



Mary Taylor, CPA
Auditor of State

**CITY OF CELINA
MERCER COUNTY**

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MERCER COUNTY**

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Mary Taylor, CPA

Auditor of State

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

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, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 B, the City restated its Governmental Activities Net Assets as of January 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, 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.

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 Schedule of Federal Awards Expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 19, 2009

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

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 nonmajor funds in a single column. The City's major funds are the General, Tax Increment Financing, Electric, Water, and Sewer funds.

Reporting The City As A Whole

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2008. 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, general government, and intergovernmental activities. 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.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

Reporting The City's Most Significant Funds

Fund financial statements provide detailed information about the City's major funds, the General, Tax Increment Financing, 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.

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 2008 and 2007.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and Other Assets	\$12,394,597	\$14,267,573	\$11,087,553	\$11,630,470	\$23,482,060	\$25,898,043
Capital Assets, Net	17,082,188	17,692,196	31,125,910	26,580,942	48,208,098	44,273,138
Total Assets	<u>29,476,695</u>	<u>31,959,769</u>	<u>42,213,463</u>	<u>38,211,412</u>	<u>71,690,158</u>	<u>70,171,181</u>
Liabilities:						
Current and Other Liabilities	2,157,168	3,388,328	2,644,557	3,177,399	4,801,725	6,565,727
Long-Term Liabilities	3,753,933	3,887,109	12,861,468	9,443,501	16,615,401	13,330,610
Total Liabilities	<u>5,911,101</u>	<u>7,275,437</u>	<u>15,506,025</u>	<u>12,620,900</u>	<u>21,417,126</u>	<u>19,896,337</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

**Table 1
Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Net Assets:						
Invested in Capital Assets, Net of Related Debt	14,201,179	15,390,341	17,985,843	16,850,169	32,187,022	32,240,510
Restricted	7,612,654	7,361,386	1,016,670	936,097	8,629,324	8,297,483
Unrestricted	1,751,761	1,932,605	7,704,925	7,804,246	9,456,686	9,736,851
Total Net Assets	\$23,565,594	\$24,684,332	\$26,707,438	\$25,590,512	\$50,273,032	\$50,274,844

For governmental activities, current and other assets decreased as receivables for grants for 2007 projects that carried into 2008 were completed. Current and other liabilities decreased from the payment of liabilities related to construction projects from 2007. The overall change in net assets was not significant.

For business-type activities, net capital assets increased from the construction of the granular carbon activated water treatment system. Current and other liabilities decreased from the payment on the 2007 contracts payable on the carbon activated water treatment system. Long-term liabilities increased from the OWDA loans incurred for the construction of the carbon activated water treatment system.

Table 2 reflects the change in net assets for 2008 and 2007.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,243,174	\$ 987,080	\$20,503,349	\$16,940,462	\$21,746,523	\$17,927,542
Operating Grants, Contributions and Interest	1,147,087	928,253			1,147,087	928,253
Capital Grants, Contributions, And Interest	500,230	1,990,726	721,700	34,118	1,221,930	2,027,844
Total Program Revenues	2,890,491	3,906,059	21,225,049	16,977,580	24,115,540	20,883,639
General Revenues:						
Property Taxes	381,829	415,557			381,829	415,557
Municipal Income Taxes	2,789,496	2,716,237			2,789,496	2,716,237
Other Local Taxes	572,138	572,172			572,183	572,172
Franchise Fees	99,275	103,693			99,275	103,693
Grants and Entitlements not Restricted to Specific Programs	657,246	702,420			657,246	702,420
Interest	246,993	545,890	62,294	113,879	309,287	649,769
Other	82,607	50,821	114,017	125,877	196,624	176,698
Total General Revenues	4,829,629	5,106,790	176,311	239,756	5,005,940	5,346,546
Total Revenues	7,720,120	9,012,849	21,401,360	17,217,336	29,121,480	26,230,185

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Expenses:						
Security of Persons and Property	3,110,879	3,034,090			3,110,879	3,034,090
Public Health	74,268	68,768			74,268	68,768
Leisure Time Activities	714,364	655,453			714,364	655,453
Community Environment	57,437	190,395			57,437	190,395
Basic Utility Services	197,265	262,601			197,265	262,601
Transportation	1,550,564	1,218,536			1,550,564	1,218,536
General Government	2,023,651	1,574,980			2,023,651	1,574,980
Intergovernmental	985,995				985,998	
Interest and Fiscal Charges	125,797	121,319			125,797	121,319
Electric			16,803,059	11,938,512	16,803,059	11,938,512
Water			1,648,999	2,090,920	1,648,999	2,090,920
Sewer			1,831,014	1,563,954	1,831,014	1,563,954
Total Expenses	<u>8,840,220</u>	<u>7,126,142</u>	<u>20,283,072</u>	<u>15,593,386</u>	<u>29,123,292</u>	<u>22,719,528</u>
Revenues Over (Under) Expenses	(1,120,100)	1,886,707	1,118,288	1,623,950	(1,812)	3,510,657
Transfers	1,362	71,519	(1,362)	(71,519)		
Change in Net Assets	(1,118,738)	1,958,226	1,116,926	1,552,431	(1,812)	3,510,657
Net Assets Beginning of Year	24,684,332	22,726,106	25,590,512	24,038,081	50,274,844	46,764,187
Net Assets End of Year	<u>\$23,565,594</u>	<u>\$24,684,332</u>	<u>\$26,707,438</u>	<u>\$25,590,512</u>	<u>\$50,273,032</u>	<u>\$50,274,844</u>

For governmental activities, charges for services increased from an increase in court fines and costs, ambulance service charges, fire contracts with surrounding townships, and engineering services to other funds. Operating grants, contributions, and interest increased as the final reimbursements were received for the Mersman property clean up (with a corresponding increase in general government expenses relating to the project). Capital grants decreased significantly as grants were received for the street and alley improvements in 2007. The most significant change for general revenues was the decrease in interest due to declining economic conditions.

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, approximately 35 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 58 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 largely financed with capital grants and State shared revenues. The intergovernmental expense represents the donation of the West Bank walkway that was constructed by the City to the Ohio Department of Natural Resources.

For business-type activities, council approved rate increases that went into effect in 2008 for the Electric and Water funds. The City also received an EPA grant for the construction of the water granular-activated carbon processing plant in 2008.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The City's electric operations account for 83 percent of the expenses of the City's business-type activities and are funded almost entirely from charges for services. The majority of the increase in expenses for the Electric fund related to a 52 percent increase in the purchase of electrical power. A significant purchase of carbon was made at the end of the year that was not used in the new water filtration system and which was recorded as materials and supplies inventory, therefore, decreasing expenses within the Water fund. Sewer fund expenses increased from an increase in overhead expenses charged by the General Fund along with the costs related to the maintenance of equipment.

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**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Security of persons and Property	\$3,110,879	\$3,034,090	\$2,635,190	\$2,648,820
Public Health	74,268	68,768	74,268	68,768
Leisure Time Activities	714,364	655,453	251,049	431,169
Community Environment	57,437	190,395	50,605	(218,310)
Basic Utility Services	197,265	262,601	195,765	262,601
Transportation	1,550,564	1,218,536	823,857	(874,805)
General Government	2,023,651	1,574,980	807,203	817,124
Intergovernmental	985,995		985,995	
Interest and Fiscal Charges	125,797	121,319	125,797	121,319
Total Expenses	\$8,840,220	\$7,126,142	\$5,949,729	\$3,256,686

A large portion of the leisure time activities program is funded by charges for activities and donations from the Bryson Trust. Expenses relating to the community environment program are usually funded through general revenues; however, in 2007 the City had received capital grants for the renovations due to flood damage within the southwest area of the City. Transportation expenses received a significant amount of operating and capital grants for the reconstruction of streets and alleys in 2007, but were not fully funded in 2008. A significant portion of the general government expenses was funded with the operating grant received for the cleanup of the old Mersman Furniture property.

Governmental Funds Financial Analysis

The City's major governmental funds are the General Fund and Tax Increment Financing capital projects fund. Fund balance decreased in the General Fund from the reimbursement of costs to the Electric Fund.

Fund balance did not have a significant change in the Tax Increment Financing capital projects fund.

Business-Type Activities Financial Analysis

The City's enterprise funds are the Electric, Water, and Sewer funds. Operating revenues exceeded operating expenses for the Water fund. The Electric fund reported an operating loss and decrease in net assets although revenues were significantly increased from the prior year. The costs related to the purchase of power exceeded the rate increases in 2008. The Water fund reported a significant increase in net assets from recording large purchases of granulated carbon that were not used in the new process during the year and were recorded as materials and supplies inventory. The change in net assets for the Sewer fund was not significant.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

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 budget to the final budget have been minimal due to the continued financial difficulties in the City. Changes from the final budget to actual revenues and expenditures also were not significant.

Capital Assets And Debt Administration

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2008, was \$14,201,179 and \$17,985,843, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; construction in progress; buildings; improvements other than buildings; streets and storm sewers; furniture and equipment; vehicles; and electric, water, and sewer lines. The most significant additions for governmental assets were improvements to streets and storm sewers. In the business-type activities, the biggest change was related to the construction of a granular carbon activated water treatment system. Note 11 to the basic financial statements provides further information on the capital asset activity during 2008.

