenditures	4,386	5,692	5,488	204
Administrative support	14,409	13,792	13,220	572
Capital	-	-	-	-
Total office of city manager	<u>83,217</u>	<u>80,272</u>	<u>74,329</u>	<u>5,943</u>
Purchasing department:				
Personal services	-	-	-	-
Operating expenditures	-	89	41	48
Administrative support	-	-	-	-
Total purchasing department	<u>-</u>	<u>89</u>	<u>41</u>	<u>48</u>
Law department:				
Personal services	17,459	18,011	18,089	(78)
Operating expenditures	6,345	4,818	2,630	2,188
Administrative support	4,307	5,257	5,040	217
Total law department	<u>28,111</u>	<u>28,086</u>	<u>25,759</u>	<u>2,327</u>

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARIION SCHEDULE-GENERAL FUND
FOR YEAR ENDED DECEMBER 31,2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Finance department:				
Personal services	79,744	81,131	81,095	36
Operating expenditures	9,499	9,486	8,080	1,406
Administrative support	25,962	25,881	25,487	394
Capital	-	-	-	-
Total finance department	<u>115,205</u>	<u>116,498</u>	<u>114,662</u>	<u>1,836</u>
Personnel department:				
Personal services	4,770	5,022	5,396	(374)
Operating expenditures	715	728	498	230
Administrative support	1,421	1,681	1,761	(80)
Capital	-	-	-	-
Total personnel department	<u>6,906</u>	<u>7,431</u>	<u>7,655</u>	<u>(224)</u>
Engineering department:				
Personal services	59,321	62,200	63,235	(1,035)
Operating expenditures	7,625	7,543	7,401	142
Administrative support	18,162	20,908	20,527	381
Total engineering department	<u>85,108</u>	<u>90,651</u>	<u>91,163</u>	<u>(512)</u>
Income tax department:				
Personal services	119,197	119,200	117,426	1,774
Operating expenditures	431,987	139,278	134,660	4,618
Administrative support	39,226	43,300	42,255	1,045
Capital	1,600	1,198	1,198	-
Total income tax department	<u>592,010</u>	<u>302,976</u>	<u>295,539</u>	<u>7,437</u>
General government				
Operating expenditures	1,937,881	616,314	604,023	12,291
Capital	-	-	-	-
Total general government	<u>1,937,881</u>	<u>616,314</u>	<u>604,023</u>	<u>12,291</u>
Civil Service Commission				
Operating expenditures	<u>15,004</u>	<u>21,896</u>	<u>16,682</u>	<u>5,214</u>
Total miscellaneous	<u>15,004</u>	<u>21,896</u>	<u>16,682</u>	<u>5,214</u>
Fuel Facility				
Operating expenditures	<u>10,153</u>	<u>33,064</u>	<u>9,434</u>	<u>23,630</u>
Total miscellaneous	<u>10,153</u>	<u>33,064</u>	<u>9,434</u>	<u>23,630</u>
Pro Piqua				
Operating expenditures	<u>36,809</u>	<u>34,125</u>	<u>36,542</u>	<u>(2,417)</u>
Total miscellaneous	<u>36,809</u>	<u>34,125</u>	<u>36,542</u>	<u>(2,417)</u>
TOTAL GENERAL GOVERNMENT	<u>3,093,079</u>	<u>1,498,496</u>	<u>1,426,401</u>	<u>72,095</u>

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARIION SCHEDULE-GENERAL FUND
FOR YEAR ENDED DECEMBER 31,2004**

	<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	1,894,368	2,084,685	2,081,849	2,836
Operating expenditures	248,767	249,299	247,397	1,902
Administrative support	709,400	823,777	811,194	12,583
Capital	130,000	169,243	168,243	1,000
Total fire department	<u>2,982,535</u>	<u>3,327,004</u>	<u>3,308,683</u>	<u>18,321</u>
Police department:				
Personal services	2,412,408	2,553,583	2,498,186	55,397
Operating expenditures	451,660	518,576	520,892	(2,316)
Administrative support	785,117	882,766	861,914	20,852
Capital	140,200	199,322	208,045	(8,723)
Total police department	<u>3,789,385</u>	<u>4,154,247</u>	<u>4,089,037</u>	<u>65,210</u>
TOTAL PUBLIC SAFETY	<u>6,771,920</u>	<u>7,481,251</u>	<u>7,397,720</u>	<u>83,531</u>
HEALTH:				
Personal services	198,427	193,687	189,036	4,651
Operating expenditures	68,052	76,142	62,914	13,228
Administrative support	61,107	66,007	64,133	1,874
Capital	-	1,045	1,045	-
Total health department	<u>327,586</u>	<u>336,881</u>	<u>317,128</u>	<u>19,753</u>
PARKS AND RECREATION:				
Personal services	288,598	306,894	296,243	10,651
Operating expenditures	134,865	171,216	159,516	11,700
Administrative support	98,521	117,867	114,462	3,405
Capital	86,000	371,396	336,340	35,056
Total parks and recreation	<u>607,984</u>	<u>967,373</u>	<u>906,561</u>	<u>60,812</u>
Total charges to appropriations	<u>10,800,569</u>	<u>10,284,001</u>	<u>10,047,810</u>	<u>236,191</u>
OTHER FINANCING SOURCES(USES):				
Disposal of fixed assets	381,250	377,965	27,515	(350,450)
Transfers, In	262,595	262,687	447,049	184,362
Transfers, out	(594,566)	(1,065,988)	(790,001)	275,987
Total other financing sources(uses)	<u>49,279</u>	<u>(425,336)</u>	<u>(315,437)</u>	<u>109,899</u>
Net change in fund balance	<u>(969,058)</u>	<u>(550,216)</u>	<u>(447,893)</u>	<u>102,323</u>
Fund balance- January 1, 2004	<u>7,142,824</u>	<u>7,142,824</u>	<u>7,142,824</u>	<u>-</u>
Fund balance December 31, 2004	<u>\$ 6,173,766</u>	<u>\$ 6,592,608</u>	<u>\$ 6,694,931</u>	<u>\$ 102,323</u>

(Concluded)

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARISSON SCHEDULE-
STREET MAINTENANCE FUND
FOR YEAR ENDED DECEMBER 31,2004**

