

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(Audited)

For The Year Ended
December 31, 2011

NANCY MYERS, AUDITOR



Dave Yost • Auditor of State

Members of Council
City of Greenville
100 Public Square
Greenville, Ohio 45331

We have reviewed the *Independent Accountants' Report* of the City of Greenville, Darke County, prepared by Julian & Grube, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 2, 2012

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**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	3 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17 - 18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	23
Statement of Net Assets - Proprietary Funds	24 - 25
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	26 - 27
Statement of Cash Flows - Proprietary Funds	28 - 29
Notes to the Basic Financial Statements	30 - 64
Supplementary Data:	
Schedule of Expenditures of Federal Awards	65
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	66 - 67
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	68 - 69
Schedule of Findings <i>OMB Circular A-133</i> § .505	70

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Accountants' Report

City of Greenville
100 Public Square, Rm. 200
Greenville, Ohio 45331

To the Members of Council and Mayor:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Darke County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2011, the City of Greenville adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012, on our consideration of the City of Greenville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of Council and Mayor
City of Greenville
Page Two

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

We conducted our audit to opine on the financial statements that collectively comprise the City of Greenville's basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
June 26, 2012

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

The management discussion and analysis of the City of Greenville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. As stated in Note 2 to the basic financial statements, the financial information contained in this report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP-basis financial information will differ from cash basis information as maintained by the City during the year.

Financial Highlights

Key financial highlights for 2011 are as follows:

- The total net assets of the City increased \$2,336,433. Net assets of governmental activities increased \$144,142 or 0.76% from 2010 and net assets of business-type activities increased \$2,192,291 or 9.25% from 2010.
- General revenues accounted for \$8,408,195 of total governmental activities revenue. Program specific revenues accounted for \$2,454,966 or 22.60% of total governmental activities revenue.
- The City had \$9,584,035 in expenses related to governmental activities; \$2,454,966 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$7,129,069 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,408,195.
- The general fund had revenues and other financing sources of \$8,449,368 in 2011. This represents an increase of \$324,147 from 2010 revenues. The expenditures and other financing uses of the general fund, which totaled \$8,284,298 in 2011, decreased \$462,067 from 2010. The net increase in fund balance for the general fund was \$165,070 or 6.41%.
- Net assets for the business-type activities, which are made up of the water, sewer, special park, swimming pool, storm water, and parking enterprise funds, increased in 2011 by \$2,192,291.
- In the general fund, the actual revenues came in \$631,092 higher than they were in the final budget and actual expenditures were \$1,016,357 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$424,882 from the original to the final budget due primarily to an increase in tax revenues. Budgeted expenditures increased \$560,202 from the original to the final budget.

Using this Annual Financial Report

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

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

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The government-wide statement of net assets and statement of activities can be found on pages 16-18 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 11.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental fund is the general fund. Information for the major fund is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements (including budgetary statements) can be found on pages 19-23 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, special park, swimming pool, storm water, and parking functions. The City's major enterprise funds are the water and sewer funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 24-29 of this report.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 30-64 of this report.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2011 and December 31, 2010. The 2010 net assets of the governmental activities have been restated to conform with GASB Statement No. 54.

	Net Assets					
	Governmental Activities 2011	Business-Type Activities 2011	Restated		2011 Total	Restated 2010 Total
			Governmental Activities 2010	Business-Type Activities 2010		
<u>Assets</u>						
Current and other assets	\$ 10,248,775	\$ 11,948,958	\$ 9,317,804	\$ 12,517,531	\$ 22,197,733	\$ 21,835,335
Capital assets, net	<u>14,389,570</u>	<u>16,066,345</u>	<u>15,637,428</u>	<u>13,012,337</u>	<u>30,455,915</u>	<u>28,649,765</u>
Total assets	<u>24,638,345</u>	<u>28,015,303</u>	<u>24,955,232</u>	<u>25,529,868</u>	<u>52,653,648</u>	<u>50,485,100</u>
<u>Liabilities</u>						
Current liabilities	2,161,564	665,919	2,342,389	194,333	2,827,483	2,536,722
Long-term liabilities	<u>3,410,002</u>	<u>1,453,006</u>	<u>3,690,206</u>	<u>1,631,448</u>	<u>4,863,008</u>	<u>5,321,654</u>
Total liabilities	<u>5,571,566</u>	<u>2,118,925</u>	<u>6,032,595</u>	<u>1,825,781</u>	<u>7,690,491</u>	<u>7,858,376</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	11,687,115	14,721,345	12,560,463	11,477,337	26,408,460	24,037,800
Restricted	1,448,230	318,021	1,510,628	316,178	1,766,251	1,826,806
Unrestricted	<u>5,931,434</u>	<u>10,857,012</u>	<u>4,851,546</u>	<u>11,910,572</u>	<u>16,788,446</u>	<u>16,762,118</u>
Total net assets, restated	<u>\$ 19,066,779</u>	<u>\$ 25,896,378</u>	<u>\$ 18,922,637</u>	<u>\$ 23,704,087</u>	<u>\$ 44,963,157</u>	<u>\$ 42,626,724</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2011, the City's assets exceeded liabilities by \$44,963,157. At year-end, net assets were \$19,066,779 and \$25,896,378 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 58.40% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, software, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$11,687,115 and \$14,721,345 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's governmental net assets, \$1,448,230, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$5,931,434 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

The table below shows the changes in net assets for 2011 and 2010.

	Change in Net Assets					
	Governmental Activities 2011	Business-type Activities 2011	Governmental Activities 2010	Business-type Activities 2010	2011 Total	2010 Total
Revenues						
Program revenues:						
Charges for services	\$ 537,797	\$ 4,273,527	\$ 530,444	\$ 4,182,812	\$ 4,811,324	\$ 4,713,256
Operating grants and contributions	1,917,169	-	1,499,936	-	1,917,169	1,499,936
Capital grants and contributions	<u>-</u>	<u>283,146</u>	<u>25,037</u>	<u>-</u>	<u>283,146</u>	<u>25,037</u>
Total program revenues	<u>2,454,966</u>	<u>4,556,673</u>	<u>2,055,417</u>	<u>4,182,812</u>	<u>7,011,639</u>	<u>6,238,229</u>
General revenues:						
Property taxes	1,377,130	-	1,520,766	-	1,377,130	1,520,766
Income taxes	5,717,695	-	5,406,559	-	5,717,695	5,406,559
Unrestricted grants and entitlements	948,403	-	839,900	-	948,403	839,900
Payment in lieu of taxes	229,929	-	226,653	-	229,929	226,653
Investment earnings	2,011	4,443	2,881	5,826	6,454	8,707
Miscellaneous	<u>133,027</u>	<u>13,450</u>	<u>49,338</u>	<u>10,056</u>	<u>146,477</u>	<u>59,394</u>
Total general revenues	<u>8,408,195</u>	<u>17,893</u>	<u>8,046,097</u>	<u>15,882</u>	<u>8,426,088</u>	<u>8,061,979</u>
Total revenues	<u>10,863,161</u>	<u>4,574,566</u>	<u>10,101,514</u>	<u>4,198,694</u>	<u>15,437,727</u>	<u>14,300,208</u>

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CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Change in Net Assets - (Continued)

	Governmental Activities 2011	Business-type Activities 2011	Governmental Activities 2010	Business-type Activities 2010	2011 Total	2010 Total
Expenses:						
General government	1,906,621	-	2,191,373	-	1,906,621	2,191,373
Security of persons and property	4,525,261	-	5,020,689	-	4,525,261	5,020,689
Public health and welfare	319	-	311	-	319	311
Transportation	2,326,249	-	2,751,309	-	2,326,249	2,751,309
Community environment	506	-	36,789	-	506	36,789
Leisure time activity	523,984	-	492,828	-	523,984	492,828
Utility services	170,468	-	253,016	-	170,468	253,016
Interest and fiscal charges	130,627	-	144,000	-	130,627	144,000
Water	-	1,813,150	-	1,638,456	1,813,150	1,638,456
Sewer	-	1,397,178	-	1,317,241	1,397,178	1,317,241
Storm water	-	451,754	-	438,950	451,754	438,950
Special park	-	526	-	544	526	544
Swimming pool	-	78,800	-	95,187	78,800	95,187
Total expenses	9,584,035	3,741,408	10,890,315	3,490,378	13,325,443	14,380,693
Change in net assets before special items and transfers	1,279,126	833,158	(788,801)	708,316	2,112,284	(80,485)
Extraordinary item and transfers:						
Impairment gain on fire damage net of insurance recovery	224,149	-	-	-	224,149	-
Transfers	(1,359,133)	1,359,133	(25,000)	25,000	-	-
Change in net assets	144,142	2,192,291	(813,801)	733,316	2,336,433	(80,485)
Net assets at beginning of year	18,922,637	23,704,087	19,736,438	22,970,771	42,626,724	42,707,209
Net assets at end of year	\$ 19,066,779	\$ 25,896,378	\$ 18,922,637	\$ 23,704,087	\$ 44,963,157	\$ 42,626,724

Governmental Activities

Governmental activities net assets increased \$144,142 in 2011. This increase is primarily a result of income tax and intergovernmental earnings increasing from 2010 to 2011.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$4,525,261 of the total expenses of the City. These expenses were partially funded by \$73,336 in direct charges to users of the services and \$394,314 in operating grants. Transportation expenses totaled \$2,326,249. Transportation expenses were partially funded by \$222,766 in direct charges to users of the services and \$1,179,601 in operating grants.

