



Dave Yost • Auditor of State

**CITY OF CELINA
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – December 31, 2010	9
Statement of Activities – For the Year Ended December 31, 2010	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds – December 31, 2010	12
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities – December 31, 2010.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds – For the Year Ended December 31, 2010	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Year Ended December 31, 2010.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual - General Fund – For the Year Ended December 31, 2010.....	16
Statement of Fund Net Assets - Proprietary Funds – December 31, 2010	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds – For the Year Ended December 31, 2010	18
Statement of Cash Flows - Proprietary Funds – For the Year Ended December 31, 2010	19
Statement of Assets and Liabilities - Agency Funds – December 31, 2010.....	21
Notes to the Basic Financial Statements	23
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61
Schedule of Findings.....	63

This page intentionally left blank.



Dave Yost • 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, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celina, Mercer County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2010, the City adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011, 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.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 28, 2011

**CITY OF CELINA
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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, 2010. 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 non major funds in a single column. The City's major funds are the General, Tax Increment Financing, Electric, Water, Sewer, and Stormwater funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2010. 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, sewer, and stormwater 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, sewer, and stormwater services are reported here.

**CITY OF CELINA
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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, Sewer, and Stormwater 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 2010 and 2009.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and Other Assets	\$ 6,862,842	\$ 6,625,588	\$11,632,223	\$11,339,375	\$18,495,065	\$17,964,963
Capital Assets, Net	18,083,729	16,892,740	35,803,382	32,848,062	53,887,111	49,740,802
Total Assets	<u>24,946,571</u>	<u>23,518,328</u>	<u>47,435,605</u>	<u>44,187,437</u>	<u>72,382,176</u>	<u>67,705,765</u>
Liabilities:						
Current and Other Liabilities	2,362,238	5,802,942	2,167,315	2,504,952	4,529,553	8,307,894
Long-Term Liabilities	6,060,579	2,121,563	11,293,029	11,946,309	17,353,608	14,067,872
Total Liabilities	<u>8,422,817</u>	<u>7,924,505</u>	<u>13,460,344</u>	<u>14,451,261</u>	<u>21,883,161</u>	<u>22,375,766</u>

(Continued)

**CITY OF CELINA
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

**Table 1
Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Net Assets:						
Invested in Capital Assets, Net of Related Debt	13,584,307	13,139,117	24,843,121	20,726,369	38,427,428	33,865,486
Restricted	1,474,064	1,480,595	816,594	859,299	2,290,658	2,339,894
Unrestricted	1,465,383	974,111	8,315,546	8,150,508	9,780,929	9,124,619
Total Net Assets	\$16,523,754	\$15,593,823	\$33,975,261	\$29,736,176	\$50,499,015	\$45,329,999

For governmental activities, current and other assets did not change significantly. Capital assets, net of accumulated depreciation, increased from the construction of roads performed by the State. Current and other liabilities decreased from the issuance of general obligation bonds to retire bond anticipation notes for several projects. Long-term liabilities increased from the issuance of the general obligation bonds.

For business-type activities, net capital assets and invested in capital assets increased from the capital assets contributed by governmental activities for water and stormwater assets.

Table 2 reflects the change in net assets for 2010 and 2009.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,077,879	\$ 1,109,422	\$23,448,700	\$22,160,648	\$24,526,579	\$23,270,070
Operating Grants, Contributions, and Interest	647,848	721,566			647,848	721,566
Capital Grants, Contributions And Interest	3,266,842	639,486			3,266,842	649,486
Total Program Revenues	4,992,569	2,470,474	23,448,700	22,160,648	28,441,269	24,631,122
General Revenues:						
Property Taxes	374,206	386,172			374,206	386,172
Municipal Income Taxes	2,707,370	2,500,572			2,707,370	2,500,572
Payment in Lieu of Taxes	860,862	519,802			860,862	519,802
Other Local Taxes	546,811	536,329			546,811	536,329
Franchise Fees	99,633	95,429			99,633	95,429
Grants and Entitlements not Restricted to Specific Programs	688,565	569,554			688,565	569,554
Interest	37,488	119,205	4,702	14,209	42,190	133,414
Other	231,620	76,070	55,095	355,173	286,715	431,243
Total General Revenues	5,546,555	4,803,133	59,797	369,382	5,606,352	5,172,515
Total Revenues	10,539,124	7,273,607	23,508,497	22,530,030	34,047,621	29,803,637

(Continued)

**CITY OF CELINA
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
Security of Persons and Property	3,183,467	3,317,834			3,183,467	3,317,834
Public Health	79,768	79,768			79,769	79,768
Leisure Time Activities	951,944	664,218			951,944	664,218
Community Environment	250,623	149,668			250,623	149,668
Basic utility Services	164,573	210,787			164,573	210,787
Transportation	1,544,292	1,694,554			1,544,292	1,694,554
General Government	1,281,902	1,456,036			1,281,902	1,456,036
Intergovernmental	209,011	134,597			209,011	134,597
Interest and Fiscal Charges	255,721	190,556			255,721	190,556
Electric			16,011,666	16,734,514	16,011,666	16,734,514
Water			3,114,368	3,049,993	3,114,368	3,049,993
Sewer			1,741,500	1,797,880	1,741,500	1,797,880
Stormwater			89,770	109,859	89,770	109,859
Total Expenses	7,921,301	7,898,018	20,957,304	21,692,246	28,878,605	29,590,264
Excess of Revenues Over (Under)						
Expenses before transfers	2,617,823	(624,411)	2,551,193	837,784	5,169,016	213,373
Transfers	(1,687,892)	(2,190,954)	1,687,892	2,190,954		
Increase (Decrease) in Net Assets	929,931	(2,815,365)	4,239,085	3,028,738	5,169,016	213,373
Net Assets Beginning of Year	15,593,823	18,409,188	29,736,176	26,707,438	45,329,999	45,116,626
Net Assets End of year	\$16,523,754	\$15,593,823	\$33,975,261	\$29,736,176	\$50,499,015	\$45,329,999

Operating grants, contributions, and interest decreased for governmental activities from grants that had been received in 2009 for specific expenses relating to the police and fire departments. Capital grants, contributions, and interest increased in 2010 from contributed capital assets being constructed by the State. The City had an increase in payment in lieu of tax revenues from improvements made to those properties. Interest revenues decreased due to lower interest rates. The sale of capital assets increased other revenues.