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
REVENUES:				
Municipal income tax	\$ 814,515	\$ 825,891	\$ 905,922	\$ 80,031
State shared revenues	762,750	799,083	848,896	49,813
Grants capital	-	75,622		(75,622)
Grants operating	-	-	18,622	18,622
Interest income	2,000	2,089	1,903	(186)
Decrease in fair value of investments	-	-	(483)	(483)
Donations:				-
Capital	-	86,192	159,754	73,562
Operating	-	-	-	-
Other	10,076	17,454	24,936	7,482
Total revenue	<u>1,589,341</u>	<u>1,806,331</u>	<u>1,959,550</u>	<u>153,219</u>
CHARGES TO APPROPRIATIONS:				
Personal services	517,063	592,050	588,843	3,207
Operating expenditures	520,088	604,457	591,858	12,599
Administrative support	190,942	221,738	218,021	
Capital costs	328,000	702,575	645,651	56,924
Total charges to appropriations	<u>1,556,093</u>	<u>2,120,820</u>	<u>2,044,373</u>	<u>72,730</u>
OTHER FINANCING SOURCES(USES):				
Debt issuance proceeds		190,948	190,948	-
Disposal of fixed assets		31,533	31,533	-
Transfers, In	53,460	58,600	58,600	0
Transfers, out	(63,540)	(39,880)	(39,816)	64
Total other financing sources(uses)	<u>(10,080)</u>	<u>241,201</u>	<u>241,265</u>	<u>64</u>
Net change in fund balance	23,168	(73,288)	156,442	- 229,730
Fund balance- January 1, 2004	<u>283,600</u>	<u>283,600</u>	<u>283,600</u>	<u>-</u>
Fund balance December 31, 2004	<u>\$ 306,768</u>	<u>\$ 210,312</u>	<u>\$ 440,042</u>	<u>\$ 229,730</u>

City of Piqua, Ohio

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGET (GAAP BUDGET) TO ACTUAL COMPARIION SCHEDULE-
STREET LEVY CONSTRUCTION FUND
FOR YEAR ENDED DECEMBER 31,2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Municipal income tax	\$ 1,018,397	\$ 1,032,363	\$ 1,059,068	\$ 26,705
Grants-capital	420,000	420,000	324,712	(95,288)
Grants-operating	-	-	-	-
Interest income	1,500	3,097	2,081	(1,016)
(Decrease) in fair value of investments	-	-	-	-
Donations:				
Capital	-	-	-	-
Operating	-	-	-	-
Other	33,000	37,546	24,248	(13,298)
Total revenue	<u>1,472,897</u>	<u>1,493,006</u>	<u>1,410,109</u>	<u>(82,897)</u>
CHARGES TO APPROPRIATIONS:				
Personal services	-	-	-	-
Operating expenditures	582,145	575,139	535,087	40,052
Administrative support	-	299	296	3
Capital costs	1,000,109	1,055,032	1,025,520	29,512
Total charges to appropriations	<u>1,582,254</u>	<u>1,630,470</u>	<u>1,560,903</u>	<u>69,567</u>
OTHER FINANCING SOURCES(USES):				
Transfers, In	34,800	64,247	64,247	0
Transfers, out	0	0	0	0
Total other financing sources(uses)	<u>34,800</u>	<u>64,247</u>	<u>64,247</u>	<u>0</u>
Net change in fund balance	(74,557)	(73,217)	(86,547)	(13,330)
Fund balance January 1, 2004	<u>324,689</u>	<u>324,689</u>	<u>324,689</u>	<u>-</u>
Fund balance December 31, 2004	<u>\$ 250,132</u>	<u>\$ 251,472</u>	<u>\$ 238,142</u>	<u>\$ (13,330)</u>

CITY OF PIQUA, OHIO
Notes to the Required Supplemental Information
December 31, 2004

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 re-appropriated 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 each fund at the object levels of personal services, operating expenditures, administrative support, transfers, and capital outlay. Amendments to object 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, 2004

STATUTORY COMPLIANCE

At November 30, 2004, the following funds had an excess of expenditures over appropriations at the object level, the City's legal level of control:

GENERAL FUND

City Commission	
Operating expenditures	4,673
Civil Service	
Operating expenditures	708
Health	
Capital	1,045

STREET MAINTENANCE

Capital	189,818
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STREET LEVY CONSTRUCTION

Administrative support	297
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During the month of December amounts were re-appropriated and the following funds had an excess of expenditures over appropriations for the year ended December 31, 2004:

GENERAL FUND

Law Department	
Personal services	78
Personnel Department	
Personal services	374
Administrative support	80
Engineering Department	
Personal services	1,035
Pro Piqua	
Operating expenditures	2,417
Police Department	
Operating expenditures	2,316
Capital	8,723

**OTHER
SUPPLEMENTAL DATA**

CITY OF PIQUA, OHIO

COMBINING BALANCE SHEET- NON MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2004

ASSETS:	Revolving Loan/Federal <u>Program Income</u>	Community <u>Development</u>	<u>Trust</u>
Equity in pooled cash and cash equivalents	\$ 51,421	\$ 464,161	\$ 25,768
Equity in pooled investments	-	-	-
Accounts receivable	881	-	32,462
Interfund receivable	-	-	-
Inventories	-	-	-
Prepaid items and other assets	-	-	-
Loans receivable, net of allowance	25,670	-	-
Total Assets	<u><u>77,972</u></u>	<u><u>464,161</u></u>	<u><u>58,230</u></u>
 LIABILITIES AND FUND BALANCE:			
CURRENT LIABILITIES:			
Accounts payable	-	14,301	-
Interfund payable	-	3,323	-
Salaries and benefits	-	2,578	-
Accrued vacation, personal and sick leave	-	14,047	-
Accruals	-	-	-
Total Current Liabilities	<u>-</u>	<u>34,249</u>	<u>-</u>
 LONG-TERM LIABILITIES:			
Restricted deposits	-	-	-
Deferred revenue	-	-	22,795
Total Long Term Liabilities	<u>-</u>	<u>-</u>	<u>22,795</u>
 Total Liabilities	 -	 34,249	 22,795
 FUND BALANCES:			
Reserved for encumbrances	-	377	-
Reserved for inventory and prepaids	-	-	-
Reserved for debt service	-	-	-
Reserved for non-current loans receivable	26,551	-	-
Unreserved	51,421	429,535	35,435
Total fund balances	<u><u>77,972</u></u>	<u><u>429,912</u></u>	<u><u>35,435</u></u>
 TOTAL LIABILITES AND FUND BALANCE	 <u><u>\$ 77,972</u></u>	 <u><u>\$ 464,161</u></u>	 <u><u>- \$ 58,230</u></u>

(Continued)