CITY OF GREENVILLE, OHIO

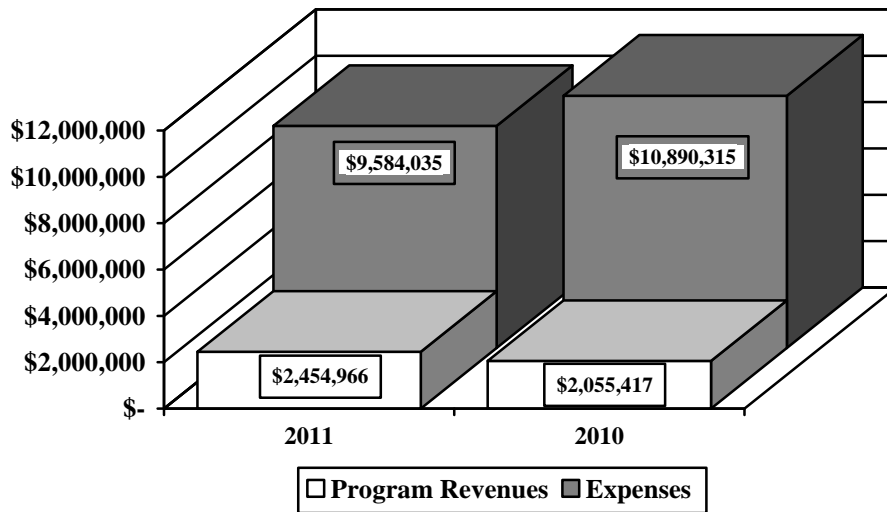
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

The state and federal government contributed to the City a total of \$2,200,315 in operating grants and contributions and capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,179,601 subsidized transportation programs, \$394,314 subsidized security of persons and property programs, \$69,001 subsidized community environment programs, \$42 subsidized leisure time activity programs and \$274,211 subsidized general government programs during 2011. All of the capital grants and contributions of \$283,146 subsidized business-type activities

General revenues totaled \$8,408,195, and amounted to 77.40% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,094,825. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and revenue, making up \$948,403.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF GREENVILLE, OHIO

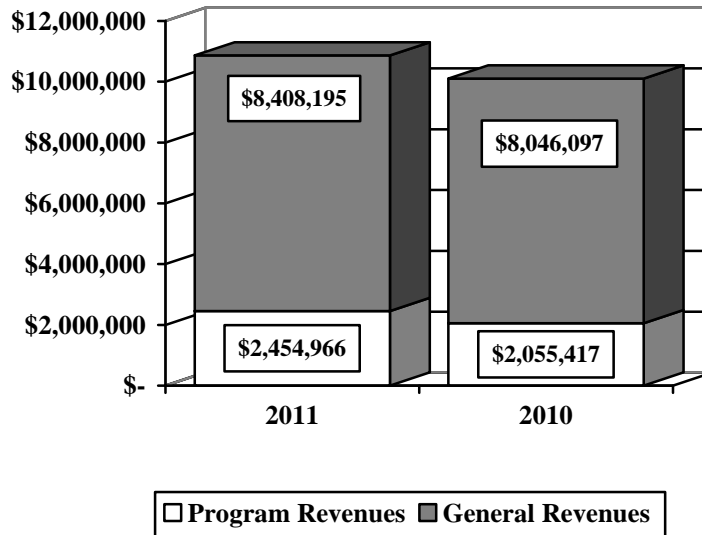
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Governmental Activities

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 1,906,621	\$ 1,513,487	\$ 2,191,373	\$ 1,937,814
Security of persons and property	4,525,261	4,057,611	5,020,689	4,742,611
Public health and welfare	319	(156)	311	311
Transportation	2,326,249	923,882	2,751,309	1,376,154
Community environment	506	(74,538)	36,789	(32,147)
Leisure time activity	523,984	407,688	492,828	413,139
Utility services	170,468	170,468	253,016	253,016
Interest and fiscal charges	130,627	130,627	144,000	144,000
Total	\$ 9,584,035	\$ 7,129,069	\$ 10,890,315	\$ 8,834,898

The dependence upon general revenues for governmental activities is apparent, with 74.38% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues



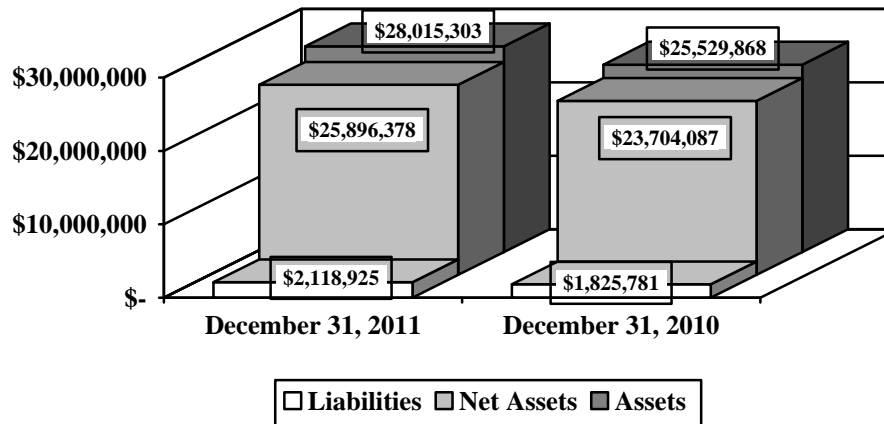
CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Business-Type Activities

Business-Type activities include the water, sewer, storm water, special park, swimming pool and parking enterprise funds. These programs had program revenues of \$4,556,673, general revenues of \$17,893, net transfers of \$1,359,133 and expenses of \$3,741,408 for 2011. The graph below illustrates the City's business-type assets, liabilities and net assets at December 31, 2011 and December 31, 2010.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2011 for all major and nonmajor governmental funds.

	Fund Balances 12/31/11	Fund Balances 12/31/10	Increase
Major fund:			
General	\$ 2,739,615	\$ 2,574,545	\$ 165,070
Other nonmajor governmental funds	<u>3,034,143</u>	<u>2,208,342</u>	<u>825,801</u>
Total	<u>\$ 5,773,758</u>	<u>\$ 4,782,887</u>	<u>\$ 990,871</u>

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

General Fund

The City's general fund balance increased \$165,070. The table that follows assists in illustrating the revenues of the general fund.

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Municipal income taxes	\$ 5,662,105	\$ 5,528,801	2.41 %
Property and other taxes	1,195,459	1,367,505	(12.58) %
Charges for services	42,605	40,395	5.47 %
Licenses and permits	105,223	102,079	3.08 %
Fines and forfeitures	72,411	112,698	(35.75) %
Investment income	1,439	2,298	(37.38) %
Special assessments	12,266	13,225	(7.25) %
Intergovernmental	943,032	846,861	11.36 %
Donations	53,387	52,137	2.40 %
Other	<u>168,941</u>	<u>59,222</u>	185.27 %
Total	<u>\$ 8,256,868</u>	<u>\$ 8,125,221</u>	1.62 %

During 2011, the City's revenues increased by 1.62%. The 37.38% decrease in investment income was primarily due to the declining interest rates in 2011. The City received more grant revenues, which are recorded as intergovernmental revenue, in 2011 than they did in 2010. The 185.27% increase in other revenue was caused by an increase in reimbursements received by the City.

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

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,737,289	\$ 1,880,762	(7.63) %
Security of persons and property	3,916,386	4,178,576	(6.27) %
Public health and welfare	319	311	2.57 %
Transportation	57,287	101,368	(43.49) %
Community environment	506	473	6.98 %
Leisure time activity	452,391	420,274	7.64 %
Utility services	170,626	181,660	(6.07) %
Capital outlay	371,628	501,122	(25.84) %
Debt service	<u>94,573</u>	<u>90,846</u>	4.10 %
Total	<u>\$ 6,801,005</u>	<u>\$ 7,355,392</u>	(7.54) %

The decrease in transportation expenditures is primarily the result of a decrease in wage and benefits costs. The decrease in capital outlay is primarily the result of a decrease in new equipment expenditures. All other expenditures remained comparable to 2010.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

Budgeting Highlights - General Fund

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

Budgetary information is presented for the general fund. In the general fund, the actual revenues and other financing sources came in \$631,092 higher than they were in the final budget and actual expenditures were \$1,016,357 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$424,882 from the original to the final budget due primarily to an increase in tax revenues. Budgeted expenditures increased \$560,202 from the original to the final budget due primarily to an increase in the general government expenditures and the costs relating to security of persons and property.

Proprietary Funds

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

Water Fund

The water fund, a major proprietary fund, had operating revenues of \$1,778,830 in 2011 and operating expenses of \$1,802,954 in 2011. The net change in operating expenses and revenues and \$187,148 in capital contributions contributed to the water fund balance increase of \$1,714 from 2010 to 2011.

Sewer Fund

The sewer fund, a major proprietary fund, had operating revenues of \$1,867,585 in 2011 and operating expenses of \$1,313,733 in 2011. The net change in operating expenses and revenues and \$68,131 in capital contributions contributed to the sewer fund balance increase of \$491,406 or 4.41% from 2010 to 2011.

