



**Auditor of State  
Betty Montgomery**



**CITY OF CELINA  
MERCER COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

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 Celina, Mercer County, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Celina, Mercer County, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 24, 2006

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

The discussion and analysis of the City of Celina's financial performance provides an overview of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

**HIGHLIGHTS**

Highlights for 2005 are as follows:

- In total, the City's net assets increased \$3,672,052, an increase of 10.6 percent. The increase in governmental activities of 16.9 percent was from the replacement of infrastructure funded by capital grants. The increase in business-type activities was not significant.
- The City received a significant amount of federal and state grants for street projects during 2005. During 2005, the improvement to the Wayne Street and Mackinaw Road intersection was completed, along with the Ash Street and Logan Street intersection. These projects were almost entirely paid for with Ohio Public Works Commission grants, Ohio Department of Development grants, and Ohio Department of Transportation grants.
- In 2003, the City received approval for a U. S. Department of Commerce Economic Development Administration grant, in the amount of \$888,400, and an Ohio Public Works Commission interest free loan, in the amount of \$500,000, to construct a new 1.5 million gallon water tower and install lines from the new tower to the existing water system. Construction of the water tower was finalized in January 2005.
- On April 1, 2005, the City issued \$2,675,000 in general obligation refunding bonds with interest rates from 3 percent to 5 percent to refund \$1,340,000 of 1994 Waterworks Mortgage Revenue Bonds and \$1,755,000 of 1993 Wastewater Mortgage Revenue Bonds. The City contributed \$244,402 from the Water enterprise fund and \$248,511 from the Sewer enterprise fund to defease the bonds.
- The City lowered its aggregated debt service payments by \$168,787 and \$276,356, in the Water and Sewer enterprise funds, respectively, over the next ten years, and eliminated all of the bond covenants in the Water enterprise fund and a portion of the bond covenants in the Sewer enterprise fund.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Celina's financial position.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Electric, Water, and Sewer funds.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**REPORTING THE CITY AS A WHOLE**

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; electric, water, and sewer lines). These factors must be considered when assessing the overall health of the City.

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, basic utility services, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's electric, water, and sewer services are reported here.

**REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

Fund financial statements provide detailed information about the City's major funds, the General, Electric, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

**Governmental Funds** - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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



**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Proprietary Funds** - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's other programs and activities.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table 1 provides a summary of the City's net assets for 2005 and 2004.

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>						
Current and Other Assets	\$3,876,892	\$3,023,461	\$10,749,682	\$10,759,470	\$14,626,574	\$13,782,931
Capital Assets, Net	14,099,572	12,865,126	22,618,906	22,595,337	36,718,478	35,460,463
Total Assets	<u>17,976,464</u>	<u>15,888,587</u>	<u>33,368,588</u>	<u>33,354,807</u>	<u>51,345,052</u>	<u>49,243,394</u>
<b>Liabilities</b>						
Current and Other Liabilities	1,543,651	1,668,075	1,737,240	1,806,545	3,280,891	3,474,620
Long-Term Liabilities	842,137	878,932	8,933,039	10,272,909	9,775,176	11,151,841
Total Liabilities	<u>2,385,788</u>	<u>2,547,007</u>	<u>10,670,279</u>	<u>12,079,454</u>	<u>13,056,067</u>	<u>14,626,461</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	13,106,409	11,660,060	13,642,774	12,361,062	26,749,183	24,021,122
Restricted	902,426	684,177	1,145,100	1,935,379	2,047,526	2,619,556
Unrestricted	1,581,841	997,343	7,910,435	6,978,912	9,492,276	7,976,255
Total Net Assets	<u>\$15,590,676</u>	<u>\$13,341,580</u>	<u>\$22,698,309</u>	<u>\$21,275,353</u>	<u>\$38,288,985</u>	<u>\$34,616,933</u>

Total assets in governmental activities increased from the reconstruction of the street base and streets on the Wayne-Mackinaw and Ash-Logan street interchanges. Total liabilities did not change significantly. All three categories within net assets for governmental activities increased. Invested in capital assets, net of related debt increased from the reconstruction of the street base and streets of two interchanges that was funded primarily with grants from the Ohio Public Works Commission, Ohio Department of Development, and Ohio Department of Transportation. Restricted net assets increased from the accumulation of gasoline tax and motor license fees for street improvements that were not needed to fund the 2005 street program. Unrestricted net assets increased from distributing a portion of the costs for administrative services of city council, law director, city auditor, city treasurer, and engineering department to the business-type activities.

There was an insignificant change between 2004 and 2005 for business-type activities.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets for 2005 and 2004.

**Table 2  
Change in Net Assets**

	Government Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$918,069	\$ 928,410	\$16,007,864	\$15,040,380	\$16,925,933	\$15,968,790
Operating Grants, Contributions, and Interest	817,282	665,373	0	0	817,282	665,373
Capital Grants, Contributions, and Interest	2,019,049	681,577	630,673	567,861	2,649,722	1,249,438
Total Program Revenues	<u>3,754,400</u>	<u>2,275,360</u>	<u>16,638,537</u>	<u>15,608,241</u>	<u>20,392,937</u>	<u>17,883,601</u>
General Revenues						
Property Taxes	384,653	390,572	0	0	384,653	390,572
Municipal Income Taxes	2,569,868	2,350,587	0	0	2,569,868	2,350,587
Payment in Lieu of Taxes	135,010	0	0	0	135,010	0
Other Local Taxes	552,139	524,965	287,229	269,512	839,368	794,477
Franchise Fees	93,994	94,119	0	0	93,994	94,119
Grants and Entitlements not Restricted to Specific Programs	690,499	599,817	0	0	690,499	599,817
Interest	206,873	56,079	46,572	32,923	253,445	89,002
Other	68,610	34,076	228,993	35,862	297,603	69,938
Total General Revenues	<u>4,701,646</u>	<u>4,050,215</u>	<u>562,794</u>	<u>338,297</u>	<u>5,264,440</u>	<u>4,388,512</u>
Total Revenues	<u>8,456,046</u>	<u>6,325,575</u>	<u>17,201,331</u>	<u>15,946,538</u>	<u>25,657,377</u>	<u>22,272,113</u>
Expenses						
Security of Persons and Property	2,686,077	2,719,854	0	0	2,686,077	2,719,854
Public Health	53,010	218,792	0	0	53,010	218,792
Leisure Time Activities	591,239	621,332	0	0	591,239	621,332
Community Environment	39,237	58,602	0	0	39,237	58,602
Basic Utility Services	205,898	186,290	0	0	205,898	186,290
Transportation	1,163,788	1,172,986	0	0	1,163,788	1,172,986
General Government	1,375,636	1,476,576	0	0	1,375,636	1,476,576
Interest and Fiscal Charges	50,070	48,666	0	0	50,070	48,666
Electric	0	0	12,453,697	10,907,951	12,453,697	10,907,951
Water	0	0	1,906,334	1,785,105	1,906,334	1,785,105
Sewer	0	0	1,460,339	1,425,696	1,460,339	1,425,696
Total Expenses	<u>6,164,955</u>	<u>6,503,098</u>	<u>15,820,370</u>	<u>14,118,752</u>	<u>21,985,325</u>	<u>20,621,850</u>
Revenues Over (Under)		(177,523)	1,380,961	1,827,786	3,672,052	1,650,263
Expenses Transfers	2,291,091 (41,995)	(8,546)	41,995	8,546	0	0
Change in Net Assets	<u>2,249,096</u>	<u>(186,069)</u>	<u>1,422,956</u>	<u>1,836,332</u>	<u>3,672,052</u>	<u>1,650,263</u>
Net Assets Beginning of Year	13,341,580	13,527,649	21,275,353	19,439,021	34,616,933	32,966,670
Net Assets End of Year	<u>\$15,590,676</u>	<u>\$13,341,580</u>	<u>\$22,698,309</u>	<u>\$21,275,353</u>	<u>\$38,288,985</u>	<u>\$34,616,933</u>

For governmental activities, operating grants, contributions, and interest increased from the receipt of FEMA grants for the snow and ice damage that occurred at the beginning of 2005. Capital grants increased significantly from the grants received for the Wayne Street and Mackinaw Road and Ash Street and Logan Street intersections.

In 2005, the City started receiving collections on five of the seven tax incremental financing districts the City established to provide funding for infrastructure projects.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The major program expense for governmental activities is security of persons and property, which includes the police and fire departments, and accounts for a significant portion of all governmental expenses, over 43 percent. Maintenance of the City's streets also represents a significant amount of the City's governmental expenses, along with the general business of running the City's government. The programs for security of persons and property and general government represent almost 66 percent of all of the expenses of the City of Celina and are funded almost entirely from property taxes, municipal income taxes, and State shared revenues. Transportation expenses were financed with capital grants and State shared revenues.

Charges for services for business-type activities increased 6 percent and reflects a full year of collection on the rate increases made in 2004.

Capital grants and contributions in business-type activities increased slightly from the contributions from developers installing water and wastewater lines.