CITY OF PIQUA, OHIO

**COMBINING BALANCE SHEET- NON MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

ASSETS:	<u>Conservancy</u>	<u>Safety Pension</u>	<u>Federal Grants</u>	<u>Total Non major Funds</u>
Equity in pooled cash and cash equivalents	\$ 56,060	\$ 26,771	\$ 290,695	\$ 914,876
Equity in pooled investments	-	-	-	-
Accounts receivable	43,164	199,229	9,119	284,855
Interfund receivable	-	-	-	-
Inventories	-	-	-	-
Prepaid items and other assets	-	-	-	-
Loans receivable, net of allowance	-	-	-	25,670
Total Assets	<u>99,224</u>	<u>226,000</u>	<u>299,814</u>	<u>1,225,401</u>
 LIABILITIES AND FUND BALANCE:				
CURRENT LIABILITIES:				
Accounts payable	-	-	38,833	53,134
Interfund payable	-	-	176,669	179,992
Salaries and benefits	-	-	-	2,578
Accrued vacation, personal and sick leave	-	-	-	14,047
Accruals	-	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>215,502</u>	<u>249,751</u>
 LONG-TERM LIABILITIES:				
Restricted deposits	-	-	-	-
Deferred revenue	43,164	199,229	-	265,188
Total Long Term Liabilities	<u>43,164</u>	<u>199,229</u>	<u>-</u>	<u>265,188</u>
 Total Liabilities	 43,164	 199,229	 215,502	 514,939
 FUND BALANCES:				
Reserved for encumbrances	-	-	76,361	76,738
Reserved for inventory and prepaids	-	-	-	-
Reserved for debt service	-	-	-	-
Reserved for non-current loans receivable	-	-	-	26,551
Unreserved	56,060	26,771	7,951	607,173
Total fund balances	<u>56,060</u>	<u>26,771</u>	<u>84,312</u>	<u>710,462</u>
 TOTAL LIABILITES AND FUND BALANC	 <u>\$ 99,224</u>	 <u>\$ 226,000</u>	 <u>\$ 299,814</u>	 <u>\$ 1,225,401</u>

(Concluded)

CITY OF PIQUA, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NON MAJOR GOVERNMENTAL FUNDS FOR YEAR ENDED DECEMBER 31,2004

	Revolving Loan/Federal Program Income	Community Development	Trust
REVENUES:			
Property taxes	\$ -	\$ 21,982	\$ -
State shared taxes	-	-	60,469
Licenses, permits, fees	-	2,500	-
Grants	46,318	-	-
Interest	1,234	3,576	570
(Decrease) in fair market value of investments	-	-	-
Donations operating	-	-	-
Other	16,833	5,218	39,979
Total Revenues	<u>64,385</u>	<u>33,276</u>	<u>101,018</u>
CHARGES TO APPROPRIATIONS :			
Personal services	-	-	-
Operation and maintenance	51,324	9,646	31,840
Administrative support	-	-	-
Capital	-	-	-
Total expenditures	<u>51,324</u>	<u>9,646</u>	<u>31,840</u>
OTHER FINANCING SOURCES (USES):			
Disposal of fixed assets	-	13,970	-
Transfer in	-	48,567	-
Transfers out	-	(78,217)	(73,800)
Total other financing sources(uses)	-	<u>(15,680)</u>	<u>(73,800)</u>
Net change in fund balance	13,061	7,950	(4,622)
Fund balance January 1, 2004	<u>64,911</u>	<u>421,962</u>	<u>40,057</u>
Fund balance December 31, 2004	<u>\$ 77,972</u>	<u>\$ 429,912</u>	<u>\$ 35,435</u>

CITY OF PIQUA, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NON MAJOR GOVERNMENTAL FUNDS FOR YEAR ENDED DECEMBER 31,2004

	<u>Conservancy</u>	<u>Safety Pension</u>	<u>Federal Grants</u>	<u>Total Non major Funds</u>
REVENUES:				
Property taxes	\$ 39,929	\$ 184,286	\$ -	\$ 246,197
State shared taxes	5,401	24,702	-	90,572
Licenses, permits, fees	-	-	48,376	50,876
Grants	-	-	617,250	663,568
Interest	560	1,363	-	7,303
(Decrease) in fair market value of investments	-	-	-	-
Donations operating	-	-	14,603	14,603
Other	-	-	-	62,030
Total revenues	<u>45,890</u>	<u>210,351</u>	<u>680,229</u>	<u>1,135,149</u>
CHARGES TO APPROPRIATIONS :				
Personal services	-	-	-	-
Operation and maintenance	41,507	3,526	428,443	566,286
Administrative support	-	-	-	-
Capital	-	-	16,620	16,620
Total expenditures	<u>41,507</u>	<u>3,526</u>	<u>445,063</u>	<u>582,906</u>
OTHER FINANCING SOURCES (USES):				
Disposal of fixed assets	-	-	-	13,970
Transfer in	-	-	20,000	68,567
Transfers out	-	(287,518)	(171,379)	(610,914)
Total other financing sources(uses)	<u>-</u>	<u>(287,518)</u>	<u>(151,379)</u>	<u>(528,377)</u>
Net change in fund balance	4,383	(80,693)	83,787	23,866
Fund balance January 1, 2004	<u>51,677</u>	<u>107,464</u>	<u>525</u>	<u>686,596</u>
Fund balance December 31, 2004	<u>\$ 56,060</u>	<u>\$ 26,771</u>	<u>\$ 84,312</u>	<u>\$ 710,462</u>

(Concluded)

CITY OF PIQUA, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2004**

	Revolving Loan / Federal			Community Development		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 30,762	\$ 21,982	\$ (8,780)
State shared taxes	-	-	-	-	-	-
Licenses, permits, fees	-	-	-	2,950	2,500	(450)
Grants	46,318	46,318	-	-	-	-
Interest	923	1,234	311	3,098	3,576	478
(Decrease) in fair market value of investments	-	-	-	-	-	-
Donations operating						
Other	16,458	16,833	375	1,874	5,218	3,344
Total revenues	<u>63,699</u>	<u>64,385</u>	<u>686</u>	<u>38,684</u>	<u>33,276</u>	<u>(5,408)</u>
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	53,412	51,324	2,088	10,818	9,646	1,172
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	<u>53,412</u>	<u>51,324</u>	<u>2,088</u>	<u>10,818</u>	<u>9,646</u>	<u>1,172</u>
OTHER FINANCING SOURCES (USES):						
Disposal of fixed assets				13,970	13,970	-
Transfer in	-	-	-	48,339	48,567	228
Transfers out	-	-	-	(78,217)	(78,217)	-
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,908)</u>	<u>(15,680)</u>	<u>228</u>
Net change in fund balance	10,287	13,061	2,774	11,958	7,950	(4,008)
Fund balance January 1, 2004	<u>64,911</u>	<u>64,911</u>	<u>-</u>	<u>421,962</u>	<u>421,962</u>	<u>-</u>
Fund balance December 31, 2004	<u>\$ 75,198</u>	<u>\$ 77,972</u>	<u>\$ 2,774</u>	<u>\$ 433,920</u>	<u>\$ 429,912</u>	<u>\$ (4,008)</u>