Storm Water Fund

The storm water fund, a major proprietary fund, had operating revenues of \$580,978 in 2011 and operating expenses of \$385,446 in 2011. The net change in operating expenses and revenues and \$1,853,993 in capital contributions contributed to the storm water fund balance increase of \$2,180,940 or 130.19% from 2010 to 2011.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the City had \$30,455,915 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, software, vehicles, and infrastructure. Of this total, \$14,389,570 was reported in governmental activities and \$16,066,345 was reported in business-type activities. The following table shows December 31, 2011 balances compared to December 31, 2010:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 1,071,129	\$ 713,119	\$ 499,128	\$ 868,075	\$ 1,570,257	\$ 1,581,194
Construction in progress	-	5,780	1,478,064	316,502	1,478,064	322,282
Land improvements	526,995	593,309	-	-	526,995	593,309
Buildings and improvements	2,785,159	3,290,114	4,398,935	4,425,838	7,184,094	7,715,952
Equipment	888,281	1,004,493	602,690	662,014	1,490,971	1,666,507
Software	29,161	35,211	119,834	118,645	148,995	153,856
Vehicles	1,138,716	745,049	34,125	24,948	1,172,841	769,997
Infrastructure	<u>7,950,129</u>	<u>9,250,353</u>	<u>8,933,569</u>	<u>6,596,315</u>	<u>16,883,698</u>	<u>15,846,668</u>
Totals	<u>\$ 14,389,570</u>	<u>\$ 15,637,428</u>	<u>\$ 16,066,345</u>	<u>\$ 13,012,337</u>	<u>\$ 30,455,915</u>	<u>\$ 28,649,765</u>

The City's largest capital asset category is infrastructure which includes streets, bridges, storm sewer lines and water and sewer lines. These items are immovable and of value to the area, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 55.25% and 55.60% of the City's total governmental and business-type capital assets, respectively.

See Note 10 to the basic financial statements for more detail on the City's capital assets.

Debt Administration

The City had the following long-term obligations in governmental activities outstanding at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 1,475,000	\$ 1,690,000
Land acquisition bond	-	111,000
Building improvement and refunding bonds	192,500	-
Rail project bonds	755,000	835,000
OPWC loan	236,123	259,735
Lease purchase agreements - fire station	262,300	280,400
Lease purchase agreements - fire truck	<u>61,782</u>	<u>70,437</u>
Total long-term obligations	<u>\$ 2,982,705</u>	<u>\$ 3,246,572</u>

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

The City had the following long-term obligations in business-type activities outstanding at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Revenue bonds	<u>\$ 1,345,000</u>	<u>\$ 1,535,000</u>

See Note 12 to the basic financial statements for more detail on the City's long-term debt obligations.

Economic Conditions and Outlook

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

Wayne HealthCare, Darke County's only hospital, has continued expansion over the last several years. The facility recently broke ground to add a cancer center onto their rehabilitation and dialysis treatment facility, this is in addition to the recently opened \$48 million main campus expansion.

The City's primary industrial park, Greenville Industrial Park, has site ready lots available for building and expansion. Continental Carbonic Products, Inc opened a new \$13.9 million dollar dry ice manufacturing facility in the Park in June, 2011. The Greenville Industrial Park also welcomed Ramco Electric Motors in 2011. Ramco Electric Motors is a build-to-print subcontract manufacturer of custom electric motors and their components. Continental Carbonic Products and Ramco Electric Motors joins other businesses including Greenville Technology, Spartech Plastics, Beauty Systems Group, Tigereye Design, Buchy Foods, Monsanto, TXI and The Andersons Marathon Ethanol.

The City, as with many local governments, has seen varied fluctuations in income tax revenues in the past three years. Greenville is fortunate to have a diversified workforce and business community which has allowed stabilization of income tax collections.

The City has a very vibrant and unique downtown area which offers visitors and residents a destination to shop and enjoy lunch. The City supports many organizations including the Main Street Greenville, Garst Museum and the Darke County Visitors Bureau. The Bureau's mission is to enhance the economic growth of Darke County through the promotion and development of tourism. Other popular visitor destinations in and around Greenville including the KitchenAid Experience, Bear's Mill and Tony Stewart's Eldora Speedway.

Contacting the City's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 5,840,613	\$ 10,460,856	\$ 16,301,469
Receivables (net of allowance for uncollectibles):			
Income taxes	1,369,664	-	1,369,664
Real and other taxes	1,233,511	-	1,233,511
Accounts	706,769	934,947	1,641,716
Accrued interest	317	799	1,116
Intergovernmental	737,747	-	737,747
Payment in lieu of taxes	144,856	-	144,856
Internal balance	(3,626)	3,626	-
Prepayments	121,192	32,955	154,147
Materials and supplies inventory	58,554	197,754	256,308
Unamortized bond issue costs	39,178	-	39,178
Restricted assets:			
Cash with fiscal and escrow agent	-	318,021	318,021
Capital assets:			
Land and construction in progress	1,071,129	1,977,192	3,048,321
Depreciable capital assets, net	13,318,441	14,089,153	27,407,594
Total capital assets, net	<u>14,389,570</u>	<u>16,066,345</u>	<u>30,455,915</u>
Total assets	<u>24,638,345</u>	<u>28,015,303</u>	<u>52,653,648</u>
Liabilities:			
Accounts payable	181,239	82,882	264,121
Contracts payable	-	471,572	471,572
Accrued wages and benefits payable	403,166	86,909	490,075
Due to other governments	82,860	-	82,860
Pension obligation payable	219,144	19,290	238,434
Unearned revenue	1,243,526	-	1,243,526
Accrued interest payable	9,399	5,266	14,665
Claims payable	22,230	-	22,230
Long-term liabilities:			
Due within one year	430,726	209,365	640,091
Due in more than one year	2,979,276	1,243,641	4,222,917
Total liabilities	<u>5,571,566</u>	<u>2,118,925</u>	<u>7,690,491</u>
Net assets:			
Invested in capital assets, net of related debt	11,687,115	14,721,345	26,408,460
Restricted for:			
Debt service	81,026	318,021	399,047
Transportation projects	1,339,745	-	1,339,745
Other purposes	27,459	-	27,459
Unrestricted	<u>5,931,434</u>	<u>10,857,012</u>	<u>16,788,446</u>
Total net assets	<u>\$ 19,066,779</u>	<u>\$ 25,896,378</u>	<u>\$ 44,963,157</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 1,906,621	\$ 118,923	\$ 274,211	\$ -
Security of persons and property . . .	4,525,261	73,336	394,314	-
Public health and welfare	319	475	-	-
Transportation.	2,326,249	222,766	1,179,601	-
Community environment	506	6,043	69,001	-
Leisure time activity.	523,984	116,254	42	-
Utility services	170,468	-	-	-
Interest and fiscal charges.	130,627	-	-	-
Total governmental activities	<u>9,584,035</u>	<u>537,797</u>	<u>1,917,169</u>	<u>-</u>
Business-type activities:				
Water	1,813,150	1,773,872	-	123,420
Sewer	1,397,178	1,866,707	-	44,642
Storm water	451,754	573,465	-	115,084
Other enterprise activities:				
Parking	-	2,670	-	-
Special park.	526	-	-	-
Swimming pool	78,800	56,813	-	-
Total business-type activities	<u>3,741,408</u>	<u>4,273,527</u>	<u>-</u>	<u>283,146</u>
Total primary government	<u>\$ 13,325,443</u>	<u>\$ 4,811,324</u>	<u>\$ 1,917,169</u>	<u>\$ 283,146</u>

General revenues:

Property taxes levied for:
General purposes
Police and Fire pension.
Income taxes levied for:
General purposes
Grants and entitlements not restricted
to specific programs
Payments in lieu of taxes
Investment earnings
Miscellaneous
Total general revenues

Extraordinary item and transfers:

Impairment gain on fire damage
net of insurance recovery
Transfers
Total general revenues,
transfers and extraordinary item.

Change in net assets

Net assets at beginning of year.

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,513,487)	\$ -	\$ (1,513,487)
(4,057,611)	-	(4,057,611)
156	-	156
(923,882)	-	(923,882)
74,538	-	74,538
(407,688)	-	(407,688)
(170,468)	-	(170,468)
(130,627)	-	(130,627)
<u>(7,129,069)</u>	<u>-</u>	<u>(7,129,069)</u>
-	84,142	84,142
-	514,171	514,171
-	236,795	236,795
-	2,670	2,670
-	(526)	(526)
-	(21,987)	(21,987)
<u>-</u>	<u>815,265</u>	<u>815,265</u>
<u>(7,129,069)</u>	<u>815,265</u>	<u>(6,313,804)</u>
1,223,943	-	1,223,943
153,187	-	153,187
5,717,695	-	5,717,695
948,403	-	948,403
229,929	-	229,929
2,011	4,443	6,454
<u>133,027</u>	<u>13,450</u>	<u>146,477</u>
<u>8,408,195</u>	<u>17,893</u>	<u>8,426,088</u>
224,149	-	224,149
<u>(1,359,133)</u>	<u>1,359,133</u>	<u>-</u>
<u>7,273,211</u>	<u>1,377,026</u>	<u>8,650,237</u>
144,142	2,192,291	2,336,433
<u>18,922,637</u>	<u>23,704,087</u>	<u>42,626,724</u>
<u>\$ 19,066,779</u>	<u>\$ 25,896,378</u>	<u>\$ 44,963,157</u>

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,110,355	\$ 2,459,976	\$ 4,570,331
Receivables (net of allowance for uncollectibles):			
Income taxes.	1,369,664	-	1,369,664
Real and other taxes	1,088,031	145,480	1,233,511
Accounts.	99,793	606,088	705,881
Intergovernmental	374,955	362,792	737,747
Accrued interest	185	50	235
Payment in lieu of taxes	-	144,856	144,856
Prepayments	107,099	14,093	121,192
Materials and supplies inventory.	8,804	49,750	58,554
Total assets	<u>\$ 5,158,886</u>	<u>\$ 3,783,085</u>	<u>\$ 8,941,971</u>
Liabilities:			
Accounts payable.	\$ 142,385	\$ 38,854	\$ 181,239
Accrued wages and benefits payable	342,937	60,229	403,166
Due to other governments	82,860	-	82,860
Pension obligation payable	56,840	162,304	219,144
Deferred revenue	825,519	212,759	1,038,278
Unearned revenue	968,730	274,796	1,243,526
Total liabilities	<u>2,419,271</u>	<u>748,942</u>	<u>3,168,213</u>
Fund balances:			
Nonspendable	115,903	63,843	179,746
Restricted.	-	1,247,482	1,247,482
Committed	126,533	-	126,533
Assigned	773,911	1,785,459	2,559,370
Unassigned (deficit)	<u>1,723,268</u>	<u>(62,641)</u>	<u>1,660,627</u>
Total fund balances.	<u>2,739,615</u>	<u>3,034,143</u>	<u>5,773,758</u>
Total liabilities and fund balances	<u>\$ 5,158,886</u>	<u>\$ 3,783,085</u>	<u>\$ 8,941,971</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO
DARKE COUNTY, OHIO**