The City's electric operations account for almost 79 percent of the expenses in the City's business-type activities and are funded almost entirely from charges for services. Operating costs associated with the Electric fund increased 14 percent with most of the increases associated with the purchase of power and kilowatt hour tax expenses. Operating costs associated with the Water and Sewer funds continued to remain constant with little variance.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Security of Persons and Property	\$2,686,077	\$2,719,854	\$2,282,091	\$2,292,575
Public Health	53,010	218,792	47,347	53,010
Leisure Time Activities	591,239	621,332	277,969	288,376
Community Environment	39,237	58,602	27,739	50,835
Basic Utility Services	205,898	186,290	205,898	164,912
Transportation	1,163,788	1,172,986	(1,141,985)	357,466
General Government	1,375,636	1,476,576	661,426	971,898
Interest and Fiscal Charges	50,070	48,666	50,070	8,666
<b>Total Expenses</b>	<b>\$6,164,955</b>	<b>\$6,503,098</b>	<b>\$2,410,555</b>	<b>\$4,227,738</b>

The significant change between the total cost of services and net cost of services in the public health program during 2004 was the funding from a capital grant to remove debris left on a commercial property site that had been vacant for several years. A large portion of leisure time activities is funded by charges for activities and donations from the Bryson Trust. Transportation expenses received a significant amount of capital grants for the reconstruction of the street base and streets in 2005. The City's general revenues are primarily comprised of property taxes, municipal income taxes, and State shared revenues.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The City's major governmental fund is the General Fund. The General Fund had an increase in fund balance in 2005 of 69 percent. The increase is largely the result of recording the salaries and fringe benefits of city council, the city auditor, the city treasurer, law director, and engineering department in the General Fund and the Electric, Water, and Sewer enterprise funds.

**BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS**

The City's enterprise funds are the Electric, Water, and Sewer funds. All of the enterprise funds' operating revenues exceeded operating expenses, largely due to all of the utilities increasing rates during 2004. For 2005, the City's increase in charges for services can be attributed to a full year's collection of these rate increases.

During 2004, the City increased electric rates for the expected increase in costs of maintaining lines installed in 2004 outside the corporation limits.

In 2001, the City increased water rates 20 percent to generate additional revenues to provide for current and future maintenance. The increase was considered insufficient to generate the revenues necessary to make repairs and improvements to the water system so an additional increase in water rates occurred in 2002. These two increases in rates were adequate to maintain the operations of the water plant in 2003. Water rates were increased by an additional 20 percent in 2004.

Sewer rates were increased in 2001 to cover the costs of operations and to comply with EPA mandates. Sewer rates were increased by an additional 20 percent beginning July 1, 2003, to provide additional funds for operations and make the necessary repairs and improvements to the sewer system. An additional 12 percent increase went into effect in February 2004.

**BUDGETARY HIGHLIGHTS**

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the General Fund. Modifications from the original to the final budget have been minimal due to the continued financial difficulties in the City; revenues are not increasing sufficiently to cover needed expenditures. The City's actual revenues in 2005 were higher than those estimated. The most significant increase from 2004 was in interest revenues due to increasing interest rates. Expenditures were \$282,116 less than the final budget. The major variances included keeping the overtime cost of the police and fire departments low, winning a police cruiser, not providing the annual trash pickup, and splitting salaries and fringe benefits between the General Fund and the Electric, Water, and Sewer enterprise funds for administrative personnel.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2005, was \$13,106,409 and \$13,642,774, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; buildings; improvements other than buildings; streets and storm sewers; furniture and equipment; vehicles; and electric, water, and sewer lines. There was a significant change to governmental activities capital assets during the year from the reconstruction of two intersections within the City. In the business-type activities, there was a minimal change. Note 11 to the basic financial statements provides details on the capital asset activity during 2005.

**CITY OF CELINA  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Debt - At December 31, 2005, the City had \$460,000 in outstanding bond anticipation notes payable from governmental activities and \$400,000 in bond anticipation notes payable from business-type activities. During 2005, the City had issued \$2,675,000 in general obligation bonds in business-type activities to defease \$3,095,000 in outstanding mortgage revenue bonds in order to eliminate the bond covenants placed on the City for the issuance of mortgage revenue bonds in the water and sewer enterprise funds. Although a portion of the cash held in reserve by the City and their trustees was required to be used in the defeasance of the bonds, it will reduce the amount of operating revenues required to be reserved by the bond covenants.

The City had a number of long-term obligations outstanding as of December 31, 2005. These obligations included \$5,350,000 in general obligation bonds, \$533,163 in rural development bonds, \$3,495,000 in mortgage revenue bonds, and \$459,081 in OPWC loans. Of this amount, \$9,224,081 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include compensated absences. Additional information on the City's long-term obligations can be found in Note 19 to the basic financial statements.

**CURRENT ISSUES**

The City was awarded a \$20,000 grant from the U.S. Department of Justice for the purchase of digital fingerprinting equipment in January 2006. The City was also awarded \$453,939 from the Ohio Department of Transportation to extend the Celina-Coldwater Bikeway.

On March 30, 2006, the City entered into a contract with Tom's Construction for the construction of the Enterprise-Livingston waterline replacement project, in the amount of \$194,067. On April 12, 2006, the City issued water system improvement bond anticipation notes, in the amount of \$250,000, to pay for the project. The notes have an interest rate of 4.75 percent and mature on November 15, 2006.

On May 26, 2006, the City entered into a contract with Tumbusch Construction, Inc. for the construction of the Touvelle Street reconstruction project including new storm sewer, waterlines, sanitary sewer, curbs, sidewalks, and pavement, in the amount of \$1,238,932. This project will principally be paid with grant monies from the Ohio Department of Transportation, Ohio Public Works Commission, and the Ohio Department of Development.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Patrick T. Smith, Celina City Auditor, P.O. Box 297, Celina, Ohio 45822-0297.

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**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,800,859	\$6,982,915	\$8,783,774
Cash and Cash Equivalents with Fiscal Agent	20,041	498,365	518,406
Accounts Receivable	50,126	1,560,642	1,610,768
Due from Other Governments	783,127		783,127
Accrued Interest Receivable	20,267	14,995	35,262
Municipal Income Taxes Receivable	558,003		558,003
Internal Balances	(91,786)	91,786	
Prepaid Items	19,639	31,569	51,208
Materials and Supplies Inventory	51,355	1,317,828	1,369,183
Property Taxes Receivable	401,570		401,570
Notes Receivable	103,389		103,389
Special Assessments Receivable	24,735		24,735
Payment in Lieu of Taxes Receivable	135,567		135,567
Unamortized Bond Issuance Costs		241,561	241,561
Investment in Joint Venture		10,021	10,021
Nondepreciable Capital Assets	8,700,869	157,815	8,858,684
Depreciable Capital Assets, Net	5,398,703	22,461,091	27,859,794
<b>Total Assets</b>	<b>17,976,464</b>	<b>33,368,588</b>	<b>51,345,052</b>
<b>Liabilities</b>			
Accrued Wages Payable	58,318	34,425	92,743
Accounts Payable	112,117	67,059	179,176
Contracts Payable	122,203	881,000	1,003,203
Matured Compensated Absences Payable	18,051		18,051
Due to Other Governments	154,523	68,517	223,040
Retainage Payable	29,274		29,274
Accrued Interest Payable	9,557	44,908	54,465
Notes Payable	460,000	400,000	860,000
Deferred Revenue	536,239		536,239
Claims Payable	43,369		43,369
Deposits Held and Due to Others		241,331	241,331
Long-Term Liabilities			
Due Within One Year	43,398	853,335	896,733
Due in More Than One Year	798,739	8,079,704	8,878,443
<b>Total Liabilities</b>	<b>2,385,788</b>	<b>10,670,279</b>	<b>13,056,067</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	13,106,409	13,642,774	26,749,183
Restricted for			
Debt Service	45,057	498,365	543,422
Capital Projects	146,709		146,709
Other Purposes	710,660		710,660
Revenue Bond Operations and Maintenance		84,735	84,735
Revenue Bond Renewal and Replacement		562,000	562,000
Unrestricted	1,581,841	7,910,435	9,492,276
<b>Total Net Assets</b>	<b>\$15,590,676</b>	<b>\$22,698,309</b>	<b>\$38,288,985</b>

*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants, Contributions, and Interest</u>
<b>Governmental Activities</b>				
Security of Persons and Property	\$2,686,077	\$306,818	\$25,985	\$71,183
Public Health	53,010			5,663
Leisure Time Activities	591,239	109,674	63,240	140,356
Community Environment	39,237		11,498	
Basic Utility Services	205,898			
Transportation	1,163,788	2,649	501,277	1,801,847
General Government	1,375,636	498,928	215,282	
Interest and Fiscal Charges	50,070			
<b>Total Governmental Activities</b>	<b>6,164,955</b>	<b>918,069</b>	<b>817,282</b>	<b>2,019,049</b>
<b>Business-Type Activities</b>				
Electric	12,453,697	12,331,033		7,983
Water	1,906,334	1,975,458		398,059
Sewer	1,460,339	1,701,373		224,631
<b>Total Business-Type Activities</b>	<b>15,820,370</b>	<b>16,007,864</b>		<b>630,673</b>
<b>Total</b>	<b>\$21,985,325</b>	<b>\$16,925,933</b>	<b>\$817,282</b>	<b>\$2,649,722</b>

General Revenues

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

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.