(Continued)

CITY OF PIQUA, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2004**

	Trust			Conservancy		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ 40,980	\$ 39,929	\$ (1,051)
State shared taxes	56,350	60,469	4,119	5,205	5,401	196
Licenses, permits, fees	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Interest	429	570	141	455	560	105
(Decrease) in fair market value of investments	-	-	-	-	-	-
Donations operating	-	-	-	-	-	-
Other	39,643	39,979	336	-	-	-
Total revenues	<u>96,422</u>	<u>101,018</u>	<u>4,596</u>	<u>46,640</u>	<u>45,890</u>	<u>(750)</u>
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	37,840	31,840	6,000	41,570	41,507	63
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	<u>37,840</u>	<u>31,840</u>	<u>6,000</u>	<u>41,570</u>	<u>41,507</u>	<u>63</u>
OTHER FINANCING SOURCES (USES):						
Disposal of fixed assets	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	(73,800)	(73,800)	-	-	-	-
Total other financing sources (use)	<u>(73,800)</u>	<u>(73,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(15,218)	(4,622)	10,596	5,070	4,383	(687)
Fund balance January 1, 2004	<u>40,057</u>	<u>40,057</u>	<u>-</u>	<u>51,677</u>	<u>51,677</u>	<u>-</u>
Fund balance December 31, 2004	<u>\$ 24,839</u>	<u>\$ 35,435</u>	<u>\$ 10,596</u>	<u>\$ 56,747</u>	<u>\$ 56,060</u>	<u>\$ (687)</u>

(Continued)

CITY OF PIQUA, OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2004**

	Safety Pension			Federal Grants		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Property taxes	\$ 189,374	\$ 184,286	\$ (5,088)	\$ -	\$ -	\$ -
State shared taxes	23,660	24,702	1,042	-	-	-
Licenses, permits, fees	-	-	-	57,844	48,376	(9,468)
Grants	-	-	-	665,663	617,250	(48,413)
Interest	1,600	1,363	(237)	-	-	-
(Decrease) in fair market value of investments	-	-	-	-	-	-
Donations operating	-	-	-	-	14,603	14,603
Other	-	-	-	-	-	-
Total revenues	214,634	210,351	(4,283)	723,507	680,229	(43,278)
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	3,526	3,526	-	736,897	428,443	308,454
Administrative support	-	-	-	-	-	-
Capital	-	-	-	16,620	16,620	-
Total expenditures	3,526	3,526	-	753,517	445,063	308,454
OTHER FINANCING SOURCES (USES):						
Disposal of fixed assets	-	-	-	-	-	-
Transfer in	-	-	-	30,000	20,000	(10,000)
Transfers out	(287,565)	(287,518)	47	-	(171,379)	171,379
Total other financing sources (uses)	(287,565)	(287,518)	47	30,000	(151,379)	(181,379)
Net change in fund balance	(76,457)	(80,693)	(4,236)	(10)	83,787	83,797
Fund balance January 1, 2004	107,464	107,464	-	525	525	-
Fund balance December 31, 2004	<u>\$ 31,007</u>	<u>\$ 26,771</u>	<u>\$ (4,236)</u>	<u>\$ 515</u>	<u>\$ 84,312</u>	<u>\$ 83,797</u>

(Continued)

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31,2004**

	Totals		
	Budget	Actual	Variance
REVENUES:			
Property taxes	\$ 261,116	\$ 246,197	\$ (14,919)
State shared taxes	85,215	90,572	5,357
Licenses, permits, fees	60,794	50,876	(9,918)
Grants	711,981	663,568	(48,413)
Interest	6,505	7,303	798
(Decrease) in fair market value of investments	-	-	-
Donations operating	-	14,603	14,603
Other	<u>57,975</u>	<u>62,030</u>	<u>4,055</u>
Total revenues	1,183,586	1,135,149	(48,437)
CHARGES TO APPROPRIATIONS:			
Personal services	-	-	-
Operation and maintenance	884,063	566,286	317,777
Administrative support	-	-	-
Capital	<u>16,620</u>	<u>16,620</u>	<u>-</u>
Total expenditures	900,683	582,906	317,777
OTHER FINANCING SOURCES (USES):			
Disposal of fixed assets	13,970	13,970	-
Transfer in	78,339	68,567	(9,772)
Transfers out	<u>(439,582)</u>	<u>(610,914)</u>	<u>(171,332)</u>
Total other financing sources (uses)	(347,273)	(528,377)	(181,104)
Net change in fund balance	(64,370)	23,866	88,236
Fund balance January 1, 2004	<u>686,596</u>	<u>686,596</u>	<u>-</u>
Fund balance December 31, 2004	<u>\$ 622,226</u>	<u>\$ 710,462</u>	<u>\$ 88,236</u>

(Concluded)

CITY OF PIQUA, OHIO

SCHEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL (GAAP BUDGET)-DEBT SERVICE FUND FOR YEAR ENDED DECEMBER 31,2004

	Budgeted Amounts		Actual	Variance-with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 63,681	\$ 69,367	\$ 69,367	\$ -
Interest income	13,205	20,501	21,300	799
Total revenue	<u>76,886</u>	<u>89,868</u>	<u>90,667</u>	<u>799</u>
CHARGES TO APPROPRIATIONS:				
Operating expenditures	4,850	3,696	3,695	1
Debt principal payment	422,963	434,786	434,783	3
Debt interest payment	227,852	229,658	228,934	724
Total charges to appropriations	<u>655,665</u>	<u>668,140</u>	<u>667,412</u>	<u>728</u>
OTHER FINANCING SOURCES(USES):				
Debt issuance proceeds	47,300	45,089	45,089	-
Transfers, In	595,831	622,202	619,975	(2,227)
Transfers, out	(41,100)	(49,589)	(48,567)	1,022
Total other financing sources(uses)	<u>602,031</u>	<u>617,702</u>	<u>616,497</u>	<u>(1,205)</u>
Net change in fund balance	23,252	39,430	39,752	322
Fund balance January 1, 2004	<u>314,495</u>	<u>314,495</u>	<u>314,495</u>	<u>-</u>
Fund balance December 31, 2004	<u>\$ 337,747</u>	<u>\$ 353,925</u>	<u>\$ 354,247</u>	<u>\$ 322</u>