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

Total governmental fund balances		\$ 5,773,758
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,389,570
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Municipal taxes receivable	\$ 550,265	
Property taxes receivable	131,401	
Intergovernmental revenues receivable	356,440	
Investment income receivable	172	
Total		1,038,278
Unamortized premiums/discounts on bond issuances are not recorded in the funds.		(1,926)
Unamortized deferred charges on refundings are not recorded in the funds.		52,197
Unamortized bond issuance costs are not recorded in the funds.		39,178
An internal service fund is used by management to charge the cost of the health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. The net assets of the internal service fund, including an internal balance of (\$3,626) are:		
		1,245,396
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Compensated absences	(423,568)	
Accrued interest payable	(9,399)	
Lease purchase agreements	(324,082)	
OPWC loan payable	(236,123)	
Building Improvement and Refunding Rev. Bond	(192,500)	
General obligation bonds	(1,475,000)	
Rail project bonds	(755,000)	
Landfill postclosure costs	(54,000)	
Total		(3,469,672)
Net assets of governmental activities		\$ 19,066,779

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO
DARKE COUNTY, OHIO**

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Municipal income taxes	\$ 5,662,105	\$ -	\$ 5,662,105
Property and other taxes	1,195,459	149,889	1,345,348
Charges for services.	42,605	213,591	256,196
Licenses and permits	105,223	-	105,223
Fines and forfeitures.	72,411	925	73,336
Intergovernmental.	943,032	1,778,471	2,721,503
Special assessments	12,266	1,475	13,741
Investment income.	1,439	276	1,715
Donations	53,387	-	53,387
Payment in lieu of taxes	-	229,929	229,929
Other.	168,941	153,641	322,582
Total revenues	<u>8,256,868</u>	<u>2,528,197</u>	<u>10,785,065</u>
Expenditures:			
Current:			
General government	1,737,289	29,118	1,766,407
Security of persons and property	3,916,386	564,535	4,480,921
Public health and welfare.	319	-	319
Transportation	57,287	1,633,082	1,690,369
Community environment	506	-	506
Leisure time activity	452,391	-	452,391
Utility services	170,626	-	170,626
Capital outlay	371,628	1,099,749	1,471,377
Debt service:			
Principal retirement.	68,867	295,000	363,867
Interest and fiscal charges	23,978	97,497	121,475
Bond issuance costs	1,728	-	1,728
Total expenditures	<u>6,801,005</u>	<u>3,718,981</u>	<u>10,519,986</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,455,863</u>	<u>(1,190,784)</u>	<u>265,079</u>
Other financing sources (uses):			
Sale of bonds	192,500	-	192,500
Payment to refunded bond escrow agent	(92,500)	-	(92,500)
Transfers in	-	1,451,420	1,451,420
Transfers (out).	(1,390,793)	(85,627)	(1,476,420)
Total other financing sources (uses)	<u>(1,290,793)</u>	<u>1,365,793</u>	<u>75,000</u>
Extraordinary item:			
Insurance proceeds for fire damage	-	650,792	650,792
Net change in fund balances	165,070	825,801	990,871
Fund balances at beginning of year	<u>2,574,545</u>	<u>2,208,342</u>	<u>4,782,887</u>
Fund balances at end of year	<u>\$ 2,739,615</u>	<u>\$ 3,034,143</u>	<u>\$ 5,773,758</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO
DARKE COUNTY, OHIO**

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

Net change in fund balances - total governmental funds	\$	990,871
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital outlays	\$ 2,264,852	
Depreciation expense	<u>(1,074,259)</u>	
Total		1,190,593
The effect of various miscellaneous transactions involving capital assets is to decrease net assets.		
		(2,438,451)
Proceeds of bonds are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(192,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	55,590	
Property taxes	31,782	
Intergovernmental revenues	(9,739)	
Investment income	<u>(58)</u>	
Total		77,575
Bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Bond issuance costs	<u>1,728</u>	
Total		1,728
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Decrease in accrued interest payable	4,870	
Amortization of bond discounts/premiums	487	
Amortization of deferred charges on refundings	(8,823)	
Amortization of bond issue costs	<u>(5,686)</u>	
Total		(9,152)
Repayment of bonds, lease purchase agreements, landfill costs and loans are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets. Principal payments during the year were:		
Lease purchase agreements	26,755	
OPWC loans	23,612	
Land acquisition bonds	111,000	
General obligation bonds	215,000	
Rail project bonds	<u>80,000</u>	
Total		456,367
Some expenses reported in the statement of activities do not require the use of current current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		24,673
An internal service fund is used by management to charge the costs of self-insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity, is allocated among the governmental activities.		
		<u>42,438</u>
Change in net assets of governmental activities	\$	<u>144,142</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes	\$ 4,938,444	\$ 5,239,408	\$ 5,686,439	\$ 447,031
Property and other taxes	1,038,193	1,101,463	1,195,441	93,978
Charges for services	7,916	8,398	9,115	717
Licenses and permits	91,317	96,882	105,148	8,266
Fines and forfeitures	60,706	64,406	69,901	5,495
Intergovernmental	790,977	839,181	910,781	71,600
Special assessments	10,653	11,302	12,266	964
Investment income	1,271	1,349	1,464	115
Donations	5,547	5,885	6,387	502
Other	57,826	59,458	61,882	2,424
Total revenues	<u>7,002,850</u>	<u>7,427,732</u>	<u>8,058,824</u>	<u>631,092</u>
Expenditures:				
Current:				
General government	2,050,135	2,215,519	1,813,290	402,229
Security of persons and property	4,340,679	4,541,313	3,987,814	553,499
Public health and welfare	5,250	5,674	293	5,381
Transportation	84,312	91,113	76,950	14,163
Community environment	1,339	1,447	704	743
Utility services	194,781	210,494	170,152	40,342
Capital outlay	267,883	292,544	292,544	-
Debt service:				
Principal retirement	68,867	68,867	68,867	-
Interest and fiscal charges	35,784	35,784	35,784	-
Total expenditures	<u>7,049,030</u>	<u>7,462,755</u>	<u>6,446,398</u>	<u>1,016,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,180)</u>	<u>(35,023)</u>	<u>1,612,426</u>	<u>1,647,449</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	(1,687,146)	(1,833,623)	(1,833,623)	-
Note issuance	100,000	100,000	100,000	-
Total other financing sources (uses)	<u>(1,587,146)</u>	<u>(1,733,623)</u>	<u>(1,733,623)</u>	<u>-</u>
Net change in fund balances	(1,633,326)	(1,768,646)	(121,197)	1,647,449
Fund balances at beginning of year (restated)	1,809,856	1,809,856	1,809,856	-
Prior year encumbrances appropriated	148,829	148,829	148,829	-
Fund balance at end of year	<u>\$ 325,359</u>	<u>\$ 190,039</u>	<u>\$ 1,837,488</u>	<u>\$ 1,647,449</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF GREENVILLE, OHIO
DARKE COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Other Enterprise
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents . . .	\$ 2,191,889	\$ 7,442,000	\$ 766,233	\$ 60,734
Receivables (net of allowance for uncollectibles):				
Accounts	375,164	430,321	129,462	-
Accrued interest	188	611	-	-
Prepayments	20,085	8,580	3,048	1,242
Materials and supplies inventory	129,597	68,157	-	-
Restricted assets:				
Cash with fiscal and escrow agents	-	318,021	-	-
Total current assets	2,716,923	8,267,690	898,743	61,976
Noncurrent assets:				
Capital assets:				
Land and construction in progress	234,651	1,443,552	234,555	64,434
Depreciable capital assets, net	7,478,508	3,851,985	2,739,856	18,804
Total capital assets, net	7,713,159	5,295,537	2,974,411	83,238
Total assets	10,430,082	13,563,227	3,873,154	145,214
Liabilities:				
Current liabilities:				
Accounts payable	43,694	37,710	1,478	-
Contracts payable	182	471,234	156	-
Accrued wages and benefits	49,798	29,468	6,441	1,202
Compensated absences	5,698	3,255	412	-
Pension obligation payable	10,899	6,359	2,032	-
Claims payable	-	-	-	-
Current portion of revenue bonds	-	200,000	-	-
Accrued interest payable	-	5,266	-	-
Total current liabilities	110,271	753,292	10,519	1,202
Long-term liabilities:				
Revenue bonds	-	1,145,000	-	-
Compensated absences	55,436	36,673	6,532	-
Total long-term liabilities	55,436	1,181,673	6,532	-
Total liabilities	165,707	1,934,965	17,051	1,202
Net assets:				
Invested in capital assets, net of related debt . . .	7,713,159	3,950,537	2,974,411	83,238
Restricted for debt service	-	318,021	-	-
Unrestricted	2,551,216	7,359,704	881,692	60,774
Total net assets	\$ 10,264,375	\$ 11,628,262	\$ 3,856,103	\$ 144,012

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.