The major program expense for governmental activities is security of persons and property, which includes the police and fire departments, and accounts for approximately 40 percent of all governmental activities expenses. 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 56 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. The leisure time activity program increased from the City donating the second phase of the West Bank walkway to the Ohio Department of Natural Resources. Community environment expenses increased from the payments made to property owners to improve their properties that are paid using a federal grant. Due to budget constraints, general government expenses decreased by 12 percent. Intergovernmental expenses increased in 2010 from the increase in payment in lieu of taxes, of which 25 percent is paid to the school district.

For business-type activities, City Council approved rate increases that went into effect in 2010 for the Water and Sewer funds resulting in the increase in charges for services.

The City's electric operations account for 76 percent of the expenses of the City's business-type activities and are funded almost entirely from charges for services.

**CITY OF CELINA
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

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	
	2010	2009	2010	2009
Security of Persons and Property	\$3,183,467	\$3,317,834	\$2,492,236	\$2,776,578
Public Health	79,768	79,768	79,768	79,768
Leisure Time Activities	951,944	664,218	372,982	429,527
Community Environment	250,623	149,668	(138,721)	46,818
Basic Utility Services	164,573	210,787	164,573	210,787
Transportation	1,544,292	1,694,554	(1,247,297)	655,111
General Government	1,281,902	1,456,036	740,459	903,802
Intergovernmental	209,011	134,597	209,011	134,597
Interest and Fiscal Charges	255,721	190,556	255,721	190,556
Total Expenses	\$7,921,301	\$7,898,018	\$2,928,732	\$5,427,544

A large portion of the leisure time activities program is funded by charges for activities, donations from the Bryson Trust, and capital grants. Expenses relating to the community environment program are usually funded through general revenues; however, in 2010, the City received capital grants for the renovation of Main Street businesses. Transportation expenses received a significant amount of capital grants for the reconstruction of Buckeye and Main Streets.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Tax Increment Financing capital projects fund. The General Fund's fund balance increased by 73 percent. Income tax revenues increased by 10 percent in 2010 from the increase of tax revenues from local companies. Total revenues increased approximately 8 percent with a very slight decrease in expenditures.

Fund balance in the Tax Increment Financing capital projects fund increased significantly from the issuance of bonds to retire bond anticipation notes.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Electric, Water, Sewer, and Stormwater funds. Operating revenues exceeded operating expenses in all of the enterprise funds. Council increased utility rates by 4 percent in the Water and Sewer enterprise funds.

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. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, the final budget was reduced 5 percent from the original budget due to the financial difficulties in the City. Changes occurred from the final budget to actual expenditures due to the departments cutting costs in order to eliminate the need to layoff employees.

**CITY OF CELINA
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for governmental and business-type activities as of December 31, 2010, was \$18,083,729 and \$35,803,382, respectively (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; buildings; improvements other than buildings; streets; furniture and equipment; vehicles; and electric, water, sewer, and stormwater lines. The most significant additions for governmental activities was construction in progress related to streets and water and stormwater lines. In the business-type activities, the biggest change was related to the construction of the Havemann Road substation and the contribution of water and stormwater infrastructure from the governmental funds. Note 11 to the basic financial statements provides further information on the capital asset activity during 2010.

Debt – At December 31, 2010, the City had \$1,150,000 in outstanding revenue anticipation notes and \$1,350,000 in bond anticipation notes payable from governmental activities.

The City had a number of long-term obligations outstanding as of December 31, 2010. These obligations included \$5,880,907 in general obligation bonds, \$19,117 in equipment loans, \$1,925,092 in mortgage revenue bonds, \$350,350 in OPWC loans, and \$6,057,090 in OWDA loans. Of this amount, \$11,085,439 will be repaid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include compensated absences. Additional information regarding the City's debt can be found in Notes 18 and 19 to the basic financial statements.

CURRENT ISSUES

On February 8, 2011, the City issued revenue anticipation notes, in the amount of \$1,100,000, to partially retire notes previously issued to provide 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. The notes have an interest rate of 3.49 percent and mature on February 7, 2012.

On May 27, 2011, the City issued bond anticipation notes, in the amount of \$1,350,000, to retire notes previously issued to provide for the City's share of the Main Street Reconstruction project. The notes are payable from the revenues of the Electric and Stormwater enterprise funds. The notes have an interest rate of 1.85 percent and mature on May 25, 2012.

The Buckeye Street project was completed early 2011. The Main Street reconstruction project has an estimated completion date of July 2011. The City began constructing the Havemann Road substation and was completed in the spring of 2011.

In November 2010, the voters passed an additional .5 percent income tax for operational expenses and capital improvements for the City's fire and police departments for seven years beginning January 1, 2011.