Debt - At December 31, 2008, the City had \$1,100,000 in outstanding bond anticipation notes and \$1,250,000 in revenue anticipation notes payable from governmental activities and \$580,000 in bond anticipation notes payable from business-type activities.

The City had a number of long-term obligations outstanding as of December 31, 2008. These obligations included \$474,508 in rural development bonds, \$56,501 in equipment loans, \$3,467,374 in general obligation bonds, \$2,455,059 in mortgage revenue bonds, \$398,676 in OPWC loans, and \$6,412,833 in OWDA loans. Of this amount, \$12,733,942 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include amounts due to the school district resulting from tax exemption agreements and compensated absences. Additional information regarding the City's debt can be found in Notes 18 and 19 to the basic financial statements.

Current Issues

On January 29, 2009, the City issued current refunding real estate acquisition general obligation bonds, in the amount of \$467,000. The refunding general obligation bonds have an interest rate of 4.75 percent and have a final maturity of January 29, 2024.

On February 12, 2009, the City issued revenue anticipation notes, in the amount of \$1,200,000, to retire notes previously issued to construct a walkway within the Grand Lake tax incremental financing district. The notes have an interest rate of 5 percent and mature on February 9, 2010.

On May 7, 2009, the City issued various purpose bond anticipation notes, in the amount of \$1,410,000, for storm sewer improvements on Johnson Avenue and West Logan Street, install water lines on Johnson Avenue, and make improvements at Eastview Park. The notes have an interest rate of 3.125 percent and mature on November 5, 2009.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED
(Continued)**

The Buckeye Street improvement project was started in 2009. The widening of State Route 29 West, along with new storm drainage, will be constructed in 2009. This project was postponed until the City implemented the Stormwater enterprise fund and funding became available. The City began collection of a \$2 stormwater fee per month per equivalent residential unit based on 3,083 square feet of impervious surface from all residents on January 1, 2009. Estimated revenues based on these rates beginning January 1, 2009, are \$229,300 per year.

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 Emily Stewart, 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, 2008**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,827,174	\$5,936,782	\$9,763,956
Cash and Cash Equivalents with Fiscal Agent		491,944	491,944
Accounts Receivable	345,261	1,875,666	2,220,927
Due from Other Governments	791,201	5,709	796,910
Accrued Interest Receivable	51,030	4,660	55,690
Municipal Income Taxes Receivable	493,047		493,047
Internal Balances	(507,309)	507,309	
Prepaid Items	10,614	32,482	43,096
Materials and Supplies Inventory	79,141	2,049,112	2,128,253
Property Taxes Receivable	374,019		374,019
Notes Receivable	55,124		55,124
Special Assessments Receivable	27,778		27,778
Payment in Lieu of Taxes Receivable	6,847,427		6,847,427
Unamortized Bond Issuance Costs		173,875	173,875
Investment in Joint Venture		10,014	10,014
Non-depreciable Capital Assets	9,910,893	284,631	10,195,524
Depreciable Capital Assets, Net	7,171,295	30,841,279	38,012,574
Total Assets	29,476,695	42,213,463	71,690,158
Liabilities:			
Accrued Wages Payable	98,539	65,570	164,109
Accounts Payable	141,677	278,012	419,689
Contracts Payable	4,000	1,181,172	1,185,172
Due to Other Governments	236,043	151,526	387,569
Retainage Payable		1,455	1,455
Accrued Interest Payable	52,153	36,064	88,217
Notes Payable	1,100,000	580,000	1,680,000
Deferred Revenue	368,963		368,963
Claims Payable	155,793		155,793
Deposits Held and Due to Others		350,758	350,758
Long-Term Liabilities:			
Due Within One Year	748,455	1,184,641	1,933,096
Due in More Than One Year	3,005,478	11,676,827	14,682,305
Total Liabilities	5,911,101	15,506,025	21,417,126
Net Assets:			
Invested in Capital Assets, Net of Related Debt	14,201,179	17,985,843	32,187,022
Restricted for:			
Debt Service	32,607	491,944	524,551
Capital Projects	6,684,617		6,684,617
Other Purposes	895,430		895,430
Revenue Bond Operations and Maintenance		119,070	119,070
Revenue Bond Renewal and Replacement		405,656	405,656
Unrestricted	1,751,761	7,704,925	9,456,686
Total Net Assets	\$23,565,594	\$26,707,438	\$50,273,032

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities				
Security of Persons and Property	\$3,110,879	\$420,435	\$23,274	\$31,980
Public Health	74,268			
Leisure Time Activities	714,364	105,777	4,910	352,628
Community Environment	57,437		6,832	
Basic Utility Services	197,265			1,500
Transportation	1,550,564	31,929	580,656	114,122
General Government	2,023,651	685,033	531,415	
Intergovernmental	985,995			
Interest and Fiscal Charges	125,797			
Total Governmental Activities	8,840,220	1,243,174	1,147,087	500,230
Business-Type Activities				
Electric	16,803,059	15,861,749		
Water	1,648,999	2,891,044		721,700
Sewer	1,831,014	1,750,556		
Total Business-Type Activities	20,283,072	20,503,349		721,700
Total	\$29,123,292	\$21,746,523	\$1,147,087	\$1,221,930

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Governmental Activities	Business-Type Activities	Total
(\$2,635,190)		(\$2,635,190)
(74,268)		(74,268)
(251,049)		(251,049)
(50,605)		(50,605)
(195,765)		(195,765)
(823,857)		(823,857)
(807,203)		(807,203)
(985,995)		(985,995)
(125,797)		(125,797)
<u>(5,949,729)</u>		<u>(5,949,729)</u>
	(\$941,310)	(941,310)
	1,963,745	1,963,745
	(80,458)	(80,458)
	<u>941,977</u>	<u>941,977</u>
<u>(5,949,729)</u>	<u>941,977</u>	<u>(5,007,752)</u>
295,031		295,031
43,399		43,399
43,399		43,399
2,789,496		2,789,496
572,183		572,183
99,275		99,275
657,246		657,246
246,993	62,294	309,287
82,607	114,017	196,624
<u>4,829,629</u>	<u>176,311</u>	<u>5,005,940</u>
<u>1,362</u>	<u>(1,362)</u>	
<u>4,830,991</u>	<u>174,949</u>	<u>5,005,940</u>
(1,118,738)	1,116,926	(1,812)
<u>24,684,332</u>	<u>25,590,512</u>	<u>50,274,844</u>
<u>\$23,565,594</u>	<u>\$26,707,438</u>	<u>\$50,273,032</u>

**CITY OF CELINA
MERCER COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,210,254	\$472,854	1,809,074	\$3,492,182
Accounts Receivable	33,179		1,883	35,062
Due from Other Governments	395,480		395,721	791,201
Accrued Interest Receivable	51,030			51,030
Municipal Income Taxes Receivable	493,047			493,047
Interfund Receivable	207,376			207,376
Prepaid Items	10,614			10,614
Materials and Supplies Inventory	14,634		64,507	79,141
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	9,840			9,840
Property Taxes Receivable	274,367		99,652	374,019
Notes Receivable			55,124	55,124
Special Assessments Receivable			27,778	27,778
Payment in Lieu of Taxes Receivable		6,847,427		6,847,427
Total Assets	<u>2,699,821</u>	<u>7,320,281</u>	<u>2,453,739</u>	<u>12,473,841</u>
Liabilities and Fund Balance:				
Liabilities:				
Accrued Wages Payable	82,965		15,574	98,539
Accounts Payable	108,326	5,000	27,766	141,092
Contracts Payable			4,000	4,000
Due to Other Governments	134,359		101,684	236,043
Interfund Payable	284,711		250,464	535,175
Accrued Interest Payable			7,260	7,260
Notes Payable			1,150,000	1,150,000
Deferred Revenue	837,100	6,847,427	396,105	8,080,632
Total Liabilities	<u>1,447,461</u>	<u>6,852,427</u>	<u>1,952,853</u>	<u>10,252,741</u>
Fund Balance:				
Reserved for Encumbrances	108,152	6,330	193,082	307,564
Reserved for Unclaimed Moneys	9,840			9,840
Reserved for Notes Receivable			51,867	51,867
Unreserved, Reported in:				
General Fund	1,134,368			1,134,368
Special Revenue Funds			413,640	413,640
Debt Service Fund			32,607	32,607
Capital Projects Funds (Deficit)		461,524	(190,310)	271,214
Total Fund Balance	<u>1,252,360</u>	<u>467,854</u>	<u>500,886</u>	<u>2,221,100</u>
Total Liabilities and Fund Balance	<u>\$2,699,821</u>	<u>\$7,320,281</u>	<u>\$2,453,739</u>	<u>\$12,473,841</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, 2008**