Net assets of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 10,460,856	\$ 1,270,282
934,947	888
799	82
32,955	-
197,754	-
<u>318,021</u>	<u>-</u>
<u>11,945,332</u>	<u>1,271,252</u>
1,977,192	-
<u>14,089,153</u>	<u>-</u>
<u>16,066,345</u>	<u>-</u>
<u>28,011,677</u>	<u>1,271,252</u>
82,882	-
471,572	-
86,909	-
9,365	-
19,290	-
-	22,230
200,000	-
<u>5,266</u>	<u>-</u>
<u>875,284</u>	<u>22,230</u>
1,145,000	-
<u>98,641</u>	<u>-</u>
<u>1,243,641</u>	<u>-</u>
<u>2,118,925</u>	<u>22,230</u>
14,721,345	-
318,021	-
<u>10,853,386</u>	<u>1,249,022</u>
25,892,752	<u>\$ 1,249,022</u>
<u>3,626</u>	
<u>\$ 25,896,378</u>	

**CITY OF GREENVILLE, OHIO
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Other Enterprise
Operating revenues:				
Charges for services	\$ 1,772,822	\$ 1,865,081	\$ 573,465	\$ 59,483
Tap-in fees	1,050	1,626	-	-
Other	4,958	878	7,513	101
Total operating revenues.	<u>1,778,830</u>	<u>1,867,585</u>	<u>580,978</u>	<u>59,584</u>
Operating expenses:				
Personal services	796,231	485,314	169,599	51,575
Contract services	178,344	243,842	147,904	6,971
Materials and supplies.	367,959	74,154	18,013	14,432
Utilities	137,589	148,328	-	4,639
Depreciation.	322,831	362,095	49,930	1,709
Claims	-	-	-	-
Total operating expenses.	<u>1,802,954</u>	<u>1,313,733</u>	<u>385,446</u>	<u>79,326</u>
Operating income (loss)	<u>(24,124)</u>	<u>553,852</u>	<u>195,532</u>	<u>(19,742)</u>
Nonoperating revenues (expenses):				
Interest revenue.	575	3,868	-	-
Interest and fiscal charges	-	(70,676)	-	-
Loss on sale of capital assets.	-	-	(63,925)	-
Total nonoperating revenues (expenses).	<u>575</u>	<u>(66,808)</u>	<u>(63,925)</u>	<u>-</u>
Income (loss) before contributions and transfers	(23,549)	487,044	131,607	(19,742)
Transfer in	30,598	-	207,785	25,000
Transfer out	(192,483)	(63,769)	(12,445)	(513,213)
Capital contributions.	<u>187,148</u>	<u>68,131</u>	<u>1,853,993</u>	<u>51,534</u>
Change in net assets	1,714	491,406	2,180,940	(456,421)
Net assets at beginning of year.	<u>10,262,661</u>	<u>11,136,856</u>	<u>1,675,163</u>	<u>600,433</u>
Net assets at end of year	<u>\$ 10,264,375</u>	<u>\$ 11,628,262</u>	<u>\$ 3,856,103</u>	<u>\$ 144,012</u>

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.

Change in net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	Governmental Activities - Internal Service Funds
\$ 4,270,851	\$ 901,840
2,676	-
13,450	2,361
<u>4,286,977</u>	<u>904,201</u>
1,502,719	-
577,061	-
474,558	-
290,556	-
736,565	-
-	887,714
<u>3,581,459</u>	<u>887,714</u>
<u>705,518</u>	<u>16,487</u>
4,443	-
(70,676)	603
(63,925)	-
<u>(130,158)</u>	<u>603</u>
575,360	17,090
263,383	-
(781,910)	-
<u>2,160,806</u>	<u>-</u>
2,217,639	17,090
	<u>1,231,932</u>
	<u>\$ 1,249,022</u>
<u>(25,348)</u>	
<u>\$ 2,192,291</u>	

**CITY OF GREENVILLE, OHIO
DARKE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Other Enterprise
Cash flows from operating activities:				
Cash received from customers	\$ 1,688,959	\$ 1,781,502	\$ 555,634	\$ 59,483
Cash received from tap-in fees	1,050	1,626	-	-
Cash received from other operations	5,246	957	7,583	128
Cash payments for personal services	(786,030)	(481,113)	(167,888)	(51,870)
Cash payments for contract services	(178,080)	(215,655)	(150,956)	(6,971)
Cash payments for materials and supplies	(381,279)	(62,809)	(17,011)	(14,340)
Cash payments for utilities	(136,999)	(148,326)	-	(4,639)
Cash payments for claims	-	-	-	-
Net cash provided by (used in) operating activities	<u>212,867</u>	<u>876,182</u>	<u>227,362</u>	<u>(18,209)</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in	-	-	-	25,000
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Cash flows from capital and related financing activities:				
Gain (loss) on sale of capital assets	-	5,982	-	-
Acquisition of capital assets	(276,539)	(1,195,471)	(338,281)	-
Principal retirement on revenue bonds	-	(190,000)	-	-
Interest and fiscal charges	-	(71,357)	-	-
Net cash used in capital and related financing activities	<u>(276,539)</u>	<u>(1,450,846)</u>	<u>(338,281)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	669	4,279	-	-
Net cash provided by investing activities	<u>669</u>	<u>4,279</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(63,003)	(570,385)	(110,919)	6,791
Cash and cash equivalents at beginning of year	2,254,892	8,330,406	877,152	53,943
Cash and cash equivalents at end of year	<u>\$ 2,191,889</u>	<u>\$ 7,760,021</u>	<u>\$ 766,233</u>	<u>\$ 60,734</u>
Reconciliation of operating income/(loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (24,124)	\$ 553,852	\$ 195,532	\$ (19,742)
Adjustments:				
Depreciation	322,831	362,095	49,930	1,709
Changes in assets and liabilities:				
(Increase) decrease in materials and supplies inventory	(29,308)	4,248	-	-
(Increase) decrease in accounts receivable	(83,575)	(83,500)	(17,761)	27
(Increase) decrease in prepayments	11,855	5,778	(2,652)	92
Increase (decrease) in accounts payable	28,087	(416,425)	15,961	-
Increase (decrease) in contracts payable	(23,257)	445,986	(15,112)	-
Increase (decrease) in accrued wages and benefits	2,524	267	12	(295)
Decrease in intergovernmental payable	(53)	(53)	(53)	-
(Decrease) in claims payable	-	-	-	-
Increase in compensated absences payable	6,803	3,825	930	-
Increase in pension obligation payable	1,084	109	575	-
Net cash provided by (used in) operating activities	<u>\$ 212,867</u>	<u>\$ 876,182</u>	<u>\$ 227,362</u>	<u>\$ (18,209)</u>
Non-cash transactions:				
At December 31, 2011 and December 31, 2010, the Water fund purchased \$32,852 and \$35,952, respectively, in capital assets on account.				
At December 31, 2011 and December 31, 2010, the Sewer fund purchased \$475,043 and \$21,506, respectively, in capital assets on account.				
At December 31, 2011 and December 31, 2010, the Storm Water fund purchased \$128 and \$17,655, respectively, in capital assets on account.				
During 2011 the Water, Sewer and Storm Water funds received \$123,420, \$44,642 and \$115,084, respectively, in capital contributions from outside sources.				
During 2011 the Water and Storm Water funds received \$106,392 and \$207,785, respectively, in capital assets (at cost) transferred from other enterprise funds.				
During 2011 the Water, Sewer, Storm Water and other enterprise funds received \$63,728, \$23,489, \$2,671,659 and \$51,534, respectively, in capital assets (at cost) transferred from governmental funds.				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 4,085,578	\$ 901,840
2,676	-
13,914	1,633
(1,486,901)	-
(551,662)	-
(475,439)	-
(289,964)	-
-	(899,340)
<u>1,298,202</u>	<u>4,133</u>
25,000	-
<u>25,000</u>	-
5,982	-
(1,810,291)	-
(190,000)	-
(71,357)	-
<u>(2,065,666)</u>	-
4,948	646
<u>4,948</u>	<u>646</u>
(737,516)	4,779
11,516,393	1,265,503
<u>\$ 10,778,877</u>	<u>\$ 1,270,282</u>
\$ 705,518	\$ 16,487
736,565	-
(25,060)	-
(184,809)	(728)
15,073	-
(372,377)	-
407,617	-
2,508	-
(159)	-
-	(11,626)
11,558	-
1,768	-
<u>\$ 1,298,202</u>	<u>\$ 4,133</u>

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CITY OF GREENVILLE, OHIO

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

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the City are not misleading. When applying GASB Statement No. 14, management has considered all potential component units. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, water system, sewage treatment, storm water services and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or (4) provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

B. Basis of Presentation - Fund Accounting

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

CITY OF GREENVILLE, OHIO

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

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

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

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

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

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

C. Fund Accounting

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

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

CITY OF GREENVILLE, OHIO

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

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

The following is the City's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the City are used to account for (a) financial resources that are assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted or assigned to expenditure for principal and interest.

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

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

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

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

Storm water fund - This fund accounts for the provision of storm water service to the residents and commercial users located within the City.

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City had no fiduciary funds in 2011.

D. Measurement Focus and Basis of Accounting

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

CITY OF GREENVILLE, OHIO

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

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

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

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

CITY OF GREENVILLE, OHIO

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2011, are recorded as deferred revenue on the fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Data

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

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2011.

CITY OF GREENVILLE, OHIO

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

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

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

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

G. Cash and Cash Equivalents

Cash balances of the City's funds and cash with fiscal and escrow agents, are pooled and invested in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "equity in pooled cash and cash equivalents" financial statements.

During 2011, investments were limited to non-negotiable certificates of deposit which are reported at cost. Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2011 amounted to \$1,439 which included \$707 assigned from other funds of the City.