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.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,852,593	\$6,758,497	\$9,611,090
Cash and Cash Equivalents with Fiscal Agent	1,137,227	487,785	1,625,012
Accounts Receivable	33,679	2,126,537	2,160,216
Due from Other Governments	814,487	1,055	815,542
Accrued Interest Receivable	8,395		8,395
Municipal Income Taxes Receivable	520,995		520,995
Internal Balances	(168,720)	168,720	
Prepaid Items	14,184	28,798	42,982
Materials and Supplies Inventory	73,758	1,925,679	1,999,437
Property Taxes Receivable	365,052		365,052
Payment in Lieu of Taxes Receivable	1,042,274		1,042,274
Notes Receivable	148,675		148,675
Special Assessments Receivable	20,243		20,243
Unamortized Bond Issuance Costs		125,178	125,178
Investment in Joint Venture		9,974	9,974
Non-depreciable Capital Assets	12,435,735	2,634,553	15,070,288
Depreciable Capital Assets, Net	5,647,994	33,168,829	38,816,823
Total Assets	<u>24,946,571</u>	<u>47,435,605</u>	<u>72,382,176</u>
Liabilities:			
Accrued Wages Payable	123,731	80,092	203,823
Accounts Payable	145,396	119,766	265,162
Contracts Payable	277,803	1,329,856	1,607,659
Due to Other Governments	181,096	114,336	295,432
Retainage Payable	17,766	134,261	152,027
Accrued Interest Payable	85,980	27,456	113,436
Deferred Revenue	1,405,199		1,405,199
Claims Payable	125,267		125,267
Deposits Held and Due to Others		361,548	361,548
Long-Term Liabilities:			
Due Within One Year	426,759	1,323,573	1,750,332
Due in More Than One Year	5,633,820	9,969,456	15,603,276
Total Liabilities	<u>8,422,817</u>	<u>13,460,344</u>	<u>21,883,161</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	13,584,307	24,843,121	38,427,428
Restricted for:			
Debt Service	32,608	487,785	520,393
Capital Projects	466,627		466,627
Other Purposes	974,829		974,829
Revenue Bond Operations and Maintenance		101,567	101,567
Revenue Bond Renewal and Replacement		227,242	227,242
Unrestricted	1,465,383	8,315,546	9,780,929
Total Net Assets	<u>\$16,523,754</u>	<u>\$33,975,261</u>	<u>\$50,499,015</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	
Governmental Activities:				
Security of Persons and Property	\$3,183,467	\$445,841	\$30,125	\$215,265
Public Health	79,768			
Leisure Time Activities	951,944	110,608	6,390	461,964
Community Environment	250,623		2,531	386,813
Basic Utility Services	164,573			
Transportation	1,544,292	6,113	596,785	2,188,691
General Government	1,281,902	515,317	12,017	14,109
Intergovernmental	209,011			
Interest and Fiscal Charges	255,721			
Total Governmental Activities	<u>7,921,301</u>	<u>1,077,879</u>	<u>647,848</u>	<u>3,266,842</u>
Business-Type Activities:				
Electric	16,011,666	17,691,734		
Water	3,114,368	3,608,829		
Sewer	1,741,500	1,904,582		
Stormwater	89,770	243,555		
Total Business-Type Activities	<u>20,957,304</u>	<u>23,448,700</u>		
Total	<u>\$28,878,605</u>	<u>\$24,526,579</u>	<u>\$647,848</u>	<u>\$3,266,842</u>

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Governmental Activities	Business-Type Activities	Total
(\$2,492,236)		(\$2,492,236)
(79,768)		(79,768)
(372,982)		(372,982)
138,721		138,721
(164,573)		(164,573)
1,247,297		1,247,297
(740,459)		(740,459)
(209,011)		(209,011)
(255,721)		(255,721)
<u>(2,928,732)</u>		<u>(2,928,732)</u>
	\$1,680,068	1,680,068
	494,461	494,461
	163,082	163,082
	153,785	153,785
	<u>2,491,396</u>	<u>2,491,396</u>
(2,928,732)	2,491,396	(437,336)
287,852		287,852
43,177		43,177
43,177		43,177
2,707,370		2,707,370
860,862		860,862
546,811		546,811
99,633		99,633
688,565		688,565
37,488	4,702	42,190
231,620	55,095	286,715
<u>5,546,555</u>	<u>59,797</u>	<u>5,606,352</u>
(1,687,892)	1,687,892	
<u>3,858,663</u>	<u>1,747,689</u>	<u>5,606,352</u>
929,931	4,239,085	5,169,016
<u>15,593,823</u>	<u>29,736,176</u>	<u>45,329,999</u>
<u>\$16,523,754</u>	<u>\$33,975,261</u>	<u>\$50,499,015</u>

**CITY OF CELINA
MERCER COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<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	\$1,034,458	\$691,439	\$640,326	\$2,366,223
Cash and Cash Equivalents with Fiscal Agents			1,137,227	1,137,227
Accounts Receivable	33,411			33,411
Due from Other Governments	281,457	138,900	394,130	814,487
Accrued Interest Receivable	8,395			8,395
Municipal Income Taxes Receivable	520,995			520,995
Interfund Receivable	139,539			139,539
Prepaid Items	14,184			14,184
Materials and Supplies Inventory	17,852		55,906	73,758
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	29,218			29,218
Property Taxes Receivable	268,118		96,934	365,052
Payment in Lieu of Taxes Receivable		1,042,274		1,042,274
Notes Receivable			148,675	148,675
Special Assessments Receivable			20,243	20,243
Total Assets	<u>2,347,627</u>	<u>1,872,613</u>	<u>2,493,441</u>	<u>6,713,681</u>
Liabilities and Fund Balance:				
Liabilities:				
Accrued Wages Payable	107,440		16,291	123,731
Accounts Payable	95,395		50,001	145,396
Contracts Payable	425	269,396	7,982	277,803
Due to Other Governments	85,728		95,368	181,096
Retainage Payable		17,766		17,766
Interfund Payable	47,743		136,032	183,775
Accrued Interest Payable		2,003		2,003
Notes Payable		50,000		50,000
Deferred Revenue	776,977	1,181,174	412,479	2,370,630
Total Liabilities	<u>1,113,708</u>	<u>1,520,339</u>	<u>718,153</u>	<u>3,352,200</u>
Fund Balance:				
Non-spendable	43,232		55,906	99,138
Restricted	29,173	352,274	1,895,456	2,276,903
Assigned	29,845		1	29,846
Unassigned (Deficit)	1,131,669		(176,075)	955,594
Total Fund Balance	<u>1,233,919</u>	<u>352,274</u>	<u>1,775,288</u>	<u>3,361,481</u>
Total Liabilities and Fund Balance	<u>\$2,347,627</u>	<u>\$1,872,613</u>	<u>\$2,493,441</u>	<u>\$6,713,681</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, 2010**