CITY OF PIQUA, OHIO

**COMBINING BALANCE SHEET- INTERNAL SERVICE FUNDS
DECEMBER 31, 2004**

ASSETS:	<u>Workers Compensation</u>	<u>Liability Insurance</u>	<u>Health Insurance</u>	<u>Information Technology</u>	<u>Total</u>
Equity in pooled cash and cash equivalents	\$59,907	\$3,833	\$250,096	\$82,735	396,571
Equity in pooled investments	1,811,032	1,010,652	807,835	-	3,629,519
Accounts receivable	13,727	8,172	\$9,600	-	31,499
Interfund receivable	-	-	307,057	-	307,057
Inventories	-	-	-	-	-
Prepaid items and other assets	-	-	22,335	-	22,335
Notes receivable	-	-	-	-	-
Total Current Assets	1,884,666	1,022,657	1,396,923	82,735	4,386,981
Noncurrent assets:					
Capital assets being depreciated					
Plant and equipment in service, net				135,215	135,215
Total Capital Assets	-	-	-	135,215	135,215
Total Assets	\$ 1,884,666	\$ 1,022,657	\$ 1,396,923	\$ 217,950	\$ 4,522,196
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES:					
Accounts payable	-	-	\$359,914	2,439	362,353
Interfund payable	-	-	-	4,984	4,984
Salaries and benefits	-	-	-	2,592	2,592
Accrued vacation, personal and sick leave	-	-	-	15,268	15,268
Accruals	-	-	-	-	-
Total Current Liabilities	-	-	359,914	25,283	385,197
Total Liabilities	-	-	359,914	25,283	385,197
FUND BALANCES:					
Invested in capital assets, net of related debt				135,215	135,215
Unreserved	1,884,666	1,022,657	1,037,009	57,452	4,001,784
Total Net Assets	1,884,666	1,022,657	1,037,009	192,667	4,136,999
Total Liabilities and Net Assets	\$ 1,884,666	\$ 1,022,657	\$ 1,396,923	\$ 217,950	\$ 4,522,196

CITY OF PIQUA, OHIO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS- INTERNAL SERVICE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2004

	Workers Compensation	Liability Insurance	Health Insurance	Information Technology	Total
OPERATING REVENUES:					
Customer services	\$ -	\$ -	\$ 1,841,175	\$ 262,300	\$ 2,103,475
Penalty charges	-	-	-	-	-
Total operating revenues	-	-	1,841,175	262,300	2,103,475
OPERATING EXPENSES:					
Salaries and Employee benefits	-	-	1,547,600	226,547	1,774,147
Depreciation	-	-	-	17,074	17,074
Outside Services	-	-	274,453	31,471	305,924
Total operating expenses	-	-	1,822,053	275,092	2,097,145
Operating income (loss)	-	-	19,122	(12,792)	6,330
NON-OPERATING REVENUES(EXPENSES):					
Interest income	67,109	28,581	30,840	973	127,503
Net (decrease) in fair market value of investments.	(17,525)	(9,920)	(16,091)	-	(43,536)
Other, net	-	-	798	2,210	3,008
Transfers, in	-	-	-	-	-
Transfers, out	-	-	-	-	-
Net non-operating revenues(expenses)	49,584	18,661	15,547	3,183	86,975
Change in net assets	49,584	18,661	34,669	(9,609)	93,305
Total net assets-beginning of year	1,835,082	1,003,996	1,002,340	202,276	4,043,694
Total net assets-end of year	\$ 1,884,666	\$ 1,022,657	\$ 1,037,009	\$ 192,667	\$ 4,136,999

CITY OF PIQUA, OHIO

COMBINING STATEMENT OF CASH FLOWS-INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Workers Compensation	Liability Insurance	City Health Insurance	Information Technology	Internal Service Totals
OPERATING ACTIVITIES:					
Cash received for services	\$ -	\$ -	\$ 1,803,563	\$ 264,510	\$ 2,068,073
Cash paid to suppliers for goods or services	-	-	(1,803,508)	(33,112)	\$ (1,836,620)
Cash paid to employees for services	-	-	-	(221,461)	(221,461)
Net cash provided by (used in) operating activities	-	-	54	9,937	9,991
NONCAPITAL FINANCING ACTIVITIES:					
Transfers, in	-	-	-	-	-
Transfers, out	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-	-	-
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	-	-	-	(9,672)	(9,672)
Disposals of capital assets	-	-	-	-	-
Net cash provided by (used in) capital & related financing activities	-	-	-	(9,672)	(9,672)
INVESTING ACTIVITIES:					
Purchases of investment securities	(499,000)	(917,361)	(551,578)	-	(1,967,939)
Proceeds from sale or maturity of investment securities	334,553	887,122	513,775	-	1,735,450
Interest received	64,943	30,214	29,286	974	125,417
Net cash provided by (used in) investing activities	(99,504)	(25)	(8,518)	974	(107,073)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(99,504)	(25)	(8,464)	1,239	(106,754)
CASH AND CASH EQUIVALENTS - Beginning of year	159,411	3,858	258,559	81,496	503,325
CASH AND CASH EQUIVALENTS - End of year	\$ 59,907	\$ 3,833	\$ 250,096	\$ 82,735	396,571
OPERATING INCOME (LOSS)	\$ -	\$ -	\$ 19,122	\$ (12,792)	6,330
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Depreciation	-	-	-	17,074	17,074
(Increase)/Decrease in Accounts Receivable	-	-	(38,410)	-	(38,410)
(Increase)/Decrease in Inventory	-	-	-	-	-
(Increase)/Decrease in Prepaids	-	-	(2,471)	-	(2,471)
Increase/(Decrease) in Accounts Payable	-	-	21,016	(1,641)	19,375
Increase/(Decrease) in Accrued Wages and Benefits	-	-	-	5,085	5,085
Decrease in Deferred Revenues	-	-	-	-	-
Net (Increase)/Decrease in Other Operating Net Assets	-	-	797	2,211	3,008
Net cash provided by (used in) operating activities	\$ -	\$ -	\$ 54	\$ 9,937	\$ 9,991
SUPPLEMENTAL INFORMATION:					
Noncash activities:					
Change in fair value of investments	\$ (17,526)	\$ (9,920)	\$ (16,090)	\$ -	\$ (43,536)
Contribution of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the basic financial statements

CITY OF PIQUA, OHIO

**COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

ASSETS:	<u>Unclaimed Funds</u>	<u>Mayor Wilson Fund</u>	<u>Employee Flexible Spending</u>	<u>Total Agency Funds</u>
Equity in pooled cash and cash equivalents	\$ 504	\$ 397	\$ 7,073	\$ 7,974
Equity in pooled investments	-	-	-	-
Accounts receivable	-	-	-	-
Prepaid items and other assets	-	-	1,850	1,850
				-
 Total Assets	 <u>\$ 504</u>	 <u>\$ 397</u>	 <u>\$ 8,923</u>	 <u>\$ 9,824</u>
 LIABILITIES:				
Withholdings payable	\$ -	\$ -	\$ 8,923	\$ 8,923
Undistributed monies	<u>504</u>	<u>397</u>	<u>-</u>	<u>901</u>
 Total Current Liabilities	 <u>\$ 504</u>	 <u>\$ 397</u>	 <u>\$ 8,923</u>	 <u>\$ 9,824</u>