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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$2,282,091)		(\$2,282,091)
(47,347)		(47,347)
(277,969)		(277,969)
(27,739)		(27,739)
(205,898)		(205,898)
1,141,985		1,141,985
(661,426)		(661,426)
(50,070)		(50,070)
<u>(2,410,555)</u>		<u>(2,410,555)</u>
	(\$114,681)	(114,681)
	467,183	467,183
	<u>465,665</u>	<u>465,665</u>
	818,167	818,167
<u>(2,410,555)</u>	<u>818,167</u>	<u>(1,592,388)</u>
295,887		295,887
44,383		44,383
44,383		44,383
2,569,868		2,569,868
135,010		135,010
552,139	287,229	839,368
93,994		93,994
690,499		690,499
206,873	46,572	253,445
68,610	228,993	297,603
<u>4,701,646</u>	<u>562,794</u>	<u>5,264,440</u>
<u>(41,995)</u>	<u>41,995</u>	
2,249,096	1,422,956	3,672,052
<u>13,341,580</u>	<u>21,275,353</u>	<u>34,616,933</u>
<u>\$15,590,676</u>	<u>\$22,698,309</u>	<u>\$38,288,985</u>

**CITY OF CELINA  
MERCER COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$854,985	\$565,728	\$1,420,713
Accounts Receivable	31,182	2,311	33,493
Due from Other Governments	386,717	396,410	783,127
Accrued Interest Receivable	20,224	43	20,267
Municipal Income Taxes Receivable	558,003		558,003
Interfund Receivable	85,753		85,753
Prepaid Items	19,639		19,639
Materials and Supplies Inventory	15,688	35,667	51,355
<b>Restricted Assets</b>			
Equity in Pooled Cash and Cash Equivalents	6,160		6,160
Property Taxes Receivable	308,900	92,670	401,570
Notes Receivable		103,389	103,389
Special Assessments Receivable		24,735	24,735
Payment in Lieu of Taxes Receivable		135,567	135,567
<b>Total Assets</b>	<u><u>\$2,287,251</u></u>	<u><u>\$1,356,520</u></u>	<u><u>\$3,643,771</u></u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accrued Wages Payable	\$50,413	\$7,905	\$58,318
Accounts Payable	87,173	24,944	112,117
Contracts Payable		122,203	122,203
Matured Compensated Absences Payable	18,051		18,051
Due to Other Governments	54,899	99,624	154,523
Retainage Payable		29,274	29,274
Interfund Payable		39,885	39,885
Accrued Interest Payable		2,127	2,127
Notes Payable		460,000	460,000
Deferred Revenue	909,932	480,918	1,390,850
<b>Total Liabilities</b>	<u><u>1,120,468</u></u>	<u><u>1,266,880</u></u>	<u><u>2,387,348</u></u>
<b>Fund Balance</b>			
Reserved for Encumbrances	33,056	179,796	212,852
Reserved for Unclaimed Moneys	6,160		6,160
Reserved for Notes Receivable		81,869	81,869
<b>Unreserved, Reported in</b>			
General Fund	1,127,567		1,127,567
Special Revenue Funds		324,782	324,782
Debt Service Fund		32,607	32,607
Capital Projects Funds (Deficit)		(529,414)	(529,414)
<b>Total Fund Balance</b>	<u><u>1,166,783</u></u>	<u><u>89,640</u></u>	<u><u>1,256,423</u></u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$2,287,251</u></u>	<u><u>\$1,356,520</u></u>	<u><u>\$3,643,771</u></u>

*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MERCER COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

Total Governmental Fund Balance		\$1,256,423
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		14,099,572
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	29,274	
Due from Other Governments	476,249	
Accrued Interest Receivable	20,267	
Municipal Income Taxes Receivable	303,187	
Property Taxes Receivable	899	
Special Assessments Receivable	24,735	
		854,611
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(137,654)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(7,430)	
General Obligation Bonds Payable	(80,000)	
Rural Development Bonds Payable	(533,163)	
Compensated Absences Payable	(228,974)	
		(849,567)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		367,291
Net Assets of Governmental Activities		\$15,590,676

*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property Taxes	\$296,980	\$89,094	\$386,074
Municipal Income Taxes	2,536,934		2,536,934
Payment in Lieu of Taxes		135,010	135,010
Other Local Taxes	552,139		552,139
Special Assessments		6,126	6,126
Charges for Services	239,483	110,748	350,231
Fees, Licenses, and Permits	104,379		104,379
Fines and Forfeitures	296,557	59,011	355,568
Intergovernmental	900,722	1,638,613	2,539,335
Interest	185,481	18,847	204,328
Gifts and Donations	6,646	203,596	210,242
Other	48,949	66,148	115,097
	<u>5,168,270</u>	<u>2,327,193</u>	<u>7,495,463</u>
Total Revenues			
<b>Expenditures</b>			
Current:			
Security of Persons and Property	2,335,218	430,692	2,765,910
Public Health	53,010		53,010
Leisure Time Activities	89,037	435,170	524,207
Community Environment	36,632	12	36,644
Basic Utility Services	151,551		151,551
Transportation	108,527	619,931	728,458
General Government	1,196,281	260,137	1,456,418
Other			
Capital Outlay		815,683	815,683
Debt Service:			
Principal Retirement		31,903	31,903
Interest and Fiscal Charges		50,588	50,588
	<u>3,970,256</u>	<u>2,644,116</u>	<u>6,614,372</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>1,198,014</u>	<u>(316,923)</u>	<u>881,091</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In		721,263	721,263
Transfers Out	<u>(721,263)</u>		<u>(721,263)</u>
Total Other Financing Sources (Uses)	<u>(721,263)</u>	<u>721,263</u>	
Changes in Fund Balance	476,751	404,340	881,091
Fund Balance (Deficit) Beginning of Year - Restated (Note 3)	<u>690,032</u>	<u>(314,700)</u>	<u>375,332</u>
Fund Balance End of Year	<u>\$1,166,783</u>	<u>\$89,640</u>	<u>\$1,256,423</u>

*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MERCER COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Changes in Fund Balance - Total Governmental Funds \$881,091

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

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

Capital Contributions	\$995,400	
Capital Outlay - Nondepreciable Capital Assets	648,010	
Capital Outlay - Depreciable Capital Assets	93,542	
Depreciation	<u>(485,559)</u>	
		1,251,393

The cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (16,947)

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

Property Taxes	(1,421)	
Municipal Income Taxes	32,934	
Fees, Licenses, and Permits	(662)	
Special Assessments	(6,126)	
Charges for Services	1,185	
Intergovernmental	(24,899)	
Interest	20,247	
Other	<u>204</u>	
		21,462

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

General Obligation Bonds	20,000	
Rural Development Bonds	<u>11,903</u>	
		31,903

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. 518

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 4,892

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. 74,784

Change in Net Assets of Governmental Activities \$2,249,096

*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Revenues</b>				
Property Taxes	\$298,326	\$298,326	\$296,980	(\$1,346)
Municipal Income Taxes	2,420,000	2,420,000	2,530,072	110,072
Other Local Taxes	500,000	500,000	547,498	47,498
Charges for Services	217,500	217,500	239,783	22,283
Fees, Licenses, and Permits	106,500	106,500	104,555	(1,945)
Fines and Forfeitures	264,000	264,000	297,401	33,401
Intergovernmental	882,696	882,696	837,318	(45,378)
Interest	110,000	110,000	210,103	100,103
Gifts and Donations			6,646	6,646
Other	77,000	77,000	62,276	(14,724)
<b>Total Revenues</b>	<u>4,876,022</u>	<u>4,876,022</u>	<u>5,132,632</u>	<u>256,610</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	2,379,600	2,386,100	2,311,530	74,570
Public Health	53,010	53,010	53,010	
Leisure Time Activities	93,500	93,500	88,119	5,381
Community Environment	44,691	44,691	38,120	6,571
Basic Utility Services	253,330	253,330	157,064	96,266
Transportation	107,100	107,100	99,150	7,950
General Government	1,177,868	1,268,368	1,195,905	72,463
Other	123,190	47,690	28,775	18,915
<b>Total Expenditures</b>	<u>4,232,289</u>	<u>4,253,789</u>	<u>3,971,673</u>	<u>282,116</u>
Excess of Revenues Over Expenditures	<u>643,733</u>	<u>622,233</u>	<u>1,160,959</u>	<u>538,726</u>
<b>Other Financing Sources (Uses)</b>				
Advances In			2,760	2,760
Transfers Out	(859,917)	(867,302)	(721,263)	146,039
<b>Total Other Financing Sources (Uses)</b>	<u>(859,917)</u>	<u>(867,302)</u>	<u>(718,503)</u>	<u>148,799</u>
Changes in Fund Balance	(216,184)	(245,069)	442,456	687,525
Fund Balance Beginning of Year	397,688	397,688	397,688	
Prior Year Encumbrances Appropriated	27,219	27,219	27,219	
<b>Fund Balance End of Year</b>	<u><u>\$208,723</u></u>	<u><u>\$179,838</u></u>	<u><u>\$867,363</u></u>	<u><u>\$687,525</u></u>