Total Governmental Fund Balance		\$3,361,481
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		18,083,729
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$27,888	
Due from Other Governments	644,264	
Accrued Interest Receivable	3,888	
Municipal Income Taxes Receivable	267,021	
Property Taxes Receivable	2,127	
Special Assessments Receivable	20,243	965,431
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(124,484)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(83,977)	
Notes Payable	(2,450,000)	
General Obligation Bonds Payable	(3,128,000)	
Loans Payable	(19,117)	
Compensated Absences Payable	(413,462)	(6,094,556)
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.		332,153
Net Assets of Governmental Activities		\$16,523,754

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$287,764		\$86,328	\$374,092
Municipal Income Taxes	2,704,711			2,704,711
Payment in Lieu of Taxes		\$860,862		860,862
Other Local Taxes	546,811			546,811
Special Assessments			8,108	8,108
Charges for Services	286,730		115,013	401,743
Fees, Licenses, and Permits	103,737			103,737
Fines and Forfeitures	300,917		76,388	377,305
Intergovernmental	1,009,514		1,769,616	2,779,130
Interest	69,019	31	3,233	72,283
Gifts and Donations	17,944		274,203	292,147
Other	68,210	44,010	31,769	143,989
Total Revenues	<u>5,395,357</u>	<u>904,903</u>	<u>2,364,658</u>	<u>8,664,918</u>
Expenditures:				
Current:				
Security of Persons and Property	2,806,470		413,216	3,219,686
Public Health	79,768			79,768
Leisure Time Activities	84,848	1,048	825,831	911,727
Community Environment	44,625		277,252	321,877
Basic Utility Services	194,915	494,575		689,490
Transportation	142,720	799,454	1,181,051	2,123,225
General Government	1,224,286		38,312	1,262,598
Intergovernmental		209,011		209,011
Debt Service:				
Principal Retirement		50,000	40,632	90,632
Current Refunding			433,734	433,734
Interest and Fiscal Charges		195,336	37,847	233,183
Total Expenditures	<u>4,577,632</u>	<u>1,749,424</u>	<u>3,247,875</u>	<u>9,574,931</u>
Excess of Revenues Over (Under) Expenditures	<u>817,725</u>	<u>(844,521)</u>	<u>(883,217)</u>	<u>(910,013)</u>
Other Financing Sources (Uses):				
Notes Issued		1,100,000	1,350,000	2,450,000
General Obligation Bonds Issued		2,775,000	353,000	3,128,000
Current Refunding		(1,100,000)		(1,100,000)
Sale of Capital Assets	6,599		136,682	143,281
Transfers In	300,000	170,282	571,375	1,041,657
Transfers Out	(602,585)	(42,845)	(300,000)	(945,430)
Total Other Financing Sources (Uses)	<u>(295,986)</u>	<u>2,902,437</u>	<u>2,111,057</u>	<u>4,717,508</u>
Changes in Fund Balance	521,739	2,057,916	1,227,840	3,807,495
Fund Balance (Deficit) Beginning of Year - Restated (Note 3)	<u>712,180</u>	<u>(1,705,642)</u>	<u>547,448</u>	<u>(446,014)</u>
Fund Balance End of Year	<u>\$1,233,919</u>	<u>\$352,274</u>	<u>\$1,775,288</u>	<u>\$3,361,481</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Changes in Fund Balance - Total Governmental Funds \$3,807,495

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.

Assets Transferred from Business-Type Activities	\$61,735	
Capital Contribution - Nondepreciable Capital Assets	1,870,508	
Capital Outlay - Nondepreciable Capital Assets	785,066	
Capital Outlay - Depreciable Capital Assets	1,292,448	
Depreciation	<u>(518,463)</u>	3,491,294

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 disposed of resulting in a gain or loss on disposal of capital assets on the statement of activities. The cost of assets transferred to business-type activities is also removed from the statement of net assets.

Sale of Capital Assets	(143,281)	
Gain on Disposal of Capital Assets	89,428	
Loss on Disposal of Capital Assets	(400,598)	
Gross Value of Assets Transferred to Business-Type Activities	<u>(1,845,854)</u>	(2,300,305)

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

Property Taxes	114	
Municipal Income Taxes	2,659	
Fees, Licenses, and Permits	616	
Fines and Forfeitures	606	
Special Assessments	(8,108)	
Charges for Services	(23,454)	
Intergovernmental	35,239	
Interest	(31,531)	
Gifts and Donations	(60,074)	
Other	<u>(1,797)</u>	(85,730)

Note and bond proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (5,578,000)

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	1,150,000	
General Obligation Bonds Payable	456,112	
Loans Payable	<u>18,254</u>	1,624,366

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. (22,538)

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. 14,618

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. (\$21,269)