Total Governmental Fund Balance	\$2,221,100
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,082,188
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$29,747	
Due from Other Governments	533,217	
Accrued Interest Receivable	39,734	
Municipal Income Taxes Receivable	228,710	
Property Taxes Receivable	5,056	
Special Assessments Receivable	27,778	
Payment in Lieu of Taxes Receivable	6,847,427	
		7,711,669

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(179,510)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(44,893)	
Notes Payable	(1,200,000)	
Rural Development Bonds Payable	(474,508)	
Loans Payable	(56,501)	
Payments Due to School District	(1,691,021)	
Compensated Absences Payable	(281,903)	
		(3,748,826)

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.	478,973
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Net Assets of Governmental Activities	\$23,565,594
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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, 2008**

	General	Tax Increment Financing	Other Governmental	Total Governmental Funds
Revenues:				
Property Taxes	\$293,287		\$86,276	\$379,563
Municipal Income Taxes	2,860,272			2,860,272
Payment in Lieu of Taxes		\$426,028		426,028
Other Local Taxes	572,183			572,183
Special Assessments			5,155	5,155
Charges for Services	357,266		126,877	484,143
Fees, Licenses, and Permits	106,710			106,710
Fines and Forfeitures	348,478		82,237	430,715
Intergovernmental	996,081		1,345,879	2,341,960
Interest	275,832	25,978	39,628	341,438
Gifts and Donations	27,860		44,798	72,658
Other	44,669		41,274	85,943
Total Revenues	5,882,638	452,006	1,772,124	8,106,768
Expenditures:				
Current:				
Security of Persons and Property	2,775,776		411,034	3,186,810
Public Health	74,268			74,268
Leisure Time Activities	102,883		634,319	737,202
Community Environment	48,204		6,233	54,437
Basic Utility Services	257,156			257,156
Transportation	186,720	186,278	1,144,598	1,517,596
General Government	1,510,892		565,159	2,076,051
Intergovernmental		93,530		93,530
Debt Service:				
Principal Retirement			53,609	53,609
Current Refunding			50,000	50,000
Interest and Fiscal Charges		27,382	105,619	133,001
Total Expenditures	4,955,899	307,190	2,970,571	8,233,660
Excess of Revenues Over (Under) Expenditures	926,739	144,816	(1,198,447)	(126,892)
Other Financing Sources (Uses):				
Notes Issued			1,200,000	1,200,000
Loans Issued			78,241	78,241
Current Refunding			(1,200,000)	(1,200,000)
Sale of Capital Assets			19,260	19,260
Transfers In			1,231,878	1,231,878
Transfers Out	(1,123,230)	(137,235)		(1,260,465)
Total Other Financing Sources (Uses)	(1,123,230)	(137,235)	1,329,379	68,914
Changes in Fund Balance	(196,491)	7,581	130,932	(57,978)
Fund Balance Beginning of Year	1,448,851	460,273	369,954	2,279,078
Fund Balance End of Year	\$1,252,360	\$467,854	\$500,886	\$2,221,100

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, 2008**

Changes in Fund Balance - Total Governmental Funds (\$57,978)

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	\$337,779	
Capital Outlay - Nondepreciable Capital Assets	348,629	
Capital Outlay - Depreciable Capital Assets	339,657	
Depreciation	<u>(555,820)</u>	
		470,245

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets when sold or otherwise disposed of and is offset against any proceeds from the sale of capital assets on the statement of activities.

Sale of Capital Assets	(19,260)	
Loss on Disposal of Capital Assets	<u>(1,060,993)</u>	(1,080,253)

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

Property Taxes	2,266	
Municipal Income Taxes	(70,776)	
Payment in Lieu of Taxes	(426,028)	
Fees, Licenses, and Permits	(2,436)	
Fines and Forfeitures	666	
Special Assessments	5,674	
Charges for Services	622	
Intergovernmental	(172,182)	
Interest	(28,948)	
Other	<u>(3,336)</u>	
		(694,478)

Note and loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (1,278,241)

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

Notes Payable	1,250,000	
Rural Development Bonds Payable	31,869	
Loans Payable	21,740	
Payments Due to School District	<u>93,530</u>	1,397,139

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. 7,204

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. 14,278

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. 103,346

Change in Net Assets of Governmental Activities (\$1,118,738)

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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$284,091	\$284,091	\$291,993	\$7,902
Municipal Income Taxes	2,720,000	2,722,805	2,796,163	73,358
Other Local Taxes	600,000	600,000	569,195	(30,805)
Charges for Services	202,000	202,000	346,197	144,197
Fees, Licenses, and Permits	105,700	105,700	106,420	720
Fines and Forfeitures	308,000	308,000	342,614	34,614
Intergovernmental	928,897	978,342	1,023,940	45,598
Interest	294,000	294,000	346,878	52,878
Gifts and Donations			27,860	27,860
Other	61,000	88,200	54,272	(33,928)
Total Revenues	5,503,688	5,583,138	5,905,532	322,394
Expenditures:				
Current:				
Security of Persons and Property	2,809,338	2,876,518	2,761,603	114,915
Public Health	74,268	74,268	74,268	
Leisure Time Activities	107,500	107,500	101,292	6,208
Community Environment	70,684	78,184	60,017	18,167
Basic Utility Services	293,862	296,512	277,985	18,527
Transportation	207,106	210,381	185,723	24,658
General Government	1,389,221	1,487,471	1,319,066	168,405
Other	29,150	3,600	2,528	1,072
Total Expenditures	4,981,129	5,134,434	4,782,482	351,952
Excess of Revenues Over Expenditures	522,559	448,704	1,123,050	674,346
Other Financing Uses:				
Advances Out	(35,750)	(35,750)	(32,185)	3,565
Transfers Out	(949,630)	(1,189,630)	(1,123,230)	66,400
Total Other Financing Uses	(985,380)	(1,225,380)	(1,155,415)	69,965
Changes in Fund Balance	(462,821)	(776,676)	(32,365)	744,311
Fund Balance Beginning of Year	1,199,378	1,199,378	1,199,378	
Prior Year Encumbrances Appropriated	75,241	75,241	75,241	
Fund Balance End of Year	\$811,798	\$497,943	\$1,242,254	\$744,311

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	<u>Enterprise Funds</u>			<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>		
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,802,867	\$848,311	\$410,120	\$5,061,298	\$325,152
Accounts Receivable	1,455,209	256,368	164,089	1,875,666	310,199
Due from Other Governments	3,806	951	952	5,709	
Accrued Interest Receivable			4,660	4,660	
Interfund Receivable	534,252	33		534,285	
Prepaid Items	21,063	6,193	5,226	32,482	
Materials and Supplies Inventory	1,400,680	624,844	23,588	2,049,112	
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	350,758		524,726	875,484	
Cash and Cash Equivalents with Fiscal Agent			491,944	491,944	
Total Current Assets	<u>7,568,635</u>	<u>1,736,700</u>	<u>1,625,305</u>	<u>10,930,640</u>	<u>635,351</u>
Non-Current Assets:					
Unamortized Bond Issuance Costs	40,717	16,652	116,506	173,875	
Investment in Joint Venture	10,014			10,014	
Non-depreciable Capital Assets	146,834	70,617	67,180	284,631	
Depreciable Capital Assets, Net	13,199,890	12,696,886	4,944,503	30,841,279	
Total Non-Current Assets	<u>13,397,455</u>	<u>12,784,155</u>	<u>5,128,189</u>	<u>31,309,799</u>	
Total Assets	<u>20,966,090</u>	<u>14,520,855</u>	<u>6,753,494</u>	<u>42,240,439</u>	<u>635,351</u>
Liabilities:					
Current Liabilities:					
Accrued Wages Payable	29,989	23,335	12,246	65,570	
Accounts Payable	90,223	162,393	25,396	278,012	585
Contracts Payable	1,160,134	16,738	4,300	1,181,172	
Compensated Absences Payable	14,548	12,145	5,124	31,817	
Due to Other Governments	76,648	44,193	30,685	151,526	
Retainage Payable		1,455		1,455	
Interfund Payable	46,513	54,696	105,277	206,486	
Accrued Interest Payable	4,693	5,420	25,951	36,064	
Notes Payable		580,000		580,000	
Claims Payable					155,793
General Obligation Bonds Payable	400,000	110,000	95,000	605,000	
Mortgage Revenue Bonds Payable			285,000	285,000	
OPWC Loans Payable		24,162		24,162	
OWDA Loans Payable		238,662		238,662	
Total Current Liabilities	<u>1,822,748</u>	<u>1,273,199</u>	<u>588,979</u>	<u>3,684,926</u>	<u>156,378</u>
Non-Current Liabilities:					
Deposits Held and Due to Others	350,758			350,758	
General Obligation Bonds Payable	1,282,846	557,357	1,022,171	2,862,374	
Mortgage Revenue Bonds Payable			2,170,059	2,170,059	
OPWC Loans Payable		374,514		374,514	
OWDA Loans Payable		6,174,171		6,174,171	
Compensated Absences Payable	42,515	40,040	13,154	95,709	
Total Non-Current Liabilities	<u>1,676,119</u>	<u>7,146,082</u>	<u>3,205,384</u>	<u>12,027,585</u>	
Total Liabilities	<u>3,498,867</u>	<u>8,419,281</u>	<u>3,794,363</u>	<u>15,712,511</u>	<u>156,378</u>
Net Assets:					
Invested in Capital Assets, Net of Related Debt	11,704,595	4,725,289	1,555,959	17,985,843	
Restricted for:					
Revenue Bond Operations and Maintenance			119,070	119,070	
Revenue Bond Renewal and Replacement			405,656	405,656	
Revenue Bond Future Debt Service			491,944	491,944	
Unrestricted	5,762,628	1,376,285	386,502	7,525,415	478,973
Total Net Assets	<u>\$17,467,223</u>	<u>\$6,101,574</u>	<u>\$2,959,131</u>	<u>26,527,928</u>	<u>\$478,973</u>

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.