*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	Enterprise Funds			Total Enterprise Funds	Governmental Activity Self Insurance Internal Service Fund
	Electric	Water	Sewer		
<b>Assets</b>					
<b>Current Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$4,983,853	\$592,083	\$518,913	\$6,094,849	\$373,986
Cash and Cash Equivalents with Fiscal Agent					20,041
Accounts Receivable	1,165,300	205,650	189,692	1,560,642	16,633
Accrued Interest Receivable		1,872	7,058	8,930	
Interfund Receivable	17,570			17,570	
Prepaid Items	17,773	6,898	6,898	31,569	
Materials and Supplies Inventory	1,146,198	170,877	753	1,317,828	
<b>Restricted Assets</b>					
Equity in Pooled Cash and Cash Equivalents	241,331		646,735	888,066	
Cash and Cash Equivalents with Fiscal Agent			498,365	498,365	
Accrued Interest Receivable			6,065	6,065	
<b>Total Current Assets</b>	<b>7,572,025</b>	<b>977,380</b>	<b>1,874,479</b>	<b>10,423,884</b>	<b>410,660</b>
<b>Non-Current Assets</b>					
Unamortized Bond Issuance Costs	68,679	24,220	148,662	241,561	
Investment in Joint Venture	10,021			10,021	
Nondepreciable Capital Assets	49,610	41,025	67,180	157,815	
Depreciable Capital Assets, Net	12,566,680	4,835,725	5,058,686	22,461,091	
<b>Total Non-Current Assets</b>	<b>12,694,990</b>	<b>4,900,970</b>	<b>5,274,528</b>	<b>22,870,488</b>	
<b>Total Assets</b>	<b>20,267,015</b>	<b>5,878,350</b>	<b>7,149,007</b>	<b>33,294,372</b>	<b>410,660</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accrued Wages Payable	16,483	11,373	6,569	34,425	
Accounts Payable	44,604	10,930	11,525	67,059	
Contracts Payable	863,740	17,260		881,000	
Compensated Absences Payable	3,665	4,548	960	9,173	
Due to Other Governments	45,962	13,719	8,836	68,517	
Interfund Payable	45,990	6,751	10,697	63,438	
Accrued Interest Payable	6,742	5,490	32,676	44,908	
Notes Payable		400,000		400,000	
Claims Payable					43,369
Deposits Held and Due to Others	241,331			241,331	
General Obligation Bonds Payable	370,000	110,000	90,000	570,000	
Mortgage Revenue Bonds Payable			250,000	250,000	
OPWC Loans Payable		24,162		24,162	
<b>Total Current Liabilities</b>	<b>1,638,517</b>	<b>604,233</b>	<b>411,263</b>	<b>2,654,013</b>	<b>43,369</b>
<b>Non-Current Liabilities</b>					
General Obligation Bonds Payable	2,468,536	860,702	1,293,164	4,622,402	
Mortgage Revenue Bonds Payable			2,916,210	2,916,210	
OPWC Loans Payable		434,919		434,919	
Compensated Absences Payable	55,208	39,134	11,831	106,173	
<b>Total Non-Current Liabilities</b>	<b>2,523,744</b>	<b>1,334,755</b>	<b>4,221,205</b>	<b>8,079,704</b>	
<b>Total Liabilities</b>	<b>4,162,261</b>	<b>1,938,988</b>	<b>4,632,468</b>	<b>10,733,717</b>	<b>43,369</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt Restricted for	\$9,846,433	\$3,071,187	\$725,154	\$13,642,774	
Debt Service			498,365	498,365	
Revenue Bond Operations and Maintenance			84,735	84,735	
Revenue Bond Renewal and Replacement			562,000	562,000	
Unrestricted	6,258,321	868,175	646,285	7,772,781	367,291
<b>Total Net Assets</b>	<b>\$16,104,754</b>	<b>\$3,939,362</b>	<b>\$2,516,539</b>	<b>22,560,655</b>	<b>\$367,291</b>

Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the net assets of the internal service fund. 137,654

Net assets of business-type activities \$22,698,309

See accompanying notes to the basic financial statements.

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**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
<b>Operating Revenues</b>					
Charges for Services	\$12,331,033	\$1,975,458		\$14,306,491	\$1,184,431
Charges for Services Pledged as Security on Mortgage Revenue Bonds			1,701,373	1,701,373	
Other	203,446	14,570	10,928	228,944	11,666
<b>Total Operating Revenues</b>	<u>12,534,479</u>	<u>1,990,028</u>	<u>1,712,301</u>	<u>16,236,808</u>	<u>1,196,097</u>
<b>Operating Expenses</b>					
Personal Services	1,151,623	767,193	484,307	2,403,123	
Contractual Services					179,643
Materials and Supplies	10,363,137	901,712	465,830	11,730,679	
Claims					896,841
Depreciation	801,865	201,972	268,322	1,272,159	
<b>Total Operating Expenses</b>	<u>12,316,625</u>	<u>1,870,877</u>	<u>1,218,459</u>	<u>15,405,961</u>	<u>1,076,484</u>
<b>Operating Income</b>	<u>217,854</u>	<u>119,151</u>	<u>493,842</u>	<u>830,847</u>	<u>119,613</u>
<b>Non-Operating Revenues (Expenses)</b>					
Excise Taxes	287,229			287,229	
Loss on Disposal of Capital Assets	(60,327)	(749)	(313)	(61,389)	
Change in Joint Venture	49			49	
Interest Revenue	691	4,465	41,416	46,572	
Interest Expense	(97,958)	(49,434)	(250,457)	(397,849)	
<b>Total Non-Operating Revenues (Expenses)</b>	<u>129,684</u>	<u>(45,718)</u>	<u>(209,354)</u>	<u>(125,388)</u>	
<b>Income before Contributions and Transfers</b>	<u>347,538</u>	<u>73,433</u>	<u>284,488</u>	<u>705,459</u>	<u>119,613</u>
Capital Contributions	59,566	398,059	224,631	682,256	
Transfers Out	(4,008)	(4,580)	(1,000)	(9,588)	
<b>Changes in Net Assets</b>	<u>403,096</u>	<u>466,912</u>	<u>508,119</u>	<u>1,378,127</u>	<u>119,613</u>
<b>Net Assets Beginning of Year</b>	<u>15,701,658</u>	<u>3,472,450</u>	<u>2,008,420</u>		<u>247,678</u>
<b>Net Assets End of Year</b>	<u>\$16,104,754</u>	<u>\$3,939,362</u>	<u>\$2,516,539</u>		<u>\$367,291</u>

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.

	<u>44,829</u>
Change in net assets of business-type activities	<u>\$1,422,956</u>

See accompanying notes to the basic financial statements.

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents					
<b>Cash Flows from Operating Activities</b>					
Cash Received from Customers	\$12,166,339	\$1,963,799	\$1,698,402	\$15,828,540	\$83,232
Cash Received from Transactions with Other Funds	179,426			179,426	1,101,199
Cash Payments for Personal Services	(948,052)	(615,927)	(405,967)	(1,969,946)	
Cash Payments for Materials and Supplies	(10,259,575)	(902,560)	(341,680)	(11,503,815)	(181,771)
Cash Payments for Claims					(953,084)
Cash Payments for Transactions with Other Funds	(219,955)	(208,879)	(225,287)	(654,121)	
Cash Received from Other Revenues	203,446	14,570	10,928	228,944	68,649
Cash Received from Deposits	114,430			114,430	
Cash Payments for Deposits Refunded	(75,573)			(75,573)	
Net Cash Provided by Operating Activities	<u>1,160,486</u>	<u>251,003</u>	<u>736,396</u>	<u>2,147,885</u>	<u>118,225</u>
<b>Cash Flows from Non-capital Financing Activities</b>					
Cash Received from Excise Taxes	287,229			287,229	
Cash Payments for Transfers to Other Funds	(4,008)	(4,580)	(1,000)	(9,588)	
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>283,221</u>	<u>(4,580)</u>	<u>(1,000)</u>	<u>277,641</u>	
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal Paid on Bond Anticipation Notes		(400,000)		(400,000)	
Principal Paid on General Obligation Bonds	(360,000)	(105,000)	(100,000)	(565,000)	
Principal Paid on Mortgage Revenue Bonds			(240,000)	(240,000)	
Principal Paid on OPWC Loans		(24,162)		(24,162)	
Payment to Refunding Escrow Agent		(1,386,519)	(1,797,489)	(3,184,008)	
Interest Paid on Bond Anticipation Notes		(9,573)		(9,573)	
Interest Paid on General Obligation Bonds	(93,196)	(30,703)	(43,976)	(167,875)	
Interest Paid on Mortgage Revenue Bonds			(174,098)	(174,098)	
Proceeds of Bond Anticipation Notes		400,000		400,000	
Proceeds of OPWC Loans		15,200		15,200	
Proceeds of General Obligation Bonds		1,145,000	1,530,000	2,675,000	
Premium Received on General Obligation Bonds		30,981	65,000	95,981	
Issuance Costs Paid on General Obligation Bonds		(27,626)	(40,821)	(68,447)	
Personal Services for Capital Assets	(83,773)			(83,773)	
Capital Contributions	7,983	98,997	47,500	154,480	
Acquisition of Capital Assets	(551,955)	(180,503)	(94,517)	(826,975)	
Net Cash Used for Capital and Related Financing Activities	<u>(1,080,941)</u>	<u>(473,908)</u>	<u>(848,401)</u>	<u>(2,403,250)</u>	
<b>Cash Flows from Investing Activities</b>					
Interest	19,387	4,024	34,755	58,166	
Net Increase (Decrease) in Cash and Cash Equivalents	382,153	(223,461)	(78,250)	80,442	118,225
Cash and Cash Equivalents Beginning of Year	<u>4,843,031</u>	<u>815,544</u>	<u>1,742,263</u>	<u>7,400,838</u>	<u>275,802</u>
Cash and Cash Equivalents End of Year	<u>\$5,225,184</u>	<u>\$592,083</u>	<u>\$1,664,013</u>	<u>\$7,481,280</u>	<u>\$394,027</u>

(Continued)

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>					
Operating Income	\$217,854	\$119,151	\$493,842	\$830,847	\$119,613
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>					
Depreciation	801,865	201,972	268,322	1,272,159	
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	10,060	(11,659)	(2,971)	(4,570)	40,350
Decrease in Interfund Receivable	31			31	
Decrease in Prepaid Items	2,121	775	775	3,671	
(Increase) Decrease in Materials and Supplies Inventory	(61,102)	(62,504)	4	(123,602)	
Increase (Decrease) in Accrued Wages Payable	(2,514)	1,332	(109)	(1,291)	
Increase (Decrease) in Accounts Payable	12,561	(20,855)	(11,131)	(19,425)	(2,128)
Increase in Contracts Payable	123,556	13,970		137,526	
Increase (Decrease) in Due to Other Governments	3,805	1,538	(4,082)	1,261	
Increase (Decrease) in Interfund Payable	4,641	850	(873)	4,618	
Decrease in Claims Payable					(39,610)
Increase in Deposits Held and Due to Others	38,857			38,857	
Increase (Decrease) in Compensated Absences Payable	8,751	6,433	(7,381)	7,803	
Net Cash Provided by Operating Activities	<u>\$1,160,486</u>	<u>\$251,003</u>	<u>\$736,396</u>	<u>\$2,147,885</u>	<u>\$118,225</u>

**Non-cash Financing Activities**

In 2005, the Electric enterprise fund received new capital assets with a fair value of \$51,583 from governmental activities. The Water and Sewer enterprise funds received capital contributions from developers, in the amount of \$398,059 and \$217,110, respectively. The Sewer enterprise fund had a receivable at December 31, 2005, for tap fees to be collected, in the amount of \$7,521.