Change in Net Assets of Governmental Activities \$929,931

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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$329,153	\$329,153	\$287,764	(\$41,389)
Municipal Income Taxes	2,450,000	2,450,000	2,649,815	199,815
Other Local Taxes	540,000	540,000	545,189	5,189
Charges for Services	272,467	272,467	308,536	36,069
Fees, Licenses, and Permits	98,800	98,800	103,917	5,117
Fines and Forfeitures	320,000	320,000	306,065	(13,935)
Intergovernmental	786,344	786,344	1,003,917	217,573
Interest	210,000	206,755	6,791	(199,964)
Gifts and Donations			17,944	17,944
Other	112,700	130,700	75,350	(55,350)
Total Revenues	<u>5,119,464</u>	<u>5,134,219</u>	<u>5,305,288</u>	<u>171,069</u>
Expenditures:				
Current:				
Security of Persons and Property	3,133,854	3,011,865	2,835,262	176,603
Public Health	79,768	79,768	79,768	
Leisure Time Activities	116,388	103,306	88,972	14,334
Community Environment	53,989	53,989	48,208	5,781
Basic Utility Services	315,047	256,622	195,254	61,368
Transportation	200,602	203,302	178,060	25,242
General Government	1,442,943	1,394,445	1,195,346	199,099
Other	59,869	59,869	57,197	2,672
Total Expenditures	<u>5,402,460</u>	<u>5,163,166</u>	<u>4,678,067</u>	<u>485,099</u>
Excess of Revenues Over (Under) Expenditures	<u>(282,996)</u>	<u>(28,947)</u>	<u>627,221</u>	<u>656,168</u>
Other Financing Sources (Uses):				
Sale of Capital Assets			6,599	6,599
Advances In		10,000	10,000	
Advances Out		(33,180)	(33,180)	
Transfers In	169,242	300,000	300,000	
Transfers Out	(762,633)	(778,983)	(602,375)	176,608
Total Other Financing Sources (Uses)	<u>(593,391)</u>	<u>(502,163)</u>	<u>(318,956)</u>	<u>183,207</u>
Changes in Fund Balance	(876,387)	(531,110)	308,265	839,375
Fund Balance Beginning of Year	639,234	639,234	639,234	
Prior Year Encumbrances Appropriated	206,169	206,169	206,169	
Fund Balance (Deficit) End of Year	<u>(\$30,984)</u>	<u>\$314,293</u>	<u>\$1,153,668</u>	<u>\$839,375</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	Enterprise Funds				Total Enterprise Funds	Self Insurance Internal Service Fund
	Electric	Water	Sewer	Stormwater		
Assets:						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,277,274	\$1,096,698	\$504,949	\$189,219	\$6,068,140	\$457,152
Accounts Receivable	1,612,559	319,956	173,961	20,061	2,126,537	268
Due from Other Governments	500	353	202		1,055	
Accrued Interest Receivable:						
Interfund Receivable	134,055	39			134,094	
Prepaid Items	13,754	7,522	7,522		28,798	
Materials and Supplies Inventory	1,300,124	593,928	23,383	8,244	1,925,679	
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	361,548		328,809		690,357	
Cash and Cash Equivalents with Fiscal Agent			487,785		487,785	
Total Current Assets	7,699,814	2,018,496	1,526,611	217,524	11,462,445	457,420
Non-Current Assets:						
Unamortized Bond Issuance Costs	21,094	11,412	92,672		125,178	
Investment in Joint Venture	9,974				9,974	
Non-depreciable Capital Assets	2,521,948	45,425	67,180		2,634,553	
Depreciable Capital Assets, Net	12,431,812	13,555,858	4,391,667	2,789,492	33,168,829	
Total Non-Current Assets	14,984,828	13,612,695	4,551,519	2,789,492	35,938,534	
Total Assets	22,684,642	15,631,191	6,078,130	3,007,016	47,400,979	457,420
Liabilities:						
Current Liabilities:						
Accrued Wages Payable	32,393	28,504	19,195		80,092	
Accounts Payable	22,742	69,694	27,078	252	119,766	
Contracts Payable	1,328,151	1,480	225		1,329,856	
Compensated Absences Payable	27,314	24,515	13,025		64,854	
Due to Other Governments	58,027	33,016	22,851	442	114,336	
Retainage Payable	134,261				134,261	
Interfund Payable	43,283	14,629	31,946		89,858	
Accrued Interest Payable	2,858	3,967	20,631		27,456	
Claims Payable						125,267
General Obligation Bonds Payable	410,000	150,000	105,000		665,000	
Mortgage Revenue Bonds Payable			315,000		315,000	
OPWC Loans Payable		24,162			24,162	
OWDA Loans Payable		254,557			254,557	
Total Current Liabilities	2,059,029	604,524	554,951	694	3,219,198	125,267
Non-Current Liabilities:						
Deposits Held and Due to Others	361,548				361,548	
General Obligation Bonds Payable	461,836	807,350	818,721		2,087,907	
Mortgage Revenue Bonds Payable			1,610,092		1,610,092	
OPWC Loans Payable		326,188			326,188	
OWDA Loans Payable		5,802,533			5,802,533	
Compensated Absences Payable	63,844	56,406	22,486		142,736	
Total Non-Current Liabilities	887,228	6,992,477	2,451,299		10,331,004	
Total Liabilities	2,946,257	7,597,001	3,006,250	694	13,550,202	125,267
Net Assets:						
Invested in Capital Assets, Net of Related Debt	14,103,018	6,247,905	1,702,706	2,789,492	24,843,121	
Restricted for:						
Revenue Bond Operations and Maintenance			101,567		101,567	
Revenue Bond Renewal and Replacement			227,242		227,242	
Revenue Bond Future Debt Service			487,785		487,785	
Unrestricted	5,635,367	1,786,285	552,580	216,830	8,191,062	332,153
Total Net Assets	\$19,738,385	\$8,034,190	\$3,071,880	\$3,006,322	33,850,777	\$332,153

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.