City of Piqua, Ohio

**COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR YEAR ENDED DECEMBER 31,2004**

	Balance at January 1, 2004	Additions	Deductions	Total Balance at December 31, 2004
<u>Employee Flexible Spending</u>				
ASSETS				
Equity in pooled cash and cash equivalents	\$ 8,611	\$ 148,365	\$ 149,903	\$ 7,073
Prepaid items and other assets	-	1,850	-	1,850
Total Assets	<u>\$ 8,611</u>	<u>\$ 150,215</u>	<u>\$ 149,903</u>	<u>\$ 8,923</u>
LIABILITIES				
Withholdings payable	\$ 8,611	\$ 150,215	\$ 149,903	\$ 8,923
Undistributed monies	-	-	-	-
Total Liabilities	<u>\$ 8,611</u>	<u>\$ 150,215</u>	<u>\$ 149,903</u>	<u>\$ 8,923</u>
<u>Unclaimed Funds</u>				
ASSETS				
Equity in pooled cash and cash equivalents	\$ 448	\$ 56	\$ -	\$ 504
Prepaid items and other assets	-	-	-	-
Total Assets	<u>\$ 448</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 504</u>
LIABILITIES				
Withholdings payable	\$ -	\$ -	\$ -	\$ -
Undistributed monies	448	56	-	504
Total Liabilities	<u>\$ 448</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 504</u>
<u>Mayor Wilson Fund</u>				
ASSETS				
Equity in pooled cash and cash equivalents	\$ 392	\$ 5	\$ -	\$ 397
Prepaid items and other assets	-	-	-	-
Total Assets	<u>\$ 392</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 397</u>
LIABILITIES				
Withholdings payable	\$ -	\$ -	\$ -	\$ -
Undistributed monies	392	5	-	397
Total Liabilities	<u>\$ 392</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 397</u>

See accompanying notes to the basic financial statements

City of Piqua, Ohio

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) FIDUCIARY FUNDS
FOR YEAR ENDED DECEMBER 31,2004**

	Unclaimed Funds			Mayor Wilson Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Interest	\$ -	\$ -	\$ -	\$ 4	\$ 5	\$ 1
Other	505	-	(505)	-	-	-
Total revenues	505	-	(505)	4	5	1
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Net change in fund balance	505	-	(505)	4	5	1
Fund balance January 1, 2004	-	-	-	392	392	-
Fund balance December 31, 2004	<u>\$ 505</u>	<u>\$ -</u>	<u>\$ (505)</u>	<u>\$ 396</u>	<u>\$ 397</u>	<u>\$ 1</u>

(Continued)

City of Piqua, Ohio

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP BUDGET) NON MAJOR FUNDS
FOR YEAR ENDED DECEMBER 31,2004**

	Employee Flexible Spending			Totals		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
Interest	\$ -	\$ -	\$ -	\$ 4	\$ 5	\$ 1
Other	-	-	-	505	-	(505)
Total revenues	-	-	-	509	5	(504)
CHARGES TO APPROPRIATIONS:						
Personal services	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-
Administrative support	-	-	-	-	-	-
Capital	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Transfer in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Net change in fund balance	-	-	-	509	5	(504)
Fund balance January 1, 2004	-	-	-	392	392	-
Fund balance December 31, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 901</u>	<u>\$ 397</u>	<u>\$ (504)</u>

(Concluded)

STATISTICAL SECTION

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

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
REVENUES:										
Municipal income tax	\$ 4,683,796	\$ 4,644,293	\$ 4,767,994	\$ 4,884,052	\$ 5,219,996	\$ 5,165,239	\$ 4,932,680	\$ 4,925,442	\$ 5,568,258	\$ 5,373,500
Property taxes	816,904	945,530	987,946	1,007,828	1,164,831	1,147,717	1,196,982	1,132,221	1,144,691	1,136,455
State shared revenues	1,211,548	1,060,200	1,367,341	1,465,216	1,591,450	1,727,862	1,903,063	1,680,429	1,513,751	1,501,486
Kwh tax revenues							651,078	1,084,235	1,057,683	1,095,211
Licenses, permits, fees	234,475	240,499	250,750	359,439	300,552	322,300	349,620	346,615	277,416	307,302
Intergovernment grants	170,457	160,730	190,544	202,653	140,143	578,824	440,472	69,001	417,183	109,545
Net increase (decrease) in fair market value of investments	-	-	-	56,643	(145,591)	96,636	53,866	15,282	(77,631)	(29,453)
Interest income	324,300	358,330	387,702	379,343	380,618	433,511	331,718	186,393	145,779	117,485
Other	305,954	425,137	318,069	385,867	480,855	414,960	294,343	211,581	342,436	331,338
Total revenues	<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>10,389,566</u>	<u>9,942,869</u>
EXPENDITURES:										
Public safety	4,640,175	4,948,315	5,365,339	5,695,649	5,726,082	5,972,147	6,141,505	6,183,956	6,547,484	7,005,224
Public health and welfare	150,006	168,515	177,773	201,074	203,838	311,729	345,999	273,225	301,939	316,083
General government administration	968,591	920,433	1,042,598	1,036,924	1,141,425	1,315,166	1,224,797	1,288,269	1,142,990	1,420,726
Parks and recreation	273,346	332,486	345,985	336,564	415,926	517,545	631,079	519,258	488,074	570,221
Capital outlay	630,700	820,736	724,613	329,506	750,799	961,304	1,133,986	608,026	988,933	719,348
Other	-	-	-	-	-	-	9,427	37,280	16,208	16,208
Total expenditures	<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>9,485,628</u>	<u>10,047,810</u>
Transfers in	131,558	482,364	160,480	119,849	137,160	220,289	117,000	136,885	1,438,429	447,049
Transfers out	(82,950)	(313,894)	(1,067,184)	(550,196)	(654,212)	(682,159)	(3,268,059)	(913,623)	(861,447)	(790,001)
Net change in fund balance	<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>\$ 1,480,920</u>	<u>\$ (447,893)</u>

Source: City of Piqua Finance Department

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

<u>Tax Year Collection Year</u>	<u>Total Levy</u>	<u>Current Collection</u>	<u>Percent of Total Levy Collected</u>	<u>Delinquent Collection</u>	<u>Total Collection</u>	<u>Total Collection as Percent of Total Levy</u>	<u>Cumulative Delinquency</u>
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
2003/2004	1,533,847	1,492,929	97.33	41,058	1,533,987	100.01	80,678