*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MERCER COUNTY**

**STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2005**

**Assets**

Equity in Pooled Cash and Cash Equivalents	\$2,535
Cash and Cash Equivalents in Segregated Accounts	<u>33,022</u>

Total Assets	<u><u>\$35,557</u></u>
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**Liabilities**

Accounts Payable	\$245
Due to Other Governments	944
Payroll Withholdings	796
Deposits Held and Due to Others	<u>33,572</u>

Total Liabilities	<u><u>\$35,557</u></u>
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*See accompanying notes to the basic financial statements.*

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. DESCRIPTION OF THE CITY OF CELINA AND THE REPORTING ENTITY**

**A. The City**

The City of Celina is a statutory municipal corporation operating under the laws of the State of Ohio. The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Service-Safety Director, are elected positions. The Service-Safety Director is appointed by the Mayor.

The City of Celina is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, parks and recreation, street maintenance and repair, and electric, water, and sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

**B. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

The primary government of the City of Celina consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Celina in 2005.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, the Grand Lake/Mercer County Research Corporation, and the Mercer County Planning Commission, jointly governed organizations; and the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program and the Ohio Government Risk Management Plan, insurance purchasing pools. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Celina have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities or enterprise funds. Following are the more significant of the City's accounting policies.

**A. Basis of Presentation**

The City's basic financial statements consist of government-wide financial 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.

**1. 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 statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net 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 business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned 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 governmental program or business activity is self-financing or draws from the general revenues of the City.

**2. Fund Financial Statements**

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

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

**General Fund** - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

**2. Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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

**Electric Fund** - This fund accounts for the provision of electric distribution to residential and commercial users within the City.

**Water Fund** - This fund accounts for the provision of water collection and distribution service to residential and commercial users within the City.

**Sewer Fund** - This fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

**4. Internal Service Fund** - The internal service fund accounts for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The City's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**5. 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 not available to support the City's own programs. The City did not have any trust funds in 2005. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for insurance proceeds to secure proper handling of fire damaged structures, the activity of the municipal court due to third-parties, and employee deductions not remitted to their specific vendors in the payroll account.

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**2. Fund Financial Statements**

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

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

**D. Basis of Accounting**

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



**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**1. Revenues - Exchange and Non-exchange Transactions**

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

**2. Deferred Revenues**

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2005, but were levied to finance 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

**3. Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

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

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**E. Budgetary Process**

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

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

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

**F. Cash and Investments**

To improve cash management, cash received by the City, except cash held by fiscal agents, is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The City utilizes financial institutions as trustees to service its mortgage revenue bonded debt as principal and interest payments come due. Money held by trustees is invested in mutual funds and is presented as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately within departments of the City are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2005, the City invested in nonnegotiable certificates of deposit, negotiable certificates of deposit, federal agency securities, STAR Ohio, and mutual funds. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2005 was \$185,481, which includes \$161,348 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**H. Inventory**

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

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Utility deposits from customers are classified as restricted assets on the statement of fund net assets because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

Unclaimed monies that have a legal restriction on their use are reported as restricted.

**J. Notes Receivable**

Notes receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. Reported notes receivable is offset by a fund balance reserve in the governmental fund types for the long-term portion, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**K. Unamortized Issuance Costs, Bond Premium, and Bond Discount**

Issuance costs, bond premiums, and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction to the face amount of bonds payable.

**L. Capital Assets**

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

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

All capital assets are depreciated, except for land, some land improvements, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to the implementation of GASB Statement No. 34. Depreciation is computed using the straight-line method over the following useful lives:

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

The City's infrastructure consists streets, storm water lines, electric lines, water lines, and sewer lines.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**M. Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are presented as "Internal Balances".

**N. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on department and length of service.

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

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

**O. Accrued Liabilities and Long-Term Obligations**

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

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

**P. Unamortized Loss on Advance Refunding**

For advance refundings resulting in the defeasance of debt reported in the enterprise 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 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 a reduction of the face amount of the new debt.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**Q. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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 constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of December 31, 2005.

**R. Fund Balance Reserves**

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, unclaimed moneys, and notes receivable.

**S. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, water, and sewer services, and internal service fund charges for health insurance. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

**T. Capital Contributions**

Capital contributions arise from contributions from other funds, outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction.

**U. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial 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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**V. 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 management and are either unusual in nature or infrequent in occurrence.

**W. Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**3. CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF FUND BALANCE**

**A. Change in Accounting Principles**

For 2005, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the City's financial statements.

**B. Correction of an Error**

In prior years, the City recorded the acquisition of its own debt as an investment; however, this activity should be recorded as an interfund loan.

**C. Restatement of Fund Balance**

The restatement due to the above correction of an error had the following effect on fund balance of the major and non-major funds of the City as they were previously reported.

	<b>General</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
Fund Balance (Deficit) December 31, 2004	\$690,032	(\$309,540)	\$380,492
Manuscript Debt	0	(5,160)	(5,160)
Restated Fund Balance (Deficit) December 31, 2004	<u>\$690,032</u>	<u>(\$314,700)</u>	<u>\$375,332</u>

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At December 31, 2005, the Police Pension and Fire Pension special revenue funds and the Mersman Phase II Assessment and Ash Logan Street Improvement capital projects funds had deficit fund balances, in the amount of \$45,334, \$54,287, \$23,361, and \$5,880, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At December 31, 2005, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$39,763, due to reporting special assessments as deferred revenue on the fund basis. The deficit will be alleviated when the special assessments are received.

At December 31, 2005, the Capital Improvements capital projects fund had a deficit fund balance, in the amount of \$461,736, due to reporting notes payable as a fund liability. The deficit will be alleviated when sufficient revenues are received to retire the notes.

**B. Compliance**

At December 31, 2005, the Sidewalk/Curb capital projects fund had a deficit cash balance, in the amount of \$37,363.

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:



**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

<b>Changes in Fund Balance</b>	
GAAP Basis	\$476,751
<b>Increases (Decreases) Due To</b>	
<b>Revenue Accruals:</b>	
Accrued 2004, Received in Cash 2005	375,004
Accrued 2005, Not Yet Received in Cash	(441,084)
<b>Expenditure Accruals:</b>	
Accrued 2004, Paid in Cash 2005	(196,766)
Accrued 2005, Not Yet Paid in Cash	210,536
<b>Cash Adjustments:</b>	
Unrecorded Activity 2004	21,391
Unrecorded Activity 2005	4,251
Prepaid Items	2,263
Materials and Supplies Inventory	22,746
Advances In	2,760
Encumbrances Outstanding at Year End (Budget Basis)	(35,396)
Budget Basis	\$442,456

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

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

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

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.

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

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

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$379,271 of the City's bank balance of \$665,772 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**B. Investments**

As of December 31, 2005, the City had the following investments:

	<b>Total</b>	<b>Less Than Six Months</b>	<b>Six Months to One Year</b>	<b>One Year to Two Years</b>	<b>More Than Two Years</b>
Negotiable Certificates of Deposit	\$ 424,399	\$ 165,000	\$228,000	\$ 31,399	\$ 0
Federal Farm Credit Bank bonds	196,656	0	0	196,656	0
Federal Home Loan Bank bonds	609,860	0	0	283,675	326,185
Federal Home Loan Bank notes	1,371,459	0	147,984	1,223,475	0
Federal Home Loan Mortgage Corporation notes	1,189,080	0	0	0	1,189,080
Federal National Mortgage Association bonds	151,756	59,607	0	92,149	0
STAR Ohio	4,416,493	4,416,493	0	0	0
Mutual Funds	501,323	501,323	0	0	0
<b>Total</b>	<b>\$8,861,026</b>	<b>\$5,142,423</b>	<b>\$375,984</b>	<b>\$1,827,354</b>	<b>\$1,515,265</b>

The City's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

The Federal Farm Credit Bank bonds, Federal Home Loan Bank bonds, Federal Home Loan Bank notes, Federal Home Loan Mortgage Corporation notes, Federal National Mortgage Association bonds, and the mutual fund carry a rating of Aaa by Moodys. The negotiable certificates of deposit are fully insured through the FDIC. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Mutual funds must be invested in obligations of the U. S. Treasury and bonds, notes, debentures, or any other obligation or security issued by any federal governmental agency or instrumentality.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the City's total portfolio.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$424,399	4.79%
Federal Farm Credit Bank bonds	196,656	2.22
Federal Home Loan Bank bonds	609,860	6.88
Federal Home Loan Bank notes	1,371,459	15.48
Federal Home Loan Mortgage Corporation bonds	1,189,080	13.42
Federal National Mortgage Association bonds	151,756	1.71

**7. RECEIVABLES**

Receivables at December 31, 2005, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; accrued interest, municipal income taxes; interfund; property taxes; notes; special assessments, and payment in lieu of taxes. All receivables are considered collectible in full and within one year, except for special assessments and the allowance for uncollectibles related to utility services. Delinquent special assessments were \$6,177 at December 31, 2005. Special assessments, in the amount of \$11,002, will not be received within one year.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Block Grant program. The loans have an annual interest rate of 4.75 to 5 percent and are to be repaid over periods ranging from seven to twenty years. Principal, in the amount of \$20,517, was repaid during 2005. Notes outstanding at December 31, 2005, were \$103,389. Notes receivable, in the amount of \$81,869, will not be received within one year.