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

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

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

H. Inventories of Materials and Supplies

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

CITY OF GREENVILLE, OHIO

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

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

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2011, the City maintained a capitalization threshold of \$5,000. The City's governmental infrastructure consists of storm sewers and streets. The City's proprietary infrastructure consists of water, sanitary sewer and storm water lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. Capitalized interest for 2011 was not material.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	15 - 20 years	15 - 20 years
Buildings and improvements	20 - 40 years	20 - 40 years
Furniture and equipment	5 - 30 years	5 - 20 years
Software	5 - 10 years	5 - 10 years
Vehicles	8 - 16 years	3 - 10 years
Infrastructure	40 years	40 years

J. Compensated Absences

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

CITY OF GREENVILLE, OHIO

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

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

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

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and lease-purchase agreements are recognized as a liability on the governmental fund financial statements when due.

L. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are reported as a separate line item on the statement of net assets.

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

CITY OF GREENVILLE, OHIO

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

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

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction from the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 12.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no interfund receivables/payables at December 31, 2011. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with governmental activities.

N. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS.

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

O. Capital Contributions

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2011, the water, sewer, storm water and other enterprise funds received capital contributions of \$187,148, \$68,131, \$1,853,993 and \$51,534, respectively, from developers and governmental funds. During 2011, the business-type activities contributed \$535,332 in net capital assets to the governmental activities.

CITY OF GREENVILLE, OHIO

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

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

P. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

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

Q. Estimates

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

CITY OF GREENVILLE, OHIO

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

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

R. Net Assets

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

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

S. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2011, the City experienced an extraordinary item due to fire damage. The City reported a net gain on impairment of \$224,149 in governmental activities related to damages caused by the fire. This gain is net of insurance proceeds received or due to the City at year-end (See Note 22).

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the City.

CITY OF GREENVILLE, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The City has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at January 1, 2011 is as follows:

Budgetary Basis	<u>General Fund</u>
Balance at December 31, 2010	\$ 1,870,016
Funds budgeted elsewhere	<u>(60,160)</u>
Restated balance at January 1, 2011	<u>\$ 1,809,856</u>

C. Deficit Fund Balances

Fund balances at December 31, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Police pension	\$ 33,177
Fire pension	29,464

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

CITY OF GREENVILLE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

CITY OF GREENVILLE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal and Escrow Agent

At December 31, 2011, \$318,021 was invested in U.S. Treasury money market funds related to the sewer refunding bond issue. U.S. Treasury money market funds are uncategorized investments since they are not evidenced by securities that exist in physical or book entry form. This amount is not included in “deposits” below.

B. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all City deposits was \$16,301,469. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2011, \$15,510,778 of the City’s bank balance of \$16,510,778 was exposed to custodial risk as discussed below, while \$1,000,000 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investment

The City had no investments at December 31, 2011.

CITY OF GREENVILLE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of December 31, 2011:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 16,301,469
Cash with fiscal agent	<u>318,021</u>
Total	<u>\$ 16,619,490</u>
 <u>Cash and cash equivalents per statement of net assets</u>	
Governmental activities	\$ 5,840,613
Business-type activities	<u>10,778,877</u>
Total	<u>\$ 16,619,490</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2011, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 1,365,793
Nonmajor enterprise funds	<u>25,000</u>
Total	<u>\$ 1,390,793</u>
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	<u>\$ 85,627</u>

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

The governmental activities received \$8,195 in capital contributions from the storm water fund during 2011. This amount, which is not included in the schedule above, is shown as a transfer on the statement of revenues, expenses and changes in net assets - proprietary funds. This amount is included in transfers in governmental activities and business-type activities on the statement of net activities.

During 2011, \$1,342,328 in net capital assets of governmental activities was reassigned to the business-type activities. This amount, which is not included in the schedule above, is shown as capital contributions on the statement of revenues, expenses and changes in net assets - proprietary funds and is included in transfers in governmental activities and transfers out business-type activities on the statement of net activities.

CITY OF GREENVILLE, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Greenville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2011 was \$7.55 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2011 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 135,035,330
Commercial/industrial/mineral	<u>76,795,160</u>
Total assessed value	<u>\$ 211,830,490</u>

CITY OF GREENVILLE, OHIO

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

NOTE 7 - LOCAL INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund and may be distributed to other funds as determined by City Council. Income tax revenue for 2011 was \$5,662,105 as reported in the fund financial statements.

NOTE 8 - TAX INCREMENT FINANCING DISTRICT (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established three TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOT)”, as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area or retirement of debt service related to such public improvements. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$229,929 in 2011 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 10 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2011, consisted of taxes, accounts (billings for user charged services), accrued interest, payment in lieu of taxes and intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2011.

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

Governmental activities:

Income taxes	\$ 1,369,664
Real and other taxes	1,233,511
Accounts	706,769
Accrued interest	317
Intergovernmental	737,747
Payments in lieu of taxes	144,856

Business-type activities:

Accounts	934,947
Accrued interest	799

Receivables have been disaggregated on the face of the BFS. All receivables are expected to be collected within the subsequent year.

CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2011, was as follows:

	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 713,119	\$ 507,698	\$ (149,688)	\$ 1,071,129
Construction in progress	<u>5,780</u>	<u>159,086</u>	<u>(164,866)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>718,899</u>	<u>666,784</u>	<u>(314,554)</u>	<u>1,071,129</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	719,669	19,745	-	739,414
Buildings and improvements	4,529,311	17,640	(480,725)	4,066,226
Furniture and equipment	2,434,933	165,486	(395,131)	2,205,288
Software	42,350	-	-	42,350
Vehicles	2,765,610	677,372	(132,114)	3,310,868
Infrastructure	<u>16,951,276</u>	<u>882,691</u>	<u>(2,676,359)</u>	<u>15,157,608</u>
Total capital assets, being depreciated	<u>27,443,149</u>	<u>1,762,934</u>	<u>(3,684,329)</u>	<u>25,521,754</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(126,360)	(86,059)	-	(212,419)
Buildings and improvements	(1,239,197)	(95,952)	54,082	(1,281,067)
Furniture and equipment	(1,430,440)	(161,777)	275,210	(1,317,007)
Software	(7,139)	(6,050)	-	(13,189)
Vehicles	(2,020,561)	(283,705)	132,114	(2,172,152)
Infrastructure	<u>(7,700,923)</u>	<u>(440,716)</u>	<u>934,160</u>	<u>(7,207,479)</u>
Total accumulated depreciation	<u>(12,524,620)</u>	<u>(1,074,259)</u>	<u>1,395,566</u>	<u>(12,203,313)</u>
Total capital assets, being depreciated, net	<u>14,918,529</u>	<u>688,675</u>	<u>(2,288,763)</u>	<u>13,318,441</u>
Governmental activities capital assets, net	<u>\$ 15,637,428</u>	<u>\$ 1,355,459</u>	<u>\$ (2,603,317)</u>	<u>\$ 14,389,570</u>

CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 161,656
Security of persons and property	150,771
Transportation	671,460
Leisure time activity	<u>82,067</u>
Total depreciation expense - governmental activities	<u>\$ 1,065,954</u>

Depreciation expense for governmental activities differs from additions to accumulated depreciation during 2011 due to the transfer of assets with a cost of \$543,637, accumulated depreciation of \$8,305 and a net book value of \$535,332 from business-type activities to governmental activities

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CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

Business-type activities capital asset activity for the year ended December 31, 2011, was as follows:

	Balance			Balance
<u>Business-type activities:</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 868,075	\$ 452,928	\$ (821,875)	\$ 499,128
Construction in progress	316,502	1,415,541	(253,979)	1,478,064
Total capital assets, not being depreciated	<u>1,184,577</u>	<u>1,868,469</u>	<u>(1,075,854)</u>	<u>1,977,192</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	117,283	-	-	117,283
Buildings and improvements	7,599,365	236,001	-	7,835,366
Furniture and equipment	6,535,350	60,784	(8,500)	6,587,634
Software	151,000	24,512	-	175,512
Vehicles	155,010	20,174	-	175,184
Infrastructure	<u>10,015,473</u>	<u>3,686,778</u>	<u>(101,801)</u>	<u>13,600,450</u>
Total capital assets, being depreciated	<u>24,573,481</u>	<u>4,028,249</u>	<u>(110,301)</u>	<u>28,491,429</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(117,283)	-	-	(117,283)
Buildings and improvements	(3,173,527)	(262,904)	-	(3,436,431)
Furniture and equipment	(5,873,336)	(115,858)	4,250	(5,984,944)
Software	(32,355)	(23,323)	-	(55,678)
Vehicles	(130,062)	(10,997)	-	(141,059)
Infrastructure	<u>(3,419,158)</u>	<u>(1,256,233)</u>	<u>8,510</u>	<u>(4,666,881)</u>
Total accumulated depreciation	<u>(12,745,721)</u>	<u>(1,669,315)</u>	<u>12,760</u>	<u>(14,402,276)</u>
Total capital assets, being depreciated, net	<u>11,827,760</u>	<u>2,358,934</u>	<u>(97,541)</u>	<u>14,089,153</u>
Business-type activities capital assets, net	<u>\$ 13,012,337</u>	<u>\$ 4,227,403</u>	<u>\$ (1,173,395)</u>	<u>\$ 16,066,345</u>

CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 322,831
Sewer	362,095
Storm water	49,930
Nonmajor enterprise fund:	
Swimming pool	<u>1,709</u>
Total depreciation expense - business-type activities	<u>\$ 736,565</u>

Depreciation expense for business-type activities differs from additions to accumulated depreciation during 2011 due to the transfer of assets with a cost of \$2,810,410, accumulated depreciation of \$932,750 and a net book value of \$1,877,660 from governmental activities to business-type activities.