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	
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
2003/2004	277,754,750	793,585,000	66,273,880	265,095,520	3,868,580	11,053,086	347,897,210	1,069,733,606	32.52

Source: Miami County Auditor's Office

**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						County	Joint Vocational and City Schools	Total
	General Fund	Conservancy	Police Pension	Fire Pension	Total City Rate	Cemetery			
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
2003/2004	3.70	0.13	0.30	0.30	4.43	0.50	9.13	45.32	59.38

Source: Miami County Auditor's Office

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

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Total Assessments Collected</u>	<u>Total Collections as a Percent of Current Assessments</u>	<u>Total Outstanding Assessments (1)</u>
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
2004	84,301	69,367	82.28	244,539

(1) Assessments to be billed in future years

Source: Miami County Auditor's Office

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>
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
2004	20,738	(2)	347,897,210	2,713,133	50,469	2,662,664	0.77	128.40

(1) 1990 United States Census Bureau

(2) 2000 United States Census Bureau

Source: City of Piqua Finance Department

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2004**

	<u>Debt Outstanding</u>	<u>10-1/2% OF Assessed Valuation</u>	<u>5-1/2% OF Assessed Valuation</u>
Overall debt limitations	\$ 8,627,519	\$ 36,529,207	\$ 19,134,347
Gross indebtedness			
Less: debt outside limitations	5,528,071		
Less: bond retirement fund balance	63,193 (1)		
Net debt within limitations	<u> </u>	<u>3,036,255</u>	<u>3,036,255</u>
Legal debt margin within limitations		<u>\$ 33,492,952</u>	<u>\$ 16,098,092</u>

(1) Excludes the bond retirement fund balances for business-type general obligation bonds, special assessment bonds, and pension bonds

Source: City of Piqua Finance Department

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2004**

	<u>Gross Debt</u>	<u>Debt Service</u>	<u>Net Debt</u>	Percent Applicable to City (1)	<u>City's Share</u>
Piqua School District	\$ 10,156,037	\$ 45,075	\$ 10,110,962	80.81%	\$ 8,170,668
Upper Valley Joint Vocational School	6,163,300	192,834	5,970,466	14.99	894,973
Miami County	<u>15,590,180</u>	<u>87,153</u>	<u>15,503,027</u>	16.42	<u>2,545,597</u>
Total overlapping debt	31,909,517	325,062	31,584,455		11,611,238
City of Piqua	3,099,448	63,193	3,036,255	100.00%	3,036,255
Total net direct and overlapping debt	<u>\$ 35,008,965</u>	<u>\$ 388,255</u>	<u>\$ 34,620,710</u>		<u>\$ 14,647,493</u>

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

Source: Individual Jurisdictions

**STATEMENT OF DIRECT DEBT
DECEMBER 31, 2004**

LONG-TERM DEBT:

General obligation bonds and notes and bonds		
Wastewater system	\$ 495,000	
Special assessment	193,654	
Power system	2,535,000	
Public improvement (golf)	24,800	
Public improvement (water)	137,067	
Public improvement (street)	38,133	
Recreation facility (golf)	1,823,080	
Recreation facility (swimming pool)	91,920	
Building facility (general)	2,675,000	
Pension refunding (general)	<u>405,000</u>	\$ 8,418,654
Capitalized lease obligation (safety)	29,738	
Capitalized lease obligation (street)	<u>\$179,127</u>	<u>208,865</u>
Total long-term debt		<u>8,627,519</u>

GROSS DIRECT DEBT: 8,627,519

Deduct:

General obligation debt service fund balance	63,193	
Exempt self-supporting obligation debt:		
Wastewater system	\$ 495,000	
Power system	2,357,550	
Golf course	1,847,880	
Water system	137,067	
Special assessment	193,654	
Pension refunding	405,000	
Swimming pool	<u>91,920</u>	
Total self-supporting general obligation debt	<u>5,528,071</u>	
Total deductions		5,591,264
NET DIRECT DEBT		<u><u>\$ 3,036,255</u></u>

Source: City of Piqua Finance Department

**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
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
2004	541,070	-	10,047,810	5.38	0.00

Source: City of Piqua Finance Department

**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
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	15,151,271	1,721,390	488,902	352
2004	16,768,510	15,403,238	1,365,272	403,789	338

- (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

BOND DEBT COVERAGE
WASTEWATER BONDS
LAST TEN YEARS

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
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
2004	2,650,812	1,588,385	1,062,427	212,850	499

(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

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
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
2004	2,516,706	2,025,244	491,462	48,096	1,022

(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

BOND DEBT COVERAGE
 GOLF COURSE
 LAST TEN YEARS

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1994	\$ 432,507	\$ 296,307	\$ 136,200	\$ 102,198	133
1995	478,285	302,392	175,893	228,976	77
1996	547,176	308,468	238,708	234,184	102
1997	567,804	314,923	252,881	230,284	110
1998	612,365	379,761	232,604	230,936	101
1999	583,356	324,720	258,636	231,040	112
2000	564,183	380,037	184,146	230,747	80
2001	504,753	390,479	114,274	230,774	50
2002	562,643	467,023	95,620	215,598	44
2003	594,655	541,073	53,582	265,233	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

BOND DEBT COVERAGE
MUNICIPAL POOL
LAST TEN YEARS

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage
1995	\$ 100,709	\$ 98,748	\$ 1,961	\$ 4,884	40
1996	76,846	94,903	(18,057)	11,315	(160)
1997	74,812	92,565	(17,753)	11,348	(156)
1998	60,339	81,249	(20,910)	11,132	(188)
1999	73,579	121,457	(47,878)	11,155	(429)
2000	63,883	106,287	(42,404)	11,168	(380)
2001	72,303	119,179	(46,876)	11,169	(420)
2002	91,672	116,283	(24,611)	11,156	(221)
2003	77,338	118,075	(40,737)	10,410	(391)
2004	74,383	120,242	(45,859)	12,932	(355)

- (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

**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	
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
2004	18	12,618,700	50	8,557,500	1,069,733,606

Sources:

1). City of Piqua, Ohio Engineering Department

2). Miami County Auditors Office

PRINCIPAL MANUFACTURING EMPLOYERS
DECEMBER 31, 2004

<u>Name of Employer</u>	<u>NATURE OF BUSINESS</u>	<u>TOTAL EMPLOYMENT</u>
Spalding and Evenflo Company Inc.	Manufacturer of juvenile furniture	400
Jackson Tube Service Inc.	Manufacturer of steel tubing	350
Crane Pumps & Systems Inc.	Manufacturer of industrial, wastewater, water supply pumps and cleaning systems	300
Charter Corporation	Manufacturer of aircraft propellers	293
Industry Products	Manufacturer of die cutting equipment	283
Piqua Technologies Inc.	Manufactuer of automotive gaskets and insulating prc	200
Illinois Tool Works Inc.	Manufacturer of welding wire	178
Hartzell Industries Inc.	Manufacturer of industrial fans	171
Miami Valley Steel	Manufacturer of split coiled steel	150
Orr Felt Company	Manufacturer of paper maker felts	125