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

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>
Accounts Receivable	\$1,450,296	\$255,117	\$233,583	\$1,938,996
Less Allowance for Uncollectibles	(284,996)	(49,467)	(43,891)	(378,354)
Net Accounts Receivable	<u>\$1,165,300</u>	<u>\$205,650</u>	<u>\$189,692</u>	<u>\$1,560,642</u>

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. RECEIVABLES (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
<b>Governmental Activities</b>	
<b>Major Fund</b>	
General Fund	
Homestead and Rollback	\$ 14,389
\$10,000 Personal Property Exemption	1,914
Tangible Reimbursement	1,645
Local Government	195,530
Local Government Revenue Assistance	33,524
Estate Tax	134,767
Mental Health Transport	1,254
Court Cost Reimbursement	2,294
Other	1,400
Total General Fund	386,717
<b>Non-major Funds</b>	
Street	
Gasoline Tax	168,038
Motor Vehicle License Tax	50,733
Total Street	218,771
State Highway	
Gasoline Tax	13,625
Motor Vehicle License Tax	4,113
Total State Highway	17,738
Recreation	
Reimbursement	2,273
Police Pension	
Homestead and Rollback	2,159
\$10,000 Personal Property Exemption	287
Tangible Reimbursement	246
Total Police Pension	2,692
Fire Pension	
Homestead and Rollback	2,159
\$10,000 Personal Property Exemption	287
Tangible Reimbursement	246
Total Fire Pension	2,692
Permissive MVL	
Permissive MVL	2,055
Indigent Alcohol	
Grant	4,409
Fire Prevention	
Grant	183
Ash Logan Street Improvement	
Ohio Department of Transportation	33,242
Ohio Public Works Commission	88,994
Total Ash Logan Street Improvement	122,236
Merman Phase II Assessment	
Ohio Clean Air Act	23,361
Total Non-major Governmental Funds	396,410
Total Governmental Activities	\$783,127

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. MUNICIPAL INCOME TAXES**

The City levies and collects an income tax of 1 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax is credited to the General Fund.

**9. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 24 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Celina. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real property, public utility property, tangible personal property, and outstanding delinquent taxes which were measurable as of December 31, 2005, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable for property taxes has been deferred since the current taxes were not levied to finance 2005 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable was deferred.

The full tax rate for all City operations for the year ended December 31, 2005, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. PROPERTY TAXES (Continued)**

<u>Category</u>	<u>Amount</u>
Real Property	
Residential/Agricultural	\$104,302,480
Commercial/Industrial	40,308,990
Public Utility Property	
Real	4,290
Personal	1,670,780
Tangible Personal Property	21,226,897
Total Assessed Value	<u>\$167,513,437</u>

**10. PAYMENT IN LIEU OF TAXES**

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax abatements and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

**11. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>
<b>Governmental Activities</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$1,814,314	\$ 0	\$ 0	\$ 1,814,314
Land Improvements	6,182,451	619,647	(16,947)	6,785,151
Construction in Progress	72,182	772,928	(743,706)	101,404
Total Non-depreciable Capital Assets	<u>8,068,947</u>	<u>1,392,575</u>	<u>(760,653)</u>	<u>8,700,869</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	378,456	0	0	378,456
Buildings	224,100	0	0	224,100
Improvements Other than Buildings	1,680,016	0	0	1,680,016
Streets and Storm Sewers	8,459,566	962,023	(48,258)	9,373,331
Furniture and Equipment	521,225	96,110	(5,900)	611,435
Vehicles	1,899,347	29,950	(44,170)	1,885,127
Total Depreciable Capital Assets	<u>13,162,710</u>	<u>1,088,083</u>	<u>(98,328)</u>	<u>14,152,465</u>

(Continued)

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

**Less Accumulated Depreciation for**

Land Improvements	(192,595)	(8,281)	0	(200,876)
Buildings	(164,198)	(8,042)	0	(172,240)
Improvements Other than Buildings	(664,505)	(54,273)	0	(718,778)
Streets and Storm Sewers	(5,605,192)	(320,185)	48,258	(5,877,119)
Furniture and Equipment	(385,246)	(38,631)	5,900	(417,977)
Vehicles	(1,354,795)	(56,147)	44,170	(1,366,772)
<b>Total Accumulated Depreciation</b>	<b>(8,366,531)</b>	<b>(485,559)</b>	<b>98,328</b>	<b>(8,753,762)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>4,796,179</b>	<b>602,524</b>	<b>0</b>	<b>5,398,703</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$12,865,126</b>	<b>\$1,995,099</b>	<b>(\$760,653)</b>	<b>\$14,099,572</b>

Business-type activities donated capital assets with a value of \$9,588 to governmental activities during 2005. The City also accepted contributions from developers and private citizens, in the amount of \$985,812.

	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2005</b>
<b>Business-Type Activities</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$ 157,815	\$ 0	\$ 0	\$ 157,815
Construction in Progress	4,591,641	11,765	(4,603,406)	0
<b>Total Non-depreciable Capital Assets</b>	<b>4,749,456</b>	<b>11,765</b>	<b>(4,603,406)</b>	<b>157,815</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	8,762	0	0	8,762
Buildings	18,405,799	1,832,260	(3,200)	20,234,859
Electric, Water, and Sewer Lines	21,108,559	3,968,089	(192,952)	24,883,696
Furniture and Equipment	530,118	99,796	(23,112)	606,802
Vehicles	1,294,194	48,613	(1,400)	1,341,407
<b>Total Depreciable Capital Assets</b>	<b>41,347,432</b>	<b>5,948,758</b>	<b>(220,664)</b>	<b>47,075,526</b>
<b>Business-Type Activities (continued)</b>				
<b>Less Accumulated Depreciation for</b>				
Land Improvements	(6,552)	(92)	0	(6,644)
Buildings	(13,207,827)	(343,212)	3,200	(13,547,839)
Electric, Water, and Sewer Lines	(9,108,039)	(788,397)	134,230	(9,762,206)
Furniture and Equipment	(335,955)	(45,090)	20,445	(360,600)
Vehicles	(843,178)	(95,368)	1,400	(937,146)
<b>Total Accumulated Depreciation</b>	<b>(23,501,551)</b>	<b>(1,272,159)</b>	<b>159,275</b>	<b>(24,614,435)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>17,845,881</b>	<b>4,676,599</b>	<b>(61,389)</b>	<b>22,461,091</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$22,595,337</b>	<b>\$4,688,364</b>	<b>(\$4,664,795)</b>	<b>\$22,618,906</b>



**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>	
Security of Persons and Property	\$ 43,265
Leisure Time Activities	73,003
Community Environment	2,593
Transportation	356,137
General Government	10,561
Total Depreciation Expense - Governmental Activities	\$485,559

**12. INTERFUND RECEIVABLES/PAYABLES**

At December 31, 2005, the General Fund had an interfund receivable, in the amount of \$85,753; \$39,763 to provide cash flow resources to other governmental funds and \$45,990 from the Electric enterprise fund for the City's portion of the kilowatt hour tax.

The Electric enterprise fund had an interfund receivable, in the amount of \$17,570, for services provided by the Electric enterprise fund to other governmental funds, in the amount of \$122, to the Water enterprise fund, in the amount of \$6,751, and to the Sewer enterprise fund, in the amount of \$10,697.

**13. RISK MANAGEMENT**

**A. Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2005, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

<b>Type of Coverage</b>	<b>Coverage</b>	<b>Deductible</b>
Property (building and contents)	\$34,080,650	\$1,000
Liability - Aggregate	5,000,000	0
Public Official Liability - Aggregate	5,000,000	5,000
Law Enforcement Liability - Aggregate	5,000,000	5,000
Employee Benefits Liability - Aggregate	3,000,000	0
Automobile Liability	3,000,000	0
Equipment	1,296,553	1,000
Fire Vehicles	777,288	0
Electronic Data Processing	222,075	1,000

There has been no significant reduction in insurance coverage from 2004, and no insurance settlement has exceeded insurance coverage during the last three years.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**13. RISK MANAGEMENT (Continued)**

**B. Employee Medical Benefits**

In 1985, the City established a Self-Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for employee medical, vision, and dental benefits. Under this program, the Self-Insurance fund provides coverage for up to a maximum of \$55,000 per year for each individual, with a \$1,238,779 aggregate coverage over the employee's life. The City purchased commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have exceeded this fund's coverage; however, these claims have not exceeded the stop loss coverage. Excess costs have been reimbursed by the stop loss insurance coverage.