124,484

Net assets of business-type activities

\$33,975,261

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Self Insurance Internal Service Fund</u>
Operating Revenues:						
Charges for Services	\$17,370,933	\$3,608,829		\$243,555	\$21,223,317	\$1,573,316
Charges for Services Pledged as Security on Mortgage Revenue Bonds			\$1,904,582		1,904,582	
Other	24,732	24,466	4,229	1,622	55,049	1,661
Total Operating Revenues	<u>17,395,665</u>	<u>3,633,295</u>	<u>1,908,811</u>	<u>245,177</u>	<u>23,182,948</u>	<u>1,574,977</u>
Operating Expenses:						
Personal Services	1,125,835	1,066,070	657,754		2,849,659	340,824
Materials and Supplies	13,607,965	1,318,034	529,607	27,532	15,483,138	362,687
Claims						905,486
Bad Debt			265		265	
Other	320,879	48,688	42,558		412,125	
Depreciation	881,932	408,787	297,181	62,238	1,650,138	
Total Operating Expenses	<u>15,936,611</u>	<u>2,841,579</u>	<u>1,527,365</u>	<u>89,770</u>	<u>20,395,325</u>	<u>1,608,997</u>
Operating Income (Loss)	<u>1,459,054</u>	<u>791,716</u>	<u>381,446</u>	<u>155,407</u>	<u>2,787,623</u>	<u>(34,020)</u>
Non-Operating Revenues (Expenses):						
Excise Taxes	320,801				320,801	
Loss on Disposal of Capital Assets	(73,988)	(12,653)	(4,709)	(125)	(91,475)	
Change in Joint Venture	46				46	
Interest Revenue			4,702		4,702	
Interest Expense	(49,660)	(263,882)	(206,899)		(520,441)	
Total Non-Operating Revenues (Expenses)	<u>197,199</u>	<u>(276,535)</u>	<u>(206,906)</u>	<u>(125)</u>	<u>(286,367)</u>	
Income (Loss) before Contributions and Transfers	<u>1,656,253</u>	<u>515,181</u>	<u>174,540</u>	<u>155,282</u>	<u>2,501,256</u>	<u>(34,020)</u>
Capital Contributions		1,205,780		641,027	1,846,807	
Transfers In	210	42,845			43,055	
Transfers Out				(139,282)	(139,282)	
Changes in Net Assets	<u>1,656,463</u>	<u>1,763,806</u>	<u>174,540</u>	<u>657,027</u>	<u>4,251,836</u>	<u>(34,020)</u>
Net Assets Beginning of Year	<u>18,081,922</u>	<u>6,270,384</u>	<u>2,897,340</u>	<u>2,349,295</u>		<u>366,173</u>
Net Assets End of Year	<u>\$19,738,385</u>	<u>\$8,034,190</u>	<u>\$3,071,880</u>	<u>\$3,006,322</u>		<u>\$332,153</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 loss of the internal service fund.

(12,751)

Change in net assets of business-type activities

\$4,239,085

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Self Insurance Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents						
Cash Flows from Operating Activities:						
Cash Received from Customers	\$17,049,682	\$3,580,540	\$1,895,823	\$239,906	\$22,765,951	\$202,950
Cash Received from Transactions with Other Funds	279,030				279,030	1,370,372
Cash Received from Other Revenues	29,251	25,912	4,911	1,622	61,696	503,612
Cash Received from Deposits	121,640				121,640	
Cash Payments for Personal Services	(918,651)	(865,534)	(523,344)		(2,307,529)	(340,824)
Cash Payments for Materials and Supplies	(13,259,980)	(1,176,214)	(458,756)	(35,082)	(14,930,032)	(362,687)
Cash Payments for Claims						(1,406,263)
Cash Payments for Other Expenses	(299,968)	(48,688)	(42,558)		(391,214)	
Cash Payments for Transactions with Other Funds	(293,583)	(336,213)	(268,837)		(898,633)	
Cash Payments for Deposits Refunded	(130,000)				(130,000)	
Net Cash Provided by (Used for) Operating Activities	<u>2,577,421</u>	<u>1,179,803</u>	<u>607,239</u>	<u>206,446</u>	<u>4,570,909</u>	<u>(32,840)</u>
Cash Flows from Non-capital Financing Activities:						
Cash Received from Excise Taxes	320,801				320,801	
Interest Paid on Advance Out			(1,600)		(1,600)	
Advances In	78,360				78,360	
Advances Out		(10,000)	(20,000)		(30,000)	
Transfers In	210	42,845			43,055	
Transfers Out				(139,282)	(139,282)	
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>399,371</u>	<u>32,845</u>	<u>(21,600)</u>	<u>(139,282)</u>	<u>271,334</u>	
Cash Flows from Capital and Related Financing Activities:						
Principal Paid on Bond Anticipation Notes		(540,000)			(540,000)	
Principal Paid on General Obligation Bonds	(400,000)	(115,000)	(105,000)		(620,000)	
Principal Paid on Mortgage Revenue Bonds			(300,000)		(300,000)	
Principal Paid on OPWC Loans		(24,163)			(24,163)	
Principal Paid on OWDA Loans		(246,482)			(246,482)	
Interest Paid on Bond Anticipation Notes		(8,077)			(8,077)	
Interest Paid on General Obligation Bonds	(46,300)	(40,105)	(47,482)		(133,887)	
Interest Paid on Mortgage Revenue Bonds			(97,448)		(97,448)	
Interest Paid on OWDA Loans		(223,813)			(223,813)	
Proceeds of General Obligation Bonds		500,000			500,000	
Proceeds of OWDA Loans		10,616			10,616	
Personal Services for Capital Assets	(108,347)				(108,347)	
Acquisition of Capital Assets	(2,693,310)	(32,916)	(15,428)	(125)	(2,741,779)	
Net Cash Used for Capital and Related Financing Activities	<u>(3,247,957)</u>	<u>(719,940)</u>	<u>(565,358)</u>	<u>(125)</u>	<u>(4,533,380)</u>	
Cash Flows from Investing Activities:						
Interest			7,050		7,050	
Net Increase (Decrease) in Cash and Cash Equivalents	(271,165)	492,708	27,331	67,039	315,913	(32,840)
Cash and Cash Equivalents Beginning of Year	4,909,987	603,990	1,294,212	122,180	6,930,369	489,992
Cash and Cash Equivalents End of Year	<u>\$4,638,822</u>	<u>\$1,096,698</u>	<u>\$1,321,543</u>	<u>\$189,219</u>	<u>\$7,246,282</u>	<u>\$457,152</u>