179,510

Net assets of business-type activities

\$26,707,438

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPREITARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Operating Revenues:					
Charges for Services	\$15,515,504	\$2,891,044		\$18,406,548	\$1,355,869
Charges for Services Pledged as Security on Mortgage Revenue Bonds			\$1,750,556	1,750,556	
Other	70,239	38,397	5,381	114,017	4,621
Total Operating Revenues	<u>15,585,743</u>	<u>2,929,441</u>	<u>1,755,937</u>	<u>20,271,121</u>	<u>1,360,490</u>
Operating Expenses:					
Personal Services	985,299	1,039,684	554,194	2,579,177	164,284
Contractual Services					234,214
Materials and Supplies	14,790,667	341,327	745,159	15,877,153	1,179
Claims					795,516
Depreciation	863,345	213,633	304,673	1,381,651	
Total Operating Expenses	<u>16,639,311</u>	<u>1,594,644</u>	<u>1,604,026</u>	<u>19,837,981</u>	<u>1,195,193</u>
Operating Income (Loss)	<u>(1,053,568)</u>	<u>1,334,797</u>	<u>151,911</u>	<u>433,140</u>	<u>165,297</u>
Non-Operating Revenues (Expenses):					
Excise Taxes	346,245			346,245	
Loss on Disposal of Capital Assets	(123,150)	(2,206)	(79)	(125,435)	
Change in Joint Venture	(24)			(24)	
Interest Revenue		689	61,605	62,294	
Interest Expense	(69,889)	(72,500)	(239,194)	(381,583)	
Total Non-Operating Revenues (Expenses)	<u>153,182</u>	<u>(74,017)</u>	<u>(177,668)</u>	<u>(98,503)</u>	
Income (Loss) before Contributions and Transfers	(900,386)	1,260,780	(25,757)	334,637	165,297
Capital Contributions		721,700		721,700	
Transfers In		28,587		28,587	
Transfers Out	(13,061)	(16,446)	(442)	(29,949)	
Changes in Net Assets	(913,447)	1,994,621	(26,199)	1,054,975	165,297
Net Assets Beginning of Year	<u>18,380,670</u>	<u>4,106,953</u>	<u>2,985,330</u>		<u>313,676</u>
Net Assets End of Year	<u>\$17,467,223</u>	<u>\$6,101,574</u>	<u>\$2,959,131</u>		<u>\$478,973</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>61,951</u>
Change in net assets of busines-type activities	<u>\$1,116,926</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF GELINA
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Electric	Water	Sewer	Total Enterprise Funds	Governmental Activity Self Insurance Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents:					
Cash Flows from Operating Activities:					
Cash Received from Customers	\$14,939,039	\$2,839,091	\$1,727,882	\$19,506,012	\$142,936
Cash Received from Transactions with Other Funds	228,216			228,216	1,212,933
Cash Payments for Personal Services	(1,173,066)	(995,474)	(513,818)	(2,682,358)	(164,284)
Cash Payments for Contractual Services					(233,629)
Cash Payments for Materials and Supplies	(14,452,243)	(1,610,923)	(653,054)	(16,716,220)	
Cash Payments for Claims					(1,418,805)
Cash Payments for Transactions with Other Funds	(18)	(96,595)	(124,587)	(221,200)	
Cash Received from Other Revenues	74,375	54,988	6,924	136,287	179,974
Cash Received from Deposits	117,425			117,425	
Cash Payments for Deposits Refunded	(84,371)			(84,371)	
Net Cash Provided by (Used for) Operating Activities	(350,643)	191,087	443,347	283,791	(280,875)
Cash Flows from Non-capital Financing Activities:					
Cash Received from Excise Taxes	346,245			346,245	
Interest Paid on Advance Out			(3,200)	(3,200)	
Advances In	76,370			76,370	
Advances Out			(20,000)	(20,000)	
Transfers In		28,587		28,587	
Net Cash Provided by (Used for) Non-capital Financing Activities	422,615	28,587	(23,200)	428,002	
Cash Flows from Capital and Related Financing Activities:					
Principal Paid on Bond Anticipation Notes		(620,000)		(620,000)	
Principal Paid on General Obligation Bonds	(390,000)	(110,000)	(90,000)	(590,000)	
Principal Paid on Mortgage Revenue Bonds			(275,000)	(275,000)	
Principal Paid on OPWC Loans		(24,162)		(24,162)	
Principal Paid on OWDA Loans		(253,386)		(253,386)	
Interest Paid on Bond Anticipation Notes		(23,172)		(23,172)	
Interest Paid on General Obligation Bonds	(66,460)	(35,035)	(56,732)	(158,227)	
Interest Paid on Mortgage Revenue Bonds			(141,828)	(141,828)	
Proceeds of Bond Anticipation Notes		580,000		580,000	
Proceeds of OWDA Loans		4,537,838		4,537,838	
Issuance Costs Paid on Bond Anticipation Notes		(4,960)		(4,960)	
Cash Received from Capital Contributions		721,700		721,700	
Personal Services for Capital Assets	(158,810)			(158,810)	
Acquisition of Capital Assets	(1,174,560)	(4,683,279)	(65,354)	(5,923,193)	
Net Cash Provided By (Used for) Capital and Related Financing Activities	(1,789,830)	85,544	(628,914)	(2,333,200)	
Cash Flows from Investing Activities:					
Interest		689	74,736	75,425	
Net Increase (Decrease) in Cash and Cash Equivalents	(1,717,858)	305,907	(134,031)	(1,545,982)	(280,875)
Cash and Cash Equivalents Beginning of Year	5,871,483	542,404	1,560,821	7,974,708	606,027
Cash and Cash Equivalents End of Year	<u>\$4,153,625</u>	<u>\$848,311</u>	<u>\$1,426,790</u>	<u>\$6,428,726</u>	<u>\$325,152</u>

(Continued)

**CITY OF GELINA
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	(\$1,053,568)	\$1,334,797	\$151,911	\$433,140	\$165,297
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation	863,345	213,633	304,673	1,381,651	
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	(338,985)	(51,286)	(22,669)	(412,940)	(292,000)
Decrease in Due from Other Governments	3,239	810	809	4,858	
(Increase) Decrease in Interfund Receivable	(248,383)	15,114	729	(232,540)	
(Increase) Decrease in Prepaid Items	(5,631)	(241)	726	(5,146)	
(Increase) Decrease in Materials and Supplies Inventory	(58,706)	(415,652)	3,246	(471,112)	
Increase in Accrued Wages Payable	9,937	7,158	3,963	21,058	
Increase (Decrease) in Accounts Payable	2,909	137,902	(30,513)	110,298	585
Increase (Decrease) in Contracts Payable	432,960	(1,007,097)	(8,949)	(583,086)	
Increase in Due to Other Governments	6,827	6,723	3,534	17,084	
Decrease in Retainage Payable		(87,509)		(87,509)	
Increase in Interfund Payable	2,988	45,236	34,860	83,084	
Decrease in Claims Payable					(154,757)
Increase in Deposits Held and Due to Others	33,054			33,054	
Increase (Decrease) in Compensated Absences Payable	(629)	(8,501)	1,027	(8,103)	
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$350,643)</u></u>	<u><u>\$191,087</u></u>	<u><u>\$443,347</u></u>	<u><u>\$283,791</u></u>	<u><u>(\$280,875)</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2008**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$7,268
Cash and Cash Equivalents in Segregated Accounts	42,155
Total Assets	<u>\$49,423</u>

Liabilities:

Due to Other Governments	\$1,311
Payroll Withholdings	281
Deposits Held and Due to Others	47,831
Total Liabilities	<u>\$49,423</u>

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 2008.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement 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, 2008
(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 to its 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 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, 2008
(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 presented 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 are the City's major governmental funds:

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.

Tax Increment Financing Fund - The Tax Increment Financing Fund accounts for payment in lieu of tax revenues for infrastructure and recreational improvement and construction.

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, 2008
(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 2008. 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 yet 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, 2008
(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.

Nonexchange 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 nonexchange 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 fees), 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, 2008, but were levied to finance 2009 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, 2008
(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, department, and object level for some funds and at the fund level for other funds. Budgetary allocations at the department and object level within these 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, and not included in the city treasury, are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2008, the City invested in nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. 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, 2008.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(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 2008 was \$275,832, which includes \$228,811 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, 2008, 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, 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 funds 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, 2008
(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 and are generally paid from debt proceeds. 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 1980. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
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

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".