All funds of the City participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The liability for unpaid claims costs reported in the fund at December 31, 2005, is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability was based on a review of all claims paid after the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claim liability in 2004 and 2005 were:

	<b>Balance at Beginning of Year</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Stop-Loss Reimbursement</b>	<b>Claims Payments</b>	<b>Balance at Year End</b>
2004	\$117,559	\$839,764	\$55,478	(\$929,822)	\$82,979
2005	82,979	896,841	16,633	(953,084)	43,369

**C. Workers' Compensation**

For 2005, the City participated in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

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

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**14. SIGNIFICANT CONTRACTUAL COMMITMENTS**

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2005:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/05</u>	<u>Outstanding Balance</u>
Burgess and Niple, Inc.	\$296,268	\$171,445	\$124,823
Heffner Investments Limited	180,000	0	180,000
Chuck Samples	85,000	0	85,000

**15. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional 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 and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

For the year ended December 31, 2005, members of all three plans were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The City's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 was \$279,877, \$275,179, and \$250,529, respectively; 100 percent has been contributed for all three years. No contributions were made to the member-directed plan for 2005.

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

The City participates in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan. OPF 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 by Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contribution to the OPF for the years ended December 31, 2005, 2004, and 2003 was \$213,840, \$208,354, and \$208,519, respectively; 75 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$54,179, is recorded as a liability.

**16. POST-EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Post-employment Benefit (OPB) as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4.00 percent was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund post-employment benefits was \$117,226. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**16. POST-EMPLOYMENT BENEFITS (Continued)**

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

The Ohio Police and Fire Pension Fund (OPF) provides postretirement 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. An eligible dependent child is any child under the age of eighteen, whether or not the child is attending school, or under the age of twenty-two if attending school full-time or on a two-thirds basis.

The health care coverage provided by OPF is considered an Other Post-employment Benefit (OPB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from OPF shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total employer contribution rate for police is 19.5 percent of covered payroll and for firefighters is 24 percent of covered payroll; 7.75 percent was applied to the post-employment health care program during 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund post-employment benefits were \$58,028 for police and \$60,026 for firefighters. The OPF's total health care expense for the year ended December 31, 2004 (the latest information available), was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OPF participants eligible to receive health care benefits as of December 31, 2004, was 13,912 for police and 10,528 for firefighters.

**17. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

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

**B. Health Care Benefits**

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

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

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**18. NOTES PAYABLE**

The City's note activity for the year ended December 31, 2005, was as follows:

	<b>Interest Rate</b>	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2005</b>
<b>Governmental Activities</b>					
Swimming Pool					
November 16, 2005	2.4%	\$110,000	\$ 0	\$110,000	\$ 0
Fire Truck					
November 16, 2005	2.40	220,000	0	220,000	0
November 15, 2006	3.75	0	180,000	0	180,000
Total Fire Truck		<u>220,000</u>	<u>180,000</u>	<u>220,000</u>	<u>180,000</u>
Industrial Park					
November 16, 2005	2.40	130,000	0	130,000	0
November 15, 2006	3.75	0	130,000	0	130,000
Total Industrial Park		<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>
Park Land Acquisition					
November 16, 2005	2.40	200,000	0	200,000	0
November 15, 2006	3.75	0	150,000	0	150,000
Total Park Land Acquisition		<u>200,000</u>	<u>150,000</u>	<u>200,000</u>	<u>150,000</u>
Total Governmental Activities		<u>\$660,000</u>	<u>\$460,000</u>	<u>\$660,000</u>	<u>\$460,000</u>
<b>Business-Type Activities</b>					
Water Tower					
November 16, 2005	2.40	\$400,000	\$ 0	\$400,000	\$ 0
November 15, 2006	3.75	0	400,000	0	400,000
Total Business-Type Activities		<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>

The swimming pool note was originally issued in 1998 to construct a new facility. A combination of City resources and donations retired the note.

The City purchased a fire truck and originally issued notes in 2001. The General Fund provides resources for the repayment of the note.

The City purchased additional land for the Industrial Park in 2001. The General Fund provides resources for the repayment of the note.

The City purchased additional land for recreational purposes in 1998. A combination of City resources and donations are retiring the note.

The City constructed a new water tower. The Water Enterprise Fund will provide resources for the repayment of the note.

All of the City's bond anticipation notes are backed by the full faith and credit of the City of Celina and have a maturity of one year.

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<b>Governmental Activities</b>						
General Obligation Bonds						
1985 Knowlton Ditch	6 - 7.75%	\$ 100,000	\$ 0	\$ 20,000	\$80,000	\$25,000
Rural Development Bonds						
2000 Rural Development Bonds	4.75	540,875	0	10,970	529,905	11,491
2000 Rural Development Bonds	5	4,191	0	933	3,258	980
Total Rural Development Bonds		<u>545,066</u>	<u>0</u>	<u>11,903</u>	<u>533,163</u>	<u>12,471</u>
Other Long-Term Obligations						
Compensated Absences Payable		233,866	22,703	27,595	228,974	5,927
Total Governmental Activities		<u>\$ 878,932</u>	<u>\$ 22,703</u>	<u>\$ 59,498</u>	<u>\$842,137</u>	<u>\$43,398</u>
<b>Business-Type Activities</b>						
General Obligation Bonds						
Electric Improvement	2 - 4.25	\$ 3,160,000	0	\$ 360,000	\$2,800,000	\$370,000
Bond Premium		43,490	0	4,954	38,536	0
2005 Waterworks	3 - 5	0	1,145,000	105,000	1,040,000	110,000
Bond Premium		0	30,981	2,841	28,140	0
Accounting Loss		0	(107,276)	(9,838)	(97,438)	0
2005 Wastewater	3 - 5	0	1,530,000	100,000	1,430,000	90,000
Bond Premium		0	65,000	4,248	60,752	0
Accounting Loss		0	(115,112)	(7,524)	(107,588)	0
Total General Obligation Bonds		<u>3,203,490</u>	<u>2,548,593</u>	<u>559,681</u>	<u>5,192,402</u>	<u>570,000</u>
Mortgage Revenue Bonds						
1999 Wastewater Refunding	3.25-4.95	3,735,000	0	240,000	3,495,000	250,000
Bond Discount		(4,215)	0	(270)	(3,945)	0
Accounting Loss		(347,152)	0	(22,307)	(324,845)	0
1994 Waterworks	3.55-5.90	1,340,000	0	1,340,000	0	0
1993 Wastewater	3-5.70	1,755,000	0	1,755,000	0	0
Total Mortgage Revenue Bonds		<u>6,478,633</u>	<u>0</u>	<u>3,312,423</u>	<u>3,166,210</u>	<u>250,000</u>
Other Long-Term Obligations						
OPWC Loans Payable	0	483,243	0	24,162	459,081	24,162
Compensated Absences Payable		107,543	30,950	23,147	115,346	9,173
Total Business-Type Activities		<u>\$10,272,909</u>	<u>\$2,579,543</u>	<u>\$3,919,413</u>	<u>\$8,933,039</u>	<u>\$853,335</u>

**A. General Obligation Bonds**

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The Knowlton Ditch general obligation bonds were issued for \$285,000 in 1985 and are paid from revenues generated by an agreement between the City and Shir-Will Acres, Inc. All general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. In the event Shir-Wil Acres, Inc. fails to make the payments to the City, the City will be required to pay the related debt.

In 2004, the City issued \$3,160,000 in general obligation bonds in the Electric enterprise fund. The bonds provided funds to construct and improve substations and electric lines within the City's electric system. The bonds will be paid from the Electric enterprise fund.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

On April 1, 2005, the City issued general obligation refunding bonds in the Water enterprise fund, in the amount of \$1,145,000, with interest rates from 3 percent to 5 percent, to refund \$1,340,000 of 1994 Waterworks Mortgage Revenue bonds. The City contributed cash, in the amount of \$244,402, from the Water enterprise fund, to defease the bonds. The net proceeds of \$1,142,117 (after payment of \$33,864 in underwriting fees, insurance, and other issuance costs, of which \$6,238 was refunded back to the City) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for payment to the bondholders on May 5, 2005. As a result, \$1,340,000 of the 1994 Water Mortgage Revenue bonds are considered to be paid and the liability for those bonds removed from the City's long-term obligations.

Although the refunding will result in the recognition of an accounting loss of \$107,276 for the year ended December 31, 2005, the City in effect lowered its aggregated debt service payments by \$168,787 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$81,889.

On April 1, 2005, the City issued general obligation refunding bonds in the Sewer enterprise fund, in the amount of \$1,530,000, with interest rates from 3 percent to 5 percent, to refund \$1,755,000 of 1993 Wastewater Mortgage Revenue bonds. The City contributed cash, in the amount of \$248,511, from the Sewer enterprise fund, to defease the bonds. The net proceeds of \$1,548,978 (after payment of \$46,022 in underwriting fees, insurance, and other issuance costs, of which \$5,201 was refunded back to the City) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for payment to the bondholders on May 5, 2005. As a result, \$1,755,000 of the 1993 Sewer Mortgage Revenue bonds are considered to be paid and the liability for those bonds removed from the City's long-term obligations.

Although the refunding will result in the recognition of an accounting loss of \$115,112 for the year ended December 31, 2005, the City in effect lowered its aggregated debt service payments by \$276,356 over the next ten years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$124,647.