CITY OF CELINA
MERCER COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Electric	Water	Sewer	Stormwater	Total Enterprise Funds	Self Insurance Internal Service Fund
Reconciliation of Operating Income (Loss) to Net:						
Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	\$1,459,054	\$791,716	\$381,446	\$155,407	\$2,787,623	(\$34,020)
Adjustments to Reconcile Operating Income (Loss) to Net						
Cash Provided by (Used for) Operating Activities:						
Depreciation	881,932	408,787	297,181	62,238	1,650,138	
Changes in Assets and Liabilities:						
Increase in Accounts Receivable	(54,209)	(28,176)	(8,446)	(3,649)	(94,480)	(262)
Decrease in Due from Other Governments	1,736	1,333	634		3,703	
Decrease in Interfund Receivable	13,149				13,149	
(Increase) Decrease in Prepaid Items	7,800	(2,134)	(2,134)		3,532	
(Increase) Decrease in Materials and Supplies Inventory	1,909	24,654	2,186	(8,244)	20,505	
Increase (Decrease) in Accrued Wages Payable	(1,400)	1,344	3,516		3,460	
Increase (Decrease) in Accounts Payable	(7,450)	(6,863)	9,174	252	(4,887)	
Increase (Decrease) in Contracts Payable	141,182	1,461	(46,742)		95,901	
Increase (Decrease) in Due to Other Governments	(9,563)	(686)		442	(8,563)	
Increase (Decrease) in Retainage Payable	134,261		(27,371)		106,890	
Increase (Decrease) in Interfund Payable	1,622	(11,357)	(1,808)		(11,543)	
Increase in Claims Payable						1,442
Increase in Deposits Held and Due to Others	12,551				12,551	
Decrease in Compensated Absences Payable	(5,153)	(276)	(1,641)		(7,070)	
Net Cash Provided by (Used for) Operating Activities	<u>\$2,577,421</u>	<u>\$1,179,803</u>	<u>\$607,239</u>	<u>\$206,446</u>	<u>\$4,570,909</u>	<u>(\$32,840)</u>

Non-Cash Capital Financing Activities:

The Electric, Water, and Stormwater enterprise funds purchased capital assets and transferred them to governmental activities, in the amount of \$53,666, \$7,944, and \$125, respectively.

The Electric enterprise fund transferred capital assets to the Water enterprise fund, in the gross amount of \$1,907, net of accumulated depreciation, in the amount of \$954.

Governmental funds contributed capital assets to the Water and Stormwater enterprise funds, in the gross amount of \$1,204,827 and \$641,027, respectively.

See *Accompanying Notes to the Basic Financial Statements*.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2010**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$15,042
Cash and Cash Equivalents in Segregated Accounts	37,744
Total Assets	<u>\$52,786</u>

Liabilities:

Due to Other Governments	\$1,280
Payroll Withholdings	44,175
Deposits Held and Due to Others	7,331
Total Liabilities	<u>\$52,786</u>

See Accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, sewer, and stormwater 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 2010.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, the Grand Lake/Mercer County Research Corporation, and the Mercer County Planning Commission, jointly governed organizations; and the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program and the Ohio Government Risk Management Plan, insurance purchasing pools. These organizations are presented in Notes 22, 23, and 24 to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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, 2010
(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 restricted for infrastructure and recreational improvement and construction.

The other governmental funds of the City account for grants and other resources whose use is restricted, committed, or assigned 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.

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 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.

Stormwater Fund - This fund accounts for the operation of the stormwater runoff system within the City.

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, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 2010. 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.

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, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license 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, 2010, but which were levied to finance 2011 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, 2010
(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 certificate of estimated resources in effect at the time final appropriations were passed by the 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 held by the Ohio Department of Transportation for infrastructure projects 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 2010, the City invested in federal agency securities, U.S. Treasury obligations, mutual funds, nonnegotiable certificates of deposit, 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, 2010.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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 2010 was \$69,019, which includes \$62,134 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, 2010, 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 expensed/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.

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

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.

Restricted assets also 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.

J. 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. 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".

M. 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

N. 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.

O. 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.

P. 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.

Q. Fund Balance

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

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term portion of interfund receivable.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation (City ordinance).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance or resolution) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or by a City official delegated that authority by ordinance.

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

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

R. 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, sewer, and stormwater services, and internal service fund charges for health insurance. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. 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.

T. 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 non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

U. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Change in Accounting Principles

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and or unassigned.

B. Restatement of Fund Balance

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and non-major funds of the City as they were previously reported.

	General	Tax Incremental Financing	Other Governmental Activities	Total Governmental Funds
Fund Balance (Deficit) at December 31, 2009	\$712,180	(\$ 367,021)	(\$ 791,173)	(\$446,014)
Change in Fund Structure		(1,338,621)	1,338,621	
Adjusted Fund Balance (Deficit) at December 31, 2009	\$712,180	(\$1,705,642)	\$547,448	(\$446,014)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2010, the Recreation, Police Pension, Fire Pension, Occupant Protection, and JAG Law Enforcement special revenue funds and the CDBG capital projects fund had deficit fund balances, in the amount of \$11,493, \$36,371, \$52,307, \$287, \$2,765, and \$52,855, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At December 31, 2010, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$18,703, due to reporting special assessments as deferred revenue on the modified accrual basis. The deficit will be alleviated when the special assessments are received.