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 policy and length of service.

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. Long-term notes, bonds, and loans are recognized as liabilities on the fund financial statements when due.

P. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, 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.

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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonoperating.

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 Activities

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

During 2008, the Electric, Water, and Sewer enterprise funds donated capital assets for governmental operations, in the amount of \$13,061, \$16,446, and \$442, respectively. Therefore, transfers in and out do not equal within the fund financial statements.

V. 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

A. Change in Accounting Principles

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", and GASB Statement No. 52 "Land and Other Real Estate Held as Investments by Endowments".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

B. Restatement of Net Assets

In the prior year, the City did not record the full receivable for payment in lieu of taxes nor the related liability to the School District.

The restatement had the following effect on net assets as previously reported.

	Governmental Activities
Net Assets at December 31, 2007	\$19,195,428
Payment in Lieu of Taxes Receivable	6,886,369
Intergovernmental Payable	(1,784,551)
Deferred Revenue	387,086
Restated Net Assets at December 31, 2007	\$24,684,332

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2008, the Police Pension, Fire Pension, 2007 JAG Law Enforcement, and Mersman Demolition special revenue funds and the CDBG capital projects fund had deficit fund balances, in the amount of \$40,001, \$56,134, \$11,600, \$9,016, and \$33,540, 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

At December 31, 2008, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$25,427, due to reporting special assessments as deferred revenue on the modified accrual basis. The deficit will be alleviated when the special assessments are received.

At December 31, 2008, the State Route 29 West Improvement, Wayne Street Improvement, and Grand Lake Road Improvement capital projects funds had deficit fund balances, in the amount of \$3,132, \$108,008, and \$664,486, 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, 2008, the 2007 JAG Law Enforcement and Mersman Demolition special revenue funds and the CDBG and the Sidewalk/Curb capital projects funds had deficit cash balances, in the amount of \$11,700, \$89,950, \$33,540, and \$26,072, respectively.

For the year ended December 31, 2008, the CDBG, Sidewalk/Curb, SR 29 West Improvement, and Grand Lake Road Improvement capital projects funds and the Water enterprise fund had final appropriations in excess of estimated resources and available balances, in the amount of \$34,239, \$1,726, \$6,399, \$577,477, and \$4,741,512, respectively.

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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

Change in Fund Balance	
GAAP Basis	(\$196,491)
Increases (Decreases) Due To	
Revenue Accruals:	
Accrued 2007, Received in Cash 2008	497,654
Accrued 2008, Not Yet Received in Cash	(456,862)
Expenditure Accruals:	
Accrued 2007, Paid in Cash 2008	(291,863)
Accrued 2008, Not Yet Paid in Cash	496,798
Cash Adjustments:	
Unrecorded Activity 2007	79,532
Unrecorded Activity 2008	(16,682)
Prepaid Items	6,564
Materials and Supplies Inventory	2,845
Advances Out	(32,185)
Encumbrances Outstanding at Year End (Budget Basis)	(121,675)
Budget Basis	(\$ 32,365)

6. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such moneys 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 moneys. Interim moneys are those moneys 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 moneys deposited with the institution.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Interim moneys 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;
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);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time.

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.

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, \$3,786,757 of the City's bank balance of \$5,704,875 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, non-compliance 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 moneys deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of December 31, 2008, the City had the following investments:

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Federal Home Loan Mortgage Corporation Notes	\$1,025,920			\$ 554,833	\$471,087
Federal Farm Credit Bank Bonds	568,953			383,546	185,407
Federal Farm Credit Bank Notes	445,462			445,462	
Federal National Mortgage Association Notes	948,515		\$364,029	476,736	107,750
Federal Home Loan Bank Bonds	925,778		205,812	719,966	
Mutual Funds	511,364	\$511,364			
STAR Ohio	438,799	438,799			
Total	<u>\$4,864,791</u>	<u>\$950,163</u>	<u>\$569,841</u>	<u>\$2,580,543</u>	<u>\$764,244</u>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code. 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 Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Bonds, Federal Farm Credit Bank Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, and the mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy for credit risk beyond the requirements of State statutes. Ohio law requires that mutual funds consist exclusively of obligations described in division 1 or 2 on page 38 and must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim moneys 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>
Federal Home Loan Mortgage Corporation	\$1,025,920	21.09%
Federal Farm Credit Bank	1,014,415	20.85
Federal National Mortgage Association	948,515	19.50
Federal Home Loan Bank	925,778	19.03

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

7. RECEIVABLES

Receivables at December 31, 2008, 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 municipal income taxes, property taxes, notes, special assessments, payment in lieu of taxes, and the allowance for uncollectibles related to utility services. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments, in the amount of \$10,943, will not be received within one year. Delinquent special assessments were \$1,193 at December 31, 2008. Payment in lieu of taxes, in the amount of \$6,385,274, 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 \$5,573, was repaid during 2008. Notes outstanding at December 31, 2008, were \$55,124. Notes receivable, in the amount of \$51,867, will not be received within one year.

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

	Electric	Water	Sewer	Total Enterprise Funds
Accounts Receivable	\$1,724,900	\$302,857	\$193,835	\$2,221,592
Less Allowance for Un-collectibles	(269,691)	(46,489)	(29,746)	(345,926)
Net Accounts Receivable	\$1,455,209	\$256,368	\$164,089	\$1,875,666

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Major Fund:	
General Fund:	
Property Tax Allocations	\$ 26,816
Local Government	228,696
Estate Tax	64,874
Lodging Tax	1,301
Liquor Licenses	2,200
Fire Protection	43,975
Mental Health Transport	349
Court Costs	27,269
Total General Fund	395,480
Non-major Funds:	
Street:	
Gasoline Tax	191,961
Motor Vehicle License Tax	64,155
Total Street	256,116

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

7. RECEIVABLES (Continued)

	Amount
State Highway:	
Gasoline Tax	15,564
Motor Vehicle License Tax	5,202
Total State Highway	20,766
Parks and Recreation:	
Reimbursement	78
Police Pension:	
Property Tax Allocations	4,022
Fire Pension:	
Property Tax Allocations	4,022
Permissive MVL:	
Permissive MVL	1,988
Indigent Driver:	
Grant	4,434
2007 JAG Law Enforcement:	
Department of Criminal Justice	10,530
Police Training:	
Department of Criminal Justice	1,920
Mersman Demolition	
Ohio Department of Development	91,845
Total Non-major Funds	395,721
Total Governmental Activities	\$791,201
	Amount
Business-Type Activities:	
Electric	\$3,806
Water	951
Sewer	952
Total Business-Type Activities	\$5,709

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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

9. PROPERTY TAXES (Continued)

Public utility property tax revenues received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2006, were levied after October 1, 2007, 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 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, is 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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, 2008, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable has been deferred.

The full tax rate for all City operations for the year ended December 31, 2008, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category	Amount
Real Property	
Residential/Agricultural	\$120,129,830
Commercial/Industrial	39,569,230
Public Utility Property	
Real	5,860
Personal	412,850
Tangible Personal Property	6,814,220
Total Assessed Value	\$166,931,990

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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 exemptions 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 exempted. 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, 2008, was as follows:

	<u>Balance 1/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2008</u>
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 2,019,236	\$ 57,830	(\$ 27,034)	\$ 2,050,032
Land Improvements	7,312,301	401,126	(67,224)	7,646,203
Construction in Progress	2,605,473	377,427	(2,768,242)	214,658
Total Nondepreciable Capital Assets	<u>11,937,010</u>	<u>836,383</u>	<u>(2,862,500)</u>	<u>9,910,893</u>
Depreciable Capital Assets:				
Land Improvements	489,593	252,445		742,038
Buildings	288,422	17,055		305,477
Improvements Other than Buildings	1,684,293	2,934		1,687,227
Streets and Storm Sewers	9,977,965	1,378,676	(99,675)	11,256,966
Furniture and Equipment	600,508	119,311	(10,003)	709,816
Vehicles	2,180,301	201,508	(46,262)	2,335,547
Total Depreciable Capital Assets	<u>15,221,082</u>	<u>1,971,929</u>	<u>(155,940)</u>	<u>17,037,071</u>
Less Accumulated Depreciation for:				
Land Improvements	(217,438)	(27,726)		(245,164)
Buildings	(188,323)	(14,474)		(202,797)
Improvements Other than Buildings	(809,625)	(54,001)		(863,626)
Streets and Storm Sewers	(6,490,138)	(322,411)	99,675	(6,712,874)
Furniture and Equipment	(392,898)	(43,886)	10,003	(426,781)
Vehicles	(1,367,474)	(93,322)	46,262	(1,414,534)
Total Accumulated Depreciation	<u>(9,465,896)</u>	<u>(555,820)</u>	<u>155,940</u>	<u>(9,865,776)</u>
Total Depreciable Capital Assets, Net	<u>5,755,186</u>	<u>1,416,109</u>		<u>7,171,295</u>
Governmental Activities Capital Assets, Net	<u>\$17,692,196</u>	<u>\$2,252,492</u>	<u>(\$2,862,500)</u>	<u>\$17,082,188</u>

During 2008, the City accepted contributions of capital assets from outside sources, in the amount of \$307,830. The City also received capital assets from the Electric, Water, and Sewer enterprise funds, in the amount of \$13,061, \$16,446, and \$442, respectively.