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

A. Lease Purchase Agreement - Fire Station Improvements

On December 2, 2002, the City entered into a lease purchase agreement with a financial institution to assist in financing the fire station building improvements. The City is leasing the "building improvements" from the financial institution. The City made principal and interest payments on the lease purchase agreement in the amount of \$18,100 and \$12,618, respectively, in 2011. Principal and interest payments are made from the general fund.

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

Capital assets consisting of building improvements have been capitalized in the amount of \$477,094 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2011 was \$346,254, leaving a book value of \$130,840.

CITY OF GREENVILLE, OHIO

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

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)

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

<u>Year Ending December 31,</u>	<u>Fire Station</u>
2012	\$ 30,736
2013	30,753
2014	30,762
2015	30,731
2016	30,780
2017 - 2021	153,804
2022	<u>30,828</u>
Total minimum lease payments	338,394
Less: amount representing interest	<u>(76,094)</u>
Present value of future minimum lease payments	<u>\$ 262,300</u>

B. Lease Purchase Agreement - Fire Truck

On November 2, 2007, the City entered into a lease purchase agreement with a financial institution to assist in financing a new fire truck.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2011 totaled \$8,655 in the general fund. Principal and interest payments are made from the general fund.

Capital assets consisting of a fire truck have been capitalized in the amount of \$94,000 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2011 was \$28,200, leaving a book value of \$65,800.

CITY OF GREENVILLE, OHIO

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

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)

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

<u>Year Ending December 31,</u>	<u>Fire Truck</u>
2012	\$ 12,170
2013	12,170
2014	12,170
2015	12,170
2016	12,170
2017	<u>12,170</u>
Total minimum lease payments	73,020
Less: amount representing interest	<u>(11,238)</u>
Present value of future minimum lease payments	<u>\$ 61,782</u>

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CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2011, the following changes occurred in governmental activities long-term obligations:

	Interest	Balance			Balance	Amounts
<u>Governmental activities:</u>	<u>Rate</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11</u>	<u>Due in</u>
						<u>One Year</u>
<u>General obligation bonds:</u>						
Series 2004 various purpose refunding bonds	2-4%	\$ 1,690,000	\$ -	\$ (215,000)	\$ 1,475,000	\$ 215,000
Total G.O. bonds		<u>1,690,000</u>	<u>-</u>	<u>(215,000)</u>	<u>1,475,000</u>	<u>215,000</u>
<u>Other long-term obligations:</u>						
Compensated absences		448,241	436,521	(461,194)	423,568	64,885
Land acquisition bond payable	6.75%	111,000	-	(111,000)	-	-
Building improvement and refunding revenue bonds	3.25%	-	192,500	-	192,500	19,250
Rail project bonds		835,000	-	(80,000)	755,000	80,000
OPWC loan payable	0%	259,735	-	(23,612)	236,123	23,612
Lease purchase agreement - fire station		280,400	-	(18,100)	262,300	18,900
Lease purchase agreement - fire truck		70,437	-	(8,655)	61,782	9,079
Landfill postclosure costs		<u>54,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>	<u>-</u>
Total other long-term obligations		<u>2,058,813</u>	<u>629,021</u>	<u>(702,561)</u>	<u>1,985,273</u>	<u>215,726</u>
Total governmental activities						
Long-term obligations		<u>\$ 3,748,813</u>	<u>\$ 629,021</u>	<u>\$ (917,561)</u>	3,460,273	<u>\$ 430,726</u>
Add: Unamortized premium/discount on bond issuance					1,926	
Less: Unamortized deferred charges on refundings					<u>(52,197)</u>	
Total reported on the statement of net assets					<u>\$ 3,410,002</u>	

Compensated Absences

Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employees' salaries are paid which will primarily be the general fund, street construction maintenance and repair fund (a nonmajor governmental fund) and public transportation fund (a nonmajor governmental fund).

OPWC Loan Payable

In prior years, the City had entered into an agreement with the Ohio Public Works Commission for a street construction loan in the amount of \$472,243. The City made principal payments of \$23,612 on the loan in 2011. The loan is interest free and principal payments are made from the general fund.

Landfill Postclosure Costs

See Note 18 for additional disclosure on landfill postclosure costs.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Lease Purchase Agreements

See Note 11 for detail on the lease purchase agreements.

Land Acquisition Bond Payable

During 2006, the City issued \$185,000 in bonds, with an interest rate of 6.75%, to purchase land for the Greenville Community Improvement Corporation. During 2011, these bonds were paid in full through the City's issuance of building improvement and refunding revenue bonds.

Building Improvement and Refunding Revenue Bonds

During 2011, the City issued \$192,500 in bonds, with an interest rate of 3.25%, to pay off the land acquisition bonds and for various building improvements. The first payment is due October 11, 2012. The payments will be made from the general fund. The bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment. These bonds are excluded from the net assets invested in capital assets, net of related debt because the bonds were not used to purchase assets that are owned by the City.

Rail Project Bonds

During 2007, the City issued \$1,050,000 in bonds, with a variable interest rate, for the purpose of financing the construction of a railroad spur line from the north side of the Greenville Industrial Park to the interior of the park. The first payment was due December 1, 2008 and will be due annually until its maturity on December 1, 2019. The payments will be made from the GIP/rail bond retirement fund (a nonmajor governmental fund). The bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment.

Series 2004 Various Purpose Refunding Bonds

On September 1, 2004, the City issued \$2,415,000 in various purpose general obligation bonds to advance refund the callable portion of the Series 1997 Various Purpose Bonds (principal \$2,260,000, average interest rate 5.23%). The issuance proceeds were used to repay the callable portion of the 1997 bonds on the call date which was September 1, 2004. This refunded debt is considered defeased and accordingly, has been removed from the statement of net assets. The actual amount of principal paid toward this general obligation bond from nonmajor governmental funds totaled \$215,000 for 2011.

The refunding bonds pay interest semiannually on June 1 and December 1 of each year and mature on December 1, 2017. The refunding bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment.

The assets held in trust as a result of the advance refunding described above are not included in the accompanying BFS. The principal balance of the general obligation refunded bonds at December 31, 2011, was \$1,420,000.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2011 are as follows:

Year Ending December 31,	General Obligation Bonds			OPWC Loans
	Principal	Interest	Total	Principal
2012	\$ 215,000	\$ 56,363	\$ 271,363	\$ 23,612
2013	230,000	48,569	278,569	23,612
2014	245,000	39,944	284,944	23,612
2015	250,000	30,450	280,450	23,612
2016	260,000	21,075	281,075	23,613
2017 - 2021	<u>275,000</u>	<u>11,000</u>	<u>286,000</u>	<u>118,062</u>
Total	<u>\$ 1,475,000</u>	<u>\$ 207,401</u>	<u>\$ 1,682,401</u>	<u>\$ 236,123</u>

Year Ending December 31,	Building Improvement Revenue and Refunding Bonds			Rail Project Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 19,250	\$ 6,256	\$ 25,506	\$ 80,000	\$ 32,078	\$ 112,078
2013	19,250	5,631	24,881	85,000	28,838	113,838
2014	19,250	5,005	24,255	90,000	25,395	115,395
2015	19,250	4,379	23,629	90,000	21,750	111,750
2016	19,250	3,754	23,004	95,000	17,835	112,835
2017 - 2021	<u>96,250</u>	<u>9,384</u>	<u>105,634</u>	<u>315,000</u>	<u>27,840</u>	<u>342,840</u>
Total	<u>\$ 192,500</u>	<u>\$ 34,409</u>	<u>\$ 226,909</u>	<u>\$ 755,000</u>	<u>\$ 153,736</u>	<u>\$ 908,736</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2011, the City's total debt margin was \$21,223,746 and the unvoted debt margin was \$11,650,677.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Long-Term Obligations

The following changes occurred in the City’s business-type long-term obligations during 2011:

	Balance			Balance	Amounts
<u>Business-type activities:</u>	<u>12/31/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/11</u>	<u>Due in</u>
					<u>One Year</u>
<u>Other long-term obligations</u>					
Compensated absences	\$ 96,448	\$ 73,259	\$ (61,701)	\$ 108,006	\$ 9,365
Total other long-term obligations	<u>96,448</u>	<u>73,259</u>	<u>(61,701)</u>	<u>108,006</u>	<u>9,365</u>
<u>Revenue Bonds</u>					
Wastewater system revenue					
Refunding Bonds	<u>1,535,000</u>	<u>-</u>	<u>(190,000)</u>	<u>1,345,000</u>	<u>200,000</u>
Total - revenue bonds	<u>1,535,000</u>	<u>-</u>	<u>(190,000)</u>	<u>1,345,000</u>	<u>200,000</u>
Total business-type long-term obligations	<u>\$ 1,631,448</u>	<u>\$ 73,259</u>	<u>\$ (251,701)</u>	<u>\$ 1,453,006</u>	<u>\$ 209,365</u>

Compensated absences are reported in the statement of net assets and will be paid from the fund from which the employees’ salaries are paid which will primarily be the water, sewer and storm water enterprise funds.