Source: Piqua Chamber of Commerce

PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2004

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Midamco	Shopping mall	\$ 9,677,310	2.78%
Jackson Tube Service Inc.	Manufacturer of steel tubing	9,099,760	2.62
Spalding & Evenflo Co., Inc.	Manufacturer of juvenile furniture	8,650,400	2.49
Paul Sherry Chevrolet/Chrysler	Automobile and recreation vehicle retailer	5,787,900	1.66
Miami Valley Steel	Manufacturer of split rolled steel	5,404,790	1.55
Charter Corporation	Manufacturer of aircraft propellers	4,722,390	1.36
Crane Pumps & Systems Inc.	Manufacturer of industrial, wastewater, water supply pumps and cleaning systems	3,578,640	1.03
Home Depot Inc.	Retailer of hardware	3,240,210	0.93
Illinois Tool Works Inc.	Manufacturer of Kitchen Aide appliances	3,186,770	0.92
HCF Inc.	Nursing home facility	2,650,480	0.76
TOTAL		55,998,650	16.10%
TOTAL ASSESSED VALUATION		\$ 347,897,210	

Source: Miami County Auditor's Office

**MISCELLANEOUS STATISTICS
FOR YEAR ENDED DECEMBER 31, 2004**

NET INCOME TAX COLLECTIONS

2004	\$7,291,145
2003	\$7,377,796
2002	6,987,530
2001	7,080,816
2000	7,473,123

ELECTRIC AND WATER CUSTOMER STATISTICS

	Electric		Water	
	<u>Kwh Sold</u>	<u>Customers</u>	<u>Gallons</u>	<u>Customers</u>
2004	292,182,506	11,072	652,820,000	8,811
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

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	103.3
Number of street lights	2,918
Miami county unemployment rate	6.40%
One fire station with	29 firefighters
One police station with	34 officers
Building permits issued	68
Recreation and culture:	
Acreage of 19 parks and recreational facilities	441.8
1 Public library with	136,096 volumes
Total city employees	218

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, 2004



**CITY OF PIQUA, OHIO
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Commission
City of Piqua, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Piqua, Miami County, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2005. 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.

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 opinions on the financial statements and not to provide an opinion 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 reportable 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 9, 2005.

Compliance and Other Matters

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 grant agreements, 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 9, 2005.

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 9, 2005



**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, 2004. 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, 2004.

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2005. 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 9, 2005

CITY OF PIQUA, OHIO
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2004

<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	\$ 2,825
Community Development Block Grant - 2004 CHIP	14.228	#	a-c-01-165-1	6,064
Community Development Block Grant - 2002 Formula Program	14.228		a-f-02-165-1	134,073
Community Development Block Grant - 2003 Formula Program	14.228		a-f-03-165-1	70,588
Community Development Block Grant - 2004 Formula Program	14.228		a-f-04-165-1	1,745
Community Development Block Grant - 2002 Downtown Revitalization	14.228		a-t-02-165-1	105,498
HOME Investments Partnership Program	14.239		a-c-01-165-2	43,493
Total U.S. Department of HUD				<u>364,286</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Pass-through Ohio Office of Justice Programs:</i>				
Local Law Enforcement Block Grants Program	16.592		2003-LE-LEB-3513	20,000
Bulletproof Vest Partnership Program	16.607		2003BUBX04021793	3,538
Public Safety Partnership and Community Policing Grant	16.710		Oh05502-2003Shwx0048	46,250
Total U.S. Department of Justice				<u>69,788</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	18,622
Formula Grants for Other than Urbanized Areas	20.509		RPT-4055-023-041	106,734
Total U.S. Department of Transportation				<u>125,356</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
<i>Pass-through Ohio Emergency Management Agency:</i>				
State and Community Highway Safety	20.600		5116.0	6,465
Public Assistance Grants	83.544			7,443
Assistance to Firefighters Grant	83.554		EMW-2003-FG19227	52,162
Total Federal Emergency Management Agency				<u>66,070</u>
Total Federal Awards Expenditures				<u>\$ 625,500</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, 2004

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, 2004:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.228	\$947
HOME Investment Partnerships Program	14.239	\$24,723

**CITY OF PIQUA, OHIO
MIAMI COUNTY**

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

DECEMBER 31, 2004

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
(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**

2004-1 NONCOMPLIANCE – EXPENDITURES EXCEEDED APPROPRIATIONS

Ohio Revised Code Section 5705.38(A) provides, in part:

On or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

Furthermore, 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 the County did not approve the City’s annual appropriation measure until February 24, 2004. In addition, the City did not pass a temporary appropriation measure to cover the period of January 1 through February 24, 2004, as required. Thus, the City expended money during this period that had not been appropriated.

It was not until December 21, 2004 that the City approved and submitted a supplemental appropriation measure to the County Auditor. The City submitted a second supplemental appropriation measure on December 30, 2004.

Throughout the year, up until the December 21, 2004 supplemental appropriation measure, the City expended amounts in excess of the February 24, 2004 original appropriation measure. Material amounts of excess expenditures, detailed by fund, department and object (the City’s legal level of budgetary control) are as follows:

<u>Fund</u>	<u>Excess</u>
Street Maintenance	
Capital Outlay	(189,818)
Parks & Recreation	
Capital Outlay	(44,948)
Public Safety	
Police	
Capital Outlay	(53,319)
Public Transit System	
Operations & Maintenance	(156,401)
Golf	
Operations & Maintenance	(55,898)
City Health Insurance	
Administrative Support	(99,279)

We recommend City management take appropriate steps to ensure that adequate internal controls are in place to prevent expenditures and encumbrances from being made that exceed amounts appropriated. Procedures should include periodic monitoring (at least monthly) of budgeted versus actual expenditure reports. The City should also implement a system to track open purchase orders to ensure that amounts are not encumbered that exceed amounts appropriated. Supplemental appropriation measures should be completed, as necessary, and submitted to the City Commission and County for approval as soon as expenditures (including encumbrances) are anticipated to exceed amounts appropriated.

Management's Response

City management has reviewed the internal controls in place to prevent expenditures from being made that exceed amounts appropriated. We are now monthly monitoring budgeted versus actual expenditures reports to determine if supplemental appropriation measures should be completed earlier than previous practice. If so, a supplemental appropriation will be approved by the City Commission and the County.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



**Auditor of State
Betty Montgomery**

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800-282-0370

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
OCTOBER 18, 2005**