During 2008, the City donated the first phase of the West Bank Walkway to the Ohio Department of Natural Resources, in the amount of \$985,995.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

11. CAPITAL ASSETS (Continued)

	<u>Balance 1/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2008</u>
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$ 232,017			\$ 232,017
Construction in Progress	3,257,914	\$ 4,638,615	(\$7,843,915)	52,614
Total Nondepreciable Capital Assets	<u>3,489,931</u>	<u>4,638,615</u>	<u>(7,843,915)</u>	<u>284,631</u>
Depreciable Capital Assets:				
Land Improvements	17,762	190,061		207,823
Buildings	20,638,195	7,553,854		28,192,049
Electric, Water, and Sewer Lines	26,518,923	1,194,952	(395,347)	27,318,528
Furniture and Equipment	639,750	143,466	(13,751)	769,465
Vehicles	1,862,446	197,280	(65,908)	1,993,818
Total Depreciable Capital Assets	<u>49,677,076</u>	<u>9,279,613</u>	<u>(475,006)</u>	<u>58,481,683</u>
Less Accumulated Depreciation for:				
Land Improvements	(6,829)	(392)		(7,221)
Buildings	(14,232,770)	(356,920)		(14,589,690)
Electric, Water, and Sewer Lines	(10,792,725)	(867,145)	272,355	(11,387,515)
Furniture and Equipment	(409,726)	(40,636)	11,308	(439,054)
Vehicles	(1,144,015)	(116,558)	43,649	(1,216,924)
Total Accumulated Depreciation	<u>(26,586,065)</u>	<u>(1,381,651)</u>	<u>327,312</u>	<u>(27,640,404)</u>
Total Depreciable Capital Assets, Net	<u>23,091,011</u>	<u>7,897,962</u>	<u>(147,694)</u>	<u>30,841,279</u>
Business-Type Activities Capital Assets, Net	<u>\$26,580,942</u>	<u>\$12,536,577</u>	<u>(\$7,991,609)</u>	<u>\$31,125,910</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Security of Persons and Property	\$ 56,660
Leisure Time Activities	89,559
Community Environment	2,592
Basic Utility Services	4,637
Transportation	384,106
General Government	18,266
Total Depreciation Expense - Governmental Activities	<u>\$555,820</u>

12. INTERFUND RECEIVABLES/PAYABLES

At December 31, 2008, the General Fund had an interfund receivable, in the amount of \$207,376; \$160,663 from providing cash flow resources to other governmental funds, \$46,513 from the Electric enterprise fund for the City's portion of the kilowatt hour tax, and \$200 from the Sewer enterprise fund for the interest due on loans.

**CITY OF CELINA
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

12. INTERFUND RECEIVABLES/PAYABLES (Continued)

The Electric enterprise fund had an interfund receivable, in the amount of \$534,252. Of this amount, \$34,099 was for services provided by the Electric enterprise fund, in the amount of \$25 to the General Fund, in the amount of \$206 to other governmental funds, in the amount of \$18,189 to the Water enterprise fund, and in the amount of \$15,679 to the Sewer enterprise fund. The General Fund and the Water and Sewer enterprise funds were responsible to reimburse costs of operations to the Electric Fund, in the amount of \$171,123, \$36,507, and \$29,398, respectively. During 2008, the Electric enterprise fund also provided loans to the General Fund, other governmental funds, and the Sewer enterprise fund, in the amount of \$113,563, \$89,562, and \$60,000, respectively. Of the \$534,252, \$347,497 is expected to be repaid within one year.

The Water enterprise fund had an interfund receivable, in the amount of \$33, from other governmental funds for services provided by the Water enterprise fund.

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 2008, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	\$37,476,182	\$1,000
Equipment	2,266,587	1,000
Electronic Data Processing	222,075	1,000
General Liability - Aggregate	7,000,000	
Public Official Liability - Aggregate	7,000,000	5,000
Law Enforcement Liability - Aggregate	7,000,000	5,000
Employee Benefits Liability - Aggregate	3,000,000	
Automobile Liability	5,000,000	

There has been no significant reduction in insurance coverage from 2007, and no insurance settlement has exceeded insurance coverage during the last three years.

Each participant of Ohio Government Risk Management Plan enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. The firm of Hylant Administrative Services provides administrative, cost control, and actuarial services to the Plan.

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 \$50,000 per year for each individual, with a \$1,000,000 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

13. RISK MANAGEMENT (Continued)

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, 2008, 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 2007 and 2008 were:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Stop-Loss Reimbursement	Claims Payments	Balance at Year End
2007	\$117,640	\$1,171,471	\$36,534	(\$1,015,095)	\$310,550
2008	310,550	795,516	468,532	(1,418,805)	155,793

C. Workers' Compensation

For 2008, 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
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(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, 2008:

<u>Vendor</u>	<u>Outstanding Balance</u>
PFK Associates	\$47,291
CH2M Hill, Inc.	73,858
Fanning/Howey Associates, Inc.	93,985
Dueco, Inc.	173,345
Shinn Brothers	200,563
Electri Com	12,060
Sawvell and Associates, Inc.	5,984
David Williams and Associates	34,862
Wellman Brothers, Inc.	13,930
U. S. Utility Contractor Company, Inc.	80,000
E. L. Davis, Inc.	7,500
Floyd Browne Associates, Inc.	20,000
L&L Distribution Center, Inc.	80,000
TC Communications	29,520
John Deere Company	8,600
ITT Water and Wastewater	22,238

15. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the traditional pension 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 stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14 percent of covered payroll, 7 percent was used to fund pension obligations with the remainder allocated to fund the postemployment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 was \$231,953, \$263,195, and \$286,157, respectively; 91 percent has been contributed for 2008 and 100 percent for 2006 and 2005. There were no contributions to the member-directed plan for 2008.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The City's required contribution for pension obligations for police and firefighters for the year ended December 31, 2008, was \$107,673 and \$150,956, for the year ended December 31, 2007, was \$100,937 and \$140,444, and for the year ended December 31, 2006, was \$91,494 and \$128,409. For 2008, 76 percent has been contributed for both police and firefighters. The full amount has been contributed for 2007 and 2006.

16. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

16. POSTEMPLOYMENT BENEFITS (Continued)

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 7 percent for 2008.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2008, 2007, and 2006 was \$231,953, \$176,717, and \$139,968, respectively; 91 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment healthcare plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium reimbursement, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OPF provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit, or is a spouse or eligible dependent child of such person.

The Ohio Revised Code permits, but does not require, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

16. POSTEMPLOYMENT BENEFITS (Continued)

Funding policy - OPF's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2008, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of section 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters for the year ended December 31, 2008, was \$57,003 and \$59,070, for the year ended December 31, 2007, was \$53,437 and \$54,956, and for the year ended December 31, 2006, was \$60,347 and \$61,241. For 2008, 76 percent has been contributed for both police and firefighters. The full amount has been contributed for 2007 and 2006.

17. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are 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 policy.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

18. SHORT-TERM OBLIGATIONS

The City's note activity for the year ended December 31, 2008, was as follows:

	<u>Interest Rate</u>	<u>Balance 1/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2008</u>
Governmental Activities:					
Industrial Park					
November 13, 2008	3.75%	\$ 60,000		\$ 60,000	
State Route 29 West Improvement					
November 13, 2008	3.75	220,000		220,000	
November 5, 2009	3.8		\$ 220,000		\$ 220,000
Total State Route 29 West Improvement		<u>220,000</u>	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>
Wayne Street Improvements					
November 13, 2008	3.75	110,000		110,000	
November 5, 2009	3.8		110,000		110,000
Total Wayne Street Improvement		<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>
Grand Lake Road Improvement					
November 13, 2008	3.75	770,000		770,000	
November 5, 2009	3.8		770,000		770,000
Total Grand Lake Road Improvement		<u>770,000</u>	<u>770,000</u>	<u>770,000</u>	<u>770,000</u>
Total Governmental Activities		<u>1,160,000</u>	<u>1,100,000</u>	<u>1,160,000</u>	<u>1,100,000</u>
Business-Type Activities:					
Water Tower					
November 13, 2008	3.75%	\$390,000		390,000	
November 5, 2009	3.8		370,000		370,000
Livingston Water Line					
November 13, 2008	3.75	230,000		230,000	
November 5, 2009	3.8		210,000		210,000
Total Business-Type Activities		<u>\$620,000</u>	<u>\$ 580,000</u>	<u>\$ 620,000</u>	<u>\$ 580,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds.