**B. Rural Development Bonds**

The City issued rural development bonds in 2000, in the amount of \$580,000 and \$51,000, to provide funds for the acquisition of property for the development of an industrial park. These general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The bonds will be paid from transfers from the General Fund.

**C. Compensated Absences Payable**

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds are the General Fund, Street Maintenance and Repair and Recreation special revenue funds, and the Electric, Water, and Sewer enterprise funds.

**D. Mortgage Revenue Bonds**

The City issued bonds which pledge Sewer enterprise fund income derived from the acquired and constructed assets to pay the debt. In 1999, the City issued \$4,940,000 in Wastewater Refunding bonds. The refunded bonds were fully retired in 2001.



**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

The bond indentures have certain restrictive covenants and principally require that bond reserves be maintained and charges for services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties.

Fund assets, whose use are restricted under the bond indenture to improvement and replacement and debt service requirements are presented as restricted assets on the statement of fund net assets. These assets are further segregated between those held by the City and those held by trustees. Restricted assets relating to the mortgage revenue bond issue were as follows as of December 31, 2005:

	<b>Restricted Assets</b>
	<b>Wastewater Refunding</b>
<b>Restricted Assets held by the City for:</b>	
Mortgage Revenue Bond Replacement	\$562,000
Mortgage Revenue Bond Operations	84,735
 <b>Restricted Assets held by Fiscal Agent for:</b>	
Mortgage Revenue Bond Current	
Debt Service	83,246
Mortgage Revenue Bond Future	
Debt Service	415,119

The mortgage revenue bond issue contains optional redemption provisions that may be exercised by the City. The bonds may be called either in whole or in part in integral multiples of \$5,000. The date each bond issue may be called and the redemption prices, expressed as percentages of the principal amount redeemed, are set forth below:

<b>Redemption Dates</b>	<b>Wastewater Refunding</b>
December 1, 2008 to October 31, 2009	101%
December 1, 2009 and thereafter	100

**E. OPWC Loans Payable**

On August 26, 2002, City Council authorized the acceptance of a \$500,000 Ohio Public Works Commission interest free loan for the construction of a 1.5 million gallon water tower and installation of a twenty inch water line. The City has drawn \$483,243 against this loan. The project has been completed and no further amounts will be drawn.

The City's legal debt margin was \$16,548,356 at December 31, 2005.

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

**CITY OF CELINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

Year	<b>Governmental Activities</b>			
	<b>General Obligation Bonds</b>		<b>Rural Development Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$25,000	\$ 6,200	\$12,471	\$25,333
2007	25,000	4,263	13,066	24,739
2008	30,000	2,325	13,689	24,115
2009	0	0	13,377	23,462
2010	0	0	13,835	22,827
2011-2015	0	0	79,679	103,629
2016-2020	0	0	100,487	82,820
2021-2025	0	0	126,731	56,577
2026-2030	0	0	159,828	23,479
	<u>\$80,000</u>	<u>\$12,788</u>	<u>\$533,163</u>	<u>\$386,981</u>

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

Year	<b>Business-Type Activities</b>					
	<b>Electric General Obligation Bonds</b>		<b>Waterworks General Obligation Bonds</b>		<b>Wastewater General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 370,000	\$ 82,030	\$ 110,000	\$ 43,685	\$ 90,000	\$ 64,082
2007	380,000	74,630	105,000	38,185	95,000	59,583
2008	390,000	66,460	110,000	35,035	90,000	56,732
2009	400,000	57,100	110,000	29,535	95,000	52,233
2010	400,000	46,300	115,000	24,035	105,000	47,482
2011-2015	860,000	51,175	490,000	47,458	560,000	172,115
2016-2018	0	0	0	0	395,000	40,250
	<u>\$2,800,000</u>	<u>\$377,695</u>	<u>\$1,040,000</u>	<u>\$217,933</u>	<u>\$1,430,000</u>	<u>\$492,477</u>

Year	<b>Wastewater Mortgage Revenue Bonds</b>		<b>OPWC Loan</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
2005	\$ 250,000	\$ 164,018	\$ 24,162
2006	260,000	153,267	24,162
2007	275,000	141,828	24,162
2008	285,000	129,590	24,162
2009	300,000	116,622	24,162
2010-2014	1,730,000	356,538	120,811
2015-2019	395,000	19,552	120,811
2020-2024	0	0	96,649
	<u>\$3,495,000</u>	<u>\$1,081,415</u>	<u>\$459,081</u>

**F. Authorized but Unissued**

On November 21, 2005, the City approved the issuance of \$1,750,000 in tax increment revenue bonds for the construction and installation of the Celina Rotary Walkway project. These bonds were not issued as of December 31, 2005.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**20. INTERFUND TRANSFERS**

During 2005, the General Fund made transfers to other governmental funds, in the amount of \$721,263, to move receipts as debt payments became due and to subsidize various programs in other funds.

The Electric enterprise fund transferred capital assets for general government operations, in the amount of \$4,008.

The Water enterprise fund transferred capital assets for general government operations, in the amount of \$4,580.

The Sewer enterprise fund transferred capital assets for general government operations, in the amount of \$1,000.

**21. JOINT VENTURE**

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

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

**22. JOINTLY GOVERNED ORGANIZATIONS**

**A. Mercer County Community Improvement Corporation**

The Mercer County Community Improvement Corporation (Corporation) was designated as an agency of Mercer County for industrial, commercial, distribution, and research development in Mercer County. The seventeen members of the Corporation consist of representatives from the County, the City, and villages within the county, along with additional appointments as established by the bylaws. The Corporation has not been in operation for the last few years; however, the Corporation is to receive land from the City of Celina for the benefit of a company. The Corporation adopts their own budget, authorizes expenditures, hires and fires staff, and currently relies on Mercer County to finance deficits. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**22. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

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

**C. Mercer County Planning Commission**

The City participates in the Mercer County Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Mercer County, municipalities, and townships. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services within the County. In 2005, the City did not pay any membership dues toward the operation of the Commission. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

**23. INSURANCE PURCHASING POOLS**

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

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

**B. Ohio Government Risk Management Plan**

The City participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool, established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from the Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**24. CONTINGENT LIABILITIES**

**A. Litigation**

The City is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

**B. Federal and State Grants**

For the period January 1, 2005, to December 31, 2005, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**25. SUBSEQUENT EVENT**

On March 30, 2006, the City entered into a contract with Tom's Construction for the construction of the Enterprise-Livingston waterline replacement project, in the amount of \$194,067.

On April 12, 2006, the City issued water system improvement bond anticipation notes, in the amount of \$250,000, to construct the Enterprise-Livingston waterline replacement project. The notes have an interest rate of 4.75 percent and mature on November 15, 2006.

On May 26, 2006, the City entered into a contract with Tumbusch Construction, Inc. for the construction of the Touvelle Street reconstruction project including new storm sewer, waterlines, sanitary sewer, curbs, sidewalks, and pavement, in the amount of \$1,238,932.

CITY OF CELINA  
MERCER COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass Through Grantor Program Title	Project Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF COMMERCE, ECONOMIC DEVELOPMENT ADMINISTRATION</b>				
<i>Direct</i>				
Grants for Public Works and Economic Development Facilities	06-01-04689	11.300	\$98,997	\$98,997
Total U.S. Department of Commerce			<b>98,997</b>	<b>98,997</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION, FEDERAL HIGHWAY ADMINISTRATION</b>				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	MER-TR142A-00.00	20.205	380,097	380,097
Total U.S. Department of Transportation			<b>380,097</b>	<b>380,097</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Passed Through Ohio Department of Development</i>				
Small Cities Community Development Block Grant	A-E-03-103-1	14.228	47,500	47,500
Total U.S. Department of Housing and Urban Development			<b>47,500</b>	<b>47,500</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>Passed Through Ohio Criminal Justice</i>				
COPS Grant (SRO)	2000SHWX0196/OH05401	16.710	22,765	22,765
Total U.S. Department of Justice			<b>22,765</b>	<b>22,765</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed Through Ohio Emergency Management Agency</i>				
Public Assistance Grants	FEMA-1580-DR-107-12868	97.036	206,743	206,743
<i>Passed Through State Fire Marshal</i>				
Assistance to Firefighters Grant	EMW-2004-FP-01899	97.044	12,898	12,898
Assistance to Firefighters Grant	EMW-2004-FG-08435	97.044	58,102	58,102
			<u>71,000</u>	<u>71,000</u>
Total U.S. Department of Federal Emergency Management			<b>277,743</b>	<b>277,743</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b><u>\$827,102</u></b>	<b><u>\$827,102</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF CELINA  
MERCER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE ENDED DECEMBER 31, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on a true cash basis of accounting.

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

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. 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 Federal Awards Expenditures (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.

These loans are collateralized by mortgages on the property and equipment. At December 31, 2005, the gross amount of loans outstanding under this program was \$103,389. There were no delinquent amounts due at December 31, 2005.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Members of Council:

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 Celina, Mercer County, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2006. 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's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated August 24, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*. In a separate letter to the City's management dated August 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

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City of Celina  
Mercer County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 24, 2006



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Members of Council:

#### Compliance

We have audited the compliance of the City of Celina, Mercer County, (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City'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 express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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's compliance with those 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's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

#### Internal Control Over Compliance

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

**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

August 24, 2006

**CITY OF CELINA  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR END DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 20.205: Highway Planning and Construction Grant
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**CITY OF CELINA**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 21, 2006**