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

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,985,000 in Series 2002 wastewater refunding revenue bonds. Proceeds of the wastewater refunding revenue bonds were used to refund the outstanding balance of previously issued Series 1992 wastewater revenue bonds. The Series 2002 wastewater refunding revenue bonds are payable solely from sewer customer net revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 39.38 percent of net revenues. The total principal and interest remaining to be paid on the Series 2002 wastewater refunding revenue bonds is \$1,576,337. Principal and interest paid for the current year and total customer net revenues were \$261,358 and \$919,815, respectively.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2011 were:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2012	\$ 200,000	\$ 63,187	\$ 263,187
2013	210,000	54,388	264,388
2014	215,000	44,412	259,412
2015	230,000	34,200	264,200
2016	240,000	23,275	263,275
2017	250,000	11,875	261,875
Total	<u>\$ 1,345,000</u>	<u>\$ 231,337</u>	<u>\$ 1,576,337</u>

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2011, the City contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverages. Coverage provided during the year is as follows:

- Building and Contents - replacement cost (\$1,000 deductible) - \$38,314,120
- Boiler and Machinery Coverage - \$38,314,120
- Inland Marine Coverage - (\$1,000 deductible) \$1,141,676
- Automobile Liability - (\$250 comprehensive; \$1,000 collision deductible) - \$1,000,000
- Uninsured Motorists - \$1,000,000
- General Liability - (\$1,000 deductible) - \$1,000,000 Limit, \$3,000,000 Aggregate
- Public Officials - \$1,000,000 Limit, \$3,000,000 Aggregate
- Umbrella Coverage - \$6,000,000

There have been no significant reductions in insurance coverages during 2011. Settled claims have not exceeded commercial excess coverages in any of the past three years.

B. Self-Insurance

The City operates a self-insurance plan for health care benefits. The activity of the plan is recorded in the City's Health Care internal service fund. Monies are expensed on a monthly basis by the funds participating and receipted into the internal service fund. The claims liability of \$22,230 reported on the financial statements at December 31, 2011 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred, but not reported claims, be reported.

CITY OF GREENVILLE, OHIO

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

NOTE 13 - RISK MANAGEMENT - (Continued)

Changes in claims activity for the past two years are as follows:

	<u>Balance</u> <u>January 1</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>December 31</u>
2010	\$ 189,077	\$ 741,811	\$ (897,032)	\$ 33,856
2011	33,856	887,714	(899,340)	22,230

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. The 2011 member contribution rates were 10.00% for members. The City's contribution rate for 2011 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$285,613, \$274,862, and \$249,915, respectively; 92.45% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$7,166 made by the City and \$5,119 made by the plan members.

CITY OF GREENVILLE, OHIO

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

NOTE 14 - PENSION PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$175,059 and \$213,323 for the year ended December 31, 2011, \$175,591 and \$219,948 for the year ended December 31, 2010, and \$165,761 and \$220,771 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 73.22% has been contributed for police and 72.88% has been contributed for firefighters for 2011.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

CITY OF GREENVILLE, OHIO

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

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$109,365, \$147,034, and \$179,866, respectively; 92.45% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF GREENVILLE, OHIO

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

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$92,679 and \$83,474 for the year ended December 31, 2011, \$92,960 and \$86,067 for the year ended December 31, 2010, and \$87,756 and \$86,389, for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 73.22% has been contributed for police and 72.88% has been contributed for firefighters for 2011.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

CITY OF GREENVILLE, OHIO

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (121,197)
Net adjustment for revenue accruals	81,790
Net adjustment for expenditure accruals	3,902
Funds budgeted elsewhere	54,527
Adjustment for encumbrances	<u>146,048</u>
GAAP basis	<u>\$ 165,070</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the park fund.

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2011.

B. Litigation

The City is currently involved in litigation as a defendant. It is the opinion of the City's management that the ultimate settlement of such litigation will not result in a material effect on the City's financial position and results of operations. In addition, on June 11, 2012, the City was awarded a settlement of \$620,000 through mediation and will receive an annual payment of \$115,000 for the next 23 years at an annual interest rate of 3.5%. The settlement resulted from a geological study of raw water availability that provided inaccurate information in which the City relied upon. This settlement fully and completely releases the alleged wrongdoer from any future claim of liability.

CITY OF GREENVILLE, OHIO

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

NOTE 18 - LANDFILL POSTCLOSURE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1989. The postclosure costs incurred through December 31, 2011 amount to \$922,470. The estimated liability for landfill postclosure care has a balance of \$54,000 as of December 31, 2011. The estimated cost of landfill postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2011. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The City retires this liability with resources from the general fund.

NOTE 19 - CONTRACTUAL COMMITMENTS

As of December 31, 2011, the City had the following contractual commitments outstanding:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through December 31, 2011</u>	<u>Remaining Contract Amount</u>
EMH&T	\$ 100,000	\$ 88,712	\$ 11,288
URS Corporation	720,000	461,068	258,932
Kirk Brothers	3,053,000	519,051	2,533,949
Bowser-Morner	20,000	1,341	18,659
Wagner Smith	1,197,600	131,571	1,066,029
Synagro Central	82,000	51,660	30,340
MV Transportation	36,500	-	36,500
Whitworth Bus Sales	58,675	-	58,675
Vorys Sater Seymour & Pease LLP	30,000	1,375	28,625
Century Link	52,655	-	52,655
Total	<u>\$ 5,350,430</u>	<u>\$ 1,254,778</u>	<u>\$ 4,095,652</u>

NOTE 20 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 78,290
Other governmental	<u>158,201</u>
Total	<u>\$ 236,491</u>

CITY OF GREENVILLE, OHIO

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

NOTE 21 - FUND BALANCE

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

<u>Fund balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Materials and supplies inventory	\$ 8,804	\$ 49,750	\$ 58,554
Prepays	<u>107,099</u>	<u>14,093</u>	<u>121,192</u>
Total nonspendable	<u>115,903</u>	<u>63,843</u>	<u>179,746</u>
Restricted:			
Debt service	-	81,026	81,026
Transportation	-	1,138,997	1,138,997
Other purposes	<u>-</u>	<u>27,459</u>	<u>27,459</u>
Total restricted	<u>-</u>	<u>1,247,482</u>	<u>1,247,482</u>
Committed:			
Leisure time activity	<u>126,533</u>	<u>-</u>	<u>126,533</u>
Total committed	<u>126,533</u>	<u>-</u>	<u>126,533</u>
Assigned:			
Capital projects	6,158	1,409,940	1,416,098
Debt service	11,807	375,519	387,326
Security of persons and property	21,046	-	21,046
Subsequent year appropriations	701,532	-	701,532
Other purposes	<u>33,368</u>	<u>-</u>	<u>33,368</u>
Total assigned	<u>773,911</u>	<u>1,785,459</u>	<u>2,559,370</u>
Unassigned (deficit)	<u>1,723,268</u>	<u>(62,641)</u>	<u>1,660,627</u>
Total fund balances	<u>\$ 2,739,615</u>	<u>\$ 3,034,143</u>	<u>\$ 5,773,758</u>

NOTE 22 - IMPAIRMENT OF CAPITAL ASSETS

On September 17, 2011, the City sustained damage to the transit building due to a fire. The building had a cost and accumulated depreciation of \$480,725 and \$54,082, respectively, at the time of the impairment. The cost to restore this building back to normal, a usable condition is \$585,140. As of December 31, 2011, the City had received \$50,000 in insurance proceeds and expects to receive \$600,792 during 2012. A gain for the impairment of the building in the amount of \$224,149 has been included in the extraordinary gain on fire damage, net of insurance recovery on the statement of activities (See Note 2.T.).

SUPPLEMENTARY DATA

**CITY OF GREENVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH DISBURSEMENTS
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
(C) Community Development Block Grants/State's Program	14.228	A-F-10-2BV-1	\$ 69,000
Total U.S. Department of Housing and Urban Development			69,000
U. S. DEPARTMENT OF JUSTICE PASSED THROUGH THE N/A			
(D) Bulletproof Vest Partnership Program	16.607	N/A	1,222
Total U.S. Department of Justice			1,222
U. S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Formula Grants for Other Than Urbanized Areas	20.509	RPT- 0019-031-112	82,394
Formula Grants for Other Than Urbanized Areas	20.509	RPT- 4019-031-111	269,101
Total Formula Grants for Other Urbanized Areas			351,495
Total U.S. Department of Transportation			351,495
U. S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH THE N/A			
(D) Assistance to Firefighters	97.044	N/A	375,328
Total U.S. Department of Homeland Security			375,328
Total Federal Financial Assistance			\$ 797,045

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.
- (B) Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditures of non-Federal matching funds is not included on the Schedule.
- (C) The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

The City did not have any outstanding loans at December 31, 2011.

The City did not have any loans issued/repaid during the year ended December 31, 2011.

Cash balance on hand as of 12/31/11: \$1,379

Delinquent amounts due as of 12/31/11: \$0

- (D) This is a direct award.



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

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

To the Members of Council and Mayor:

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 Greenville, Darke County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Greenville's basic financial statements and have issued our report thereon dated June 26, 2012. We noted the City of Greenville adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Greenville's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City of Greenville's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City of Greenville's internal control over financial reporting.

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

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

Members of Council and Mayor
City of Greenville

Compliance and Other Matters

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

We intend this report solely for the information and use of management, members of the City Council and Mayor, federal awarding agencies and pass-through entities and others within the City of Greenville. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
June 26, 2012



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance Required by OMB Circular A-133

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

To the Members of Council and Mayor:

Compliance

We have audited the compliance of the City of Greenville, Darke County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Greenville's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the City of Greenville's major federal program. The City of Greenville's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City of Greenville's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City of Greenville's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Greenville's compliance with these requirements.

In our opinion, the City of Greenville complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The City of Greenville's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Greenville's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City of Greenville's internal control over compliance.

Members of Council and Mayor
City of Greenville

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, Members of City Council and Mayor, others within the City of Greenville, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Julian & Grube, Inc.
June 26, 2012

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITORS' RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Assistance to Firefighters - CFDA #97.044
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None



Dave Yost • Auditor of State

CITY OF GREENVILLE

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2012**