All of the City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year. The Industrial Park notes were issued for the purchase of land and were fully paid in 2008. The State Route 29 West Improvement, Wayne Street Improvements, and Grand Lake Road Improvement notes were issued for the replacement of infrastructure. The Water Tower and Livingston Water Line notes were issued for the construction of capital assets in the Water enterprise fund. As of December 31, 2008, all proceeds had been spent.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

19. LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance 1/1/2008	Additions	Reductions	Balance 12/31/2008	Due Within One Year
Governmental Activities:						
Revenue Anticipation Notes						
West Bank Walkway	3.75%	\$1,300,000	\$1,250,000	\$1,300,000	\$ 1,250,000	\$ 50,000
Rural Development Bonds						
2000 Rural Development Bonds	4.75	506,377		31,869	474,508	474,508
Equipment Loan	4.63		78,241	21,740	56,501	19,130
Payments Due to School District		1,784,551		93,530	1,691,021	112,581
Compensated Absences Payable		296,181		14,278	281,903	92,236
Total Governmental Activities		<u>3,887,109</u>	<u>1,328,241</u>	<u>1,461,417</u>	<u>3,753,933</u>	<u>748,455</u>
Business-Type Activities:						
General Obligation Bonds:						
2004 Electric Improvement	2 - 4.25%	2,050,000		390,000	1,660,000	400,000
Bond Premium		28,214		5,368	22,846	
2005 Waterworks Refunding	3 - 5	825,000		110,000	715,000	110,000
Bond Premium		22,323		2,977	19,346	
Accounting Loss		(77,295)		(10,306)	(66,989)	
2005 Wastewater Refunding	3 - 5	1,245,000		90,000	1,155,000	95,000
Bond Premium		52,892		3,823	49,069	
Accounting Loss		(93,670)		(6,772)	(86,898)	
Total General Obligation Bonds		<u>4,052,464</u>		<u>585,090</u>	<u>3,467,374</u>	<u>605,000</u>
Mortgage Revenue Bonds:						
1999 Wastewater Refunding	3.25-4.95	2,985,000		275,000	2,710,000	285,000
Bond Discount		(3,369)		(310)	(3,059)	
Accounting Loss		(277,442)		(25,560)	(251,882)	
Total Mortgage Revenue Bonds		<u>2,704,189</u>		<u>249,130</u>	<u>2,455,059</u>	<u>285,000</u>
Other Long-Term Obligations:						
OPWC Loans Payable	0%	422,838		24,162	398,676	24,162
OWDA Loans Payable	3.25-4.99	2,128,381	4,537,838	253,386	6,412,833	238,662
Compensated Absences Payable		135,629		8,103	127,526	31,817
Total Business-Type Activities		<u>\$9,443,501</u>	<u>\$4,537,838</u>	<u>\$1,119,871</u>	<u>\$12,861,468</u>	<u>\$1,184,641</u>

A. Revenue Anticipation Notes

The City issued revenue anticipation notes in 2008, in the amount of \$1,250,000, to provide funds for the acquisition of property and the construction and installation of the West Bank Walkway. The notes are payable from the revenues of the Grand Lake tax incremental financing district. As of December 31, 2008, all proceeds were spent. The notes matured on February 12, 2009.

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 bonds are general obligations of the City for which its full faith and credit are pledged for repayment. The rural development bonds, in the original amount of \$51,000, were fully retired in 2006. The remaining rural development bonds will be paid from transfers from the General Fund.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

C. Equipment Loan

During 2008, the City entered into a loan for the purchase of a vehicle, in the amount of \$78,241. The loan has an interest rate of 4.63 percent and will be paid from the Street special revenue fund. Final maturity is on May 1, 2011.

D. Payments Due to School District

The City has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. As part of these agreements, any school district which would have realized a reduction in their property tax revenues as a result of the agreement between the City and the property owners is to be compensated or reimbursed for this loss. As a result, the City has a liability to any such school district for these reimbursements over the term of the exemption agreement.

E. General Obligation Bonds

The general obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment to the extent resources are not available from the applicable enterprise fund to make principal and interest payments. The City has issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

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.

On April 1, 2005, the City issued general obligation refunding bonds in the Water enterprise fund, in the amount of \$1,145,000, to refund \$1,340,000 of 1994 Waterworks Mortgage Revenue bonds. The bonds will be paid from the Water enterprise fund. The refunded bonds were fully retired.

On April 1, 2005, the City issued general obligation refunding bonds in the Sewer enterprise fund, in the amount of \$1,530,000, to refund \$1,755,000 of 1993 Wastewater Mortgage Revenue bonds. The bonds will be paid from the Sewer enterprise fund. The refunded bonds were fully retired.

F. Mortgage Revenue Bonds

Mortgage revenue bonds are special obligations of the City secured by a mortgage upon the assets of the sewer system. The bonds are payable solely from the gross revenues of the system after provisions for reasonable operations and maintenance expenses.

In 1999, the City issued \$4,940,000 in Wastewater Refunding bonds. The refunded bonds were fully retired in 2001.

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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

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 the trustee. Restricted assets relating to the mortgage revenue bond issue were as follows as of December 31, 2008:

	Restricted Assets
	Wastewater Refunding
Restricted Assets held by the City for:	
Revenue Bond Operations and Maintenance	\$119,070
Revenue Bond Renewal and Replacement	405,656
 Restricted Assets held by Fiscal Agent for:	
Revenue Bond Future Debt Service	491,944

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:

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

The mortgage revenue bonds will be paid solely from the revenues of the Sewer enterprise fund. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the mortgage revenue bonds are \$2,710,000 and \$622,303, respectively. Principal and interest for the current year and total net revenues were \$416,828 and \$485,982, respectively.

G. OPWC Loans Payable

On August 26, 2002, the City obtained an interest free loan from the Ohio Public Works Commission, in the amount of \$483,243, for the construction of a 1.5 million gallon water tower and the installation of a twenty inch water line. The loan is to be repaid from the Water enterprise fund.

The OPWC loan will be paid solely from the net revenues of the Water enterprise fund. Annual principal payments on the loan is expected to require less than 100 percent of these net revenues in future years. The total principal remaining on the OPWC loan is \$398,676. Principal for the current year and total net revenues were \$24,162, and \$1,584,937, respectively.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

H. OWDA Loans Payable

On April 11, 2005, the City obtained a loan from the Ohio Water Development Authority, in the amount of \$1,878,426, for the design of the granular activated carbon process. On August 13, 2007, the City increased this loan to include the construction of the granular activated carbon process system. The total loan amount is \$8,423,759 and has an interest rate of 3.25 percent.

The OWDA loans are to be repaid from the net revenues of the Water enterprise fund. Annual principal and interest payments on the loan are expected to require less than 100 percent of these net revenues in future years. Principal for the current year and total net revenues were \$253,386 and \$1,584,937, respectively.

I. 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, the Street and the Parks and Recreation special revenue funds, and the Electric, Water, and Sewer enterprise funds.

The City's legal debt margin was \$15,920,744 at December 31, 2008.

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

<u>Year</u>	Governmental Activities			
	Rural Development Bonds		Equipment Loan	
	Principal	Interest	Principal	Interest
2009	\$474,508	\$7,326	\$19,130	\$ 891
2010			18,254	1,767
2011			19,117	904
Total	\$474,508	\$7,326	\$56,501	\$3,562

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

<u>Year</u>	Business-Type Activities					
	Electric Improvement General Obligation Bonds		Waterworks Refunding General Obligation Bonds		Wastewater Refunding General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
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	410,000	34,300	120,000	18,285	105,000	42,233
2013	450,000	16,875	115,000	14,085	105,000	38,557
2014			125,000	9,888	110,000	34,725
2015-2018			130,000	5,200	635,000	96,850
	\$1,660,000	\$154,575	\$715,000	\$101,028	\$1,155,000	\$312,080

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

<u>Year</u>	<u>Wastewater Refunding Mortgage Revenue Bonds</u>		<u>OPWC Loans</u>	<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2009	\$285,000	\$129,590	\$ 24,162	\$ 238,662	\$ 212,457
2010	300,000	116,623	24,162	246,482	204,637
2011	315,000	102,672	24,162	254,557	196,562
2012	330,000	87,868	24,162	262,898	188,221
2013	345,000	72,192	24,162	271,511	179,608
2014-2018			120,811	1,496,968	758,627
2019-2023			120,811	1,758,807	496,788
2024-2028			36,244	1,882,948	189,152
	<u>\$2,710,000</u>	<u>\$622,303</u>	<u>\$398,676</u>	<u>\$6,412,833</u>	<u>\$2,426,052</u>

20. INTERFUND TRANSFERS

During 2008, the General Fund made transfers to other governmental funds, in the amount of \$1,123,230, to move receipts as debt payments became due and to subsidize various programs in other funds.

The Tax Increment Financing Fund made transfers to other governmental funds and the Water enterprise fund, in the amount of \$108,648 and \$28,587, respectively, for the repayment of debt.

The Electric, Water, and Sewer enterprise funds transferred capital assets for governmental operations, in the amount of \$13,061, \$16,446, and \$442, respectively.

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, 112 West Main Street, Coldwater, Ohio 45828, or from the City Auditor's Office.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Continued)**

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 its 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.

B. 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, and the municipalities and townships within the County. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services within the County. 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, 2008
(Continued)**

24. CONTINGENT LIABILITIES

A. Litigation

The City is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City 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, 2008, to December 31, 2008, 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 EVENTS

On January 29, 2009, the City issued current refunding real estate acquisition general obligation bonds, in the amount of \$467,000. The refunding general obligation bonds have an interest rate of 4.75 percent and have a final maturity of January 29, 2024.

On February 12, 2009, the City issued revenue anticipation notes, in the amount of \$1,200,000, to retire notes previously issued to construct a walkway within the Grand Lake tax incremental financing district. The notes have an interest rate of 5 percent and mature on February 9, 2010.

On May 7, 2009, the City issued various purpose bond anticipation notes, in the amount of \$1,410,000, for storm sewer improvements on Johnson Avenue and West Logan Street, install water lines on Johnson Avenue, and make improvements at Eastview Park. The notes have an interest rate of 3.125 percent and mature on November 5, 2009.

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Project Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	N068(07)	20.205	\$716,463
<i>Passed Through Ohio Department of Public Safety</i>			
Occupant Protection Grant	OPC-2009-54-00-00-00545-00	20.602	<u>2,830</u>
Total U.S. Department of Transportation			<u>719,293</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>Passed Through Ohio EPA</i>			
Congressionally Mandated Projects	XP00E38901-0	66.202	<u>721,700</u>
Total U.S. Environmental Protection Agency			<u>721,700</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Small Cities Community Distress Grant	A-F-06-103-1	14.228	<u>8,948</u>
Total U.S. Department of Housing and Urban Development			<u>8,948</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Office of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant	2005-JG-LLE-5116A	16.738	3,500
Edward Byrne Memorial Justice Assistance Grant	2006-JG-EOV-6570	16.738	<u>10,600</u>
Total			<u>14,100</u>
Total U.S. Department of Justice			<u>14,100</u>
Total Federal Financial Assistance			<u><u>\$1,464,041</u></u>

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 the 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, 2008, the gross amount of loans outstanding under this program was \$55,124. There were no delinquent amounts due at December 31, 2008.

NOTE C - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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 City 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2009. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 and 2008-002 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

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www.auditor.state.oh.us

**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2008-001 and 2008-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated October 19, 2009.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 19, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

October 19, 2009



Mary Taylor, CPA

Auditor of State

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 City Council:

Compliance

We have audited the compliance of the City of Celina (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 programs for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. 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 applying to its major federal programs for the year ended December 31, 2008.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as Finding 2008-002.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2008-002 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2008-002 described in the accompanying schedule of findings to be a material weakness.

Additionally, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to management in a separate report dated October 19, 2008.

The City's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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.



Mary Taylor, CPA
Auditor of State

October 19, 2009

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #20.205 Highway Planning and Construction and CFDA #66.202 Congressionally Mandated Projects
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2008-001

NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund has been established.

The electric fund is to be used for the payment of the cost of the management, maintenance, operation and improvement of the electric system.

**FINDING NUMBER 2008-001
(Continued)**

Ohio Rev Code Section 743.04 states that for the purpose of paying the expenses of conducting and managing the waterworks of a municipal corporation, including operating expenses and the costs of permanent improvements, the director of public service or any other city official or body authorized by charter may assess and collect a water rent or charge of sufficient amount and in such manner as he or it determines to be most equitable from all tenements and premises supplied with water.

Ohio Rev Code Section 734.05 states that after payment of the expenses of conducting and managing the water works, any surplus of a municipal corporation may be applied to the repairs, enlargement, or extension of the works or of the reservoirs, the payment of the interest of any loan made for their construction, or for the creation of a sinking fund for the liquidation of the debt. In those municipal corporations in which water works and sewerage systems are conducted as a single unit, under one operating management, a sum not to exceed ten per cent of the gross revenue of the water works for the preceding year may be taken from any surplus remaining after all of the preceding purposes have been cared for and may be used for the payment of the cost of maintenance, operation, and repair of the sewerage system and sewage pumping, treatment, and disposal works and for the enlargement or replacement thereof. Each year a sum equal to five per cent of the gross revenue of the preceding year shall be first retained from paid surplus as a reserve for waterworks purposes.

City of Celina Codified Ordinance, Section 919.05 (1974), states that the funds received from the collection of the sewer service charge shall be deposited with the City Treasurer. The money so deposited shall be kept by the Treasurer in a separate and distinct fund known as the Sewer Service Fund. This fund shall be used for the payment of the cost of the management, maintenance, operation and improvement of the sewerage system and sewage treatment plant.

In 2008, the City allocated 50% of the wages and fringes of the council, council clerk, mayor, law director, assistant law director, treasurer, auditor, auditor's staff and engineering dept employees to the Electric fund, 12.5% to the Water fund, and 12.5% to the Sewer fund without documentation to support how these wages related to conducting and managing these various funds of the City. Per the detailed expenditure transaction report, the wages and fringes of the above noted employees and officials charged to the Electric fund amounted to \$320,529.36; and the Water fund and Sewer fund amounted to \$80,132.39 each. Upon notification, the City provided documentation to support wages and fringes in the amount of \$116,346.49 to the Electric fund, \$120,514.39 to the Water fund, and \$113,405.63 to the Sewer fund. This resulted in \$204,182.87 in wages and fringes that were over charged to the Electric Fund, with \$40,382 and \$33,273.24 that were under charged to the Water and Sewer funds, respectively.

The City applied for a downtown revitalization Community Development Block Grant (CDBG) in which business owners would receive a 50% match of CDBG funds to renovate their buildings. Although the grant didn't relate to any of the utility funds, the electric fund was charged \$15,500 or 50%; water fund \$3,875 or 12.5%; and sewer fund \$3,875 or 12.5% of \$31,000 expended for the design services to write the grant, the cost of bus rental for the mayor, safety director and city council to tour other Main Street projects, and for research on the Main Street reconstruction.

The City also charged the Electric fund for \$23,126.80 or 50% of the \$46,253.59 2007 audit and compilation costs while the Water and Sewer funds were each charged a more reasonable amount of \$5,781.69 or 12.5% of the entire cost, which, the Electric fund should have been charged as well based upon audit hours spent on Electric fund. Therefore, the Electric fund was over charged in the amount of \$17,345.11 for audit and compilation costs.

Adjustments have been made against the General Fund in the net amount of \$171,122.74; the Water fund in the net amount of \$36,507, and the Sewer fund in the net amount of \$29,398.24 (total \$237,027.98) in favor of the Electric Fund. The accompanying financial statements reflect the above noted adjustments and the adjustments have been posted to the accounting records of the City.

**FINDING NUMBER 2008-001
 (Continued)**

The lack of providing support for the percentage of costs allocated to the utility funds based upon facts and supporting data leads to the question as to whether the utility funds are charged more than their proportionate share of general government related costs, which resulted in adjustments to the financial statements and could still possibly result in future findings for adjustment if no basis is determined.

The allocation of costs based strictly upon using a random percentage of actual expenses of the various departments and costs involved is not considered a solid support basis. Consideration should be given to the allocation of costs based upon the number of transactions processed and/or the related time spent by City employees on activities that benefit the utility department funds or other reasonable method developed and approved by the City officials. The documentation used to support the fund allocation should be also be retained.

Client Response:

We have made the changes noted above.

3. FINDING FOR FEDERAL AWARDS

FINDING NUMBER 2008-002

NONCOMPLIANCE/MATERIAL WEAKNESS

CFDA Title and Number	20.205 Highway Planning and Construction
Federal Award Number / Year	N068(07)
Federal Agency	U.S. Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

49 CFR Part 18.20(b)(2), states that grantees and sub-grantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or sub-grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

The City's financial reports filed with the grantor did not agree to the City's 2008 records. The City recorded revenues and expenditures of \$207,361 for the 2007 Local Public Agency (LPA) activity paid directly to contractors in the 2008 records and did not record 2008 revenues and expenditures of \$74,613 paid directly to contractors on the books in 2008. This resulted in a net overstatement of revenues and expenditures in the total amount of \$132,748 in the accounting records. The financial statements were adjusted for this amount accordingly.

The City should record the LPA activity paid directly to contractors by the grantor in its records and in the correct year to properly reflect the activity of the grant.

Client Response:

The City Grant Coordinator is providing the Auditor's office with all direct contractor payment records from our grant records, and this issue has already been resolved.

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**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 5705.10(D) – not recording all revenues and expenditures	Yes	
2007-002	Bank to Book Reconciliations	Yes	
2007-003	Ohio Dept. of Development, OHCP Financial Management Rules and Regulations, Section (A) Introduction - CDBG Reporting – not maintaining required financial records	Yes	
2007-004	Ohio Dept. of Development, OHCP Financial Management Rules and Regulations, Section (A)(3)(f) – cash management – noncompliance with 15 day rule	Yes	

**CITY OF CELINA
MERCER COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2008-002	The City Auditor's office will maintain a close working relationship to the City's Grant/Project Coordinator to ensure all revenue and expenditures are properly recorded within the proper period.	Fall/Winter 2009	Emily Stewart, City Auditor and Joan Wurster, Administrative Asst.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 15, 2009**