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 restricted, committed, or assigned 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:

Changes in Fund Balance	
GAAP Basis	\$521,739
Increases (Decreases) Due To	
Revenue Accruals:	
Accrued 2009, Received in Cash 2010	349,769
Accrued 2010, Not Yet Received in Cash	(379,109)
Expenditure Accruals:	
Accrued 2009, Paid in Cash 2010	(357,652)
Accrued 2010, Not Yet Paid in Cash	289,021

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Cash Adjustments:	
Unrecorded Activity 2009	(89,537)
Unrecorded Activity 2010	28,525
Prepaid Items	(3,407)
Materials and Supplies Inventory	6,458
Advances In	10,000
Advances Out	(33,180)
Encumbrances Outstanding at Year End (Budget Basis)	<u>(34,362)</u>
Budget Basis	<u>\$308,265</u>

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.

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;

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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, \$423,633 of the City's bank balance of \$2,450,768 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

B. Investments

As of December 31, 2010, the City had the following investments:

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>
Federal Home Loan Mortgage Corporation Notes	\$2,909,964	\$2,510,371	\$399,593
Federal National Mortgage Association Notes	1,600,164	1,600,164	
Federal Home Loan Bank Notes	1,776,457	1,200,258	576,199
Federal Farm Credit Bank Bonds	170,370	170,370	
Federal Farm Credit Bank Notes	199,855	199,855	
U.S. Treasury Bills	199,912	199,912	
Mutual Funds	525,427	525,427	
STAR Ohio	438,045	438,045	
Total	<u>\$7,820,194</u>	<u>\$6,844,402</u>	<u>\$975,792</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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 National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Farm Credit Bank Bonds, Federal Farm Credit Bank Notes, and the mutual funds carry a rating of Aaa by Moodys. The U.S. Treasury Bills are fully guaranteed by the U.S. government. 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 must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and 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	\$2,909,964	37.21%
Federal National Mortgage Association	1,600,164	20.46
Federal Home Loan Bank	1,776,457	22.72
Federal Farm Credit Bank	370,225	4.73
U.S. Treasury	199,912	2.56

7. RECEIVABLES

Receivables at December 31, 2010, 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; payment in lieu of taxes; notes; and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, interfund, property taxes, notes, special assessments, and the allowance for un-collectibles 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 \$11,196, will not be received within one year. Delinquent special assessments were \$1,877 at December 31, 2010.

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant program. The loans have an annual interest rate of 2.41 to 5 percent and are to be repaid over twenty years. New loans, in the amount of \$100,232, were issued during 2010. Principal, in the amount of \$3,424, was repaid during 2010. Notes outstanding at December 31, 2010, were \$148,675. Notes receivable, in the amount of \$141,116, will not be received within one year.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

7. RECEIVABLES (Continued)

	Electric	Water	Sewer	Stormwater	Total Enterprise Funds
Accounts Receivable	\$1,892,566	\$369,456	\$201,156	\$23,162	\$2,486,340
Less Allowance for Un-collectibles	(280,007)	(49,500)	(27,195)	(3,101)	(359,803)
Net Accounts Receivable	<u>\$1,612,559</u>	<u>\$319,956</u>	<u>\$173,961</u>	<u>\$20,061</u>	<u>\$2,126,537</u>

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Major Fund:	
General Fund:	
Property Tax Allocations	\$ 26,155
Local Government	206,661
Estate Tax	43,864
Lodging Tax	1,155
Liquor License	1,788
Reimbursements	1,721
Mental Health Transport	113
Total General Fund	<u>281,457</u>
Tax Increment Financing Grant	138,900
Total Major Funds	<u>420,357</u>
Non-major Funds:	
Street	
Gasoline Tax	188,054
Motor Vehicle License Tax	67,286
Total Street	<u>255,340</u>
State Highway	
Gasoline Tax	15,247
Motor Vehicle License Tax	5,456
Total State Highway	<u>20,703</u>
Recreation	
Reimbursement	25
Police Pension	
Property Tax Allocations	3,923
Fire Pension	
Property Tax Allocations	3,923
Permissive MVL	
Permissive MVL	2,007
Indigent Special	
Monitoring	581
Indigent Driver Grant	3,413
Police Training Grant	320
JAG Law Enforcement Grant	2,970
CDBG Grant	100,925
Total Non-major Funds	<u>394,130</u>
Total Governmental Activities	<u>\$814,487</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

7. RECEIVABLES (Continued)

	<u>Amount</u>
Business-type Activities:	
Electric	\$ 500
Water	353
Sewer	202
Total Business-Type Activities	<u>\$1,055</u>

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 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008, were levied after October 1, 2009, 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 calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

9. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents real property, public utility property, tangible personal property, and outstanding delinquent taxes which were measurable as of December 31, 2010, 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 2010 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, 2010, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Category	Amount
Real Property:	
Residential/Agricultural	\$126,688,220
Commercial/Industrial	37,037,300
Public Utility Property:	
Real	8,934,694
Personal	147,645
Total Assessed Value	\$172,807,859

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, 2010, was as follows:

	Balance 1/1/2010	Additions	Reductions	Balance 12/31/2010
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 2,050,032	\$ 5,000	(\$ 52,853)	\$ 2,002,179
Land Improvements	8,034,311			8,034,311
Construction in Progress	1,532,790	3,496,870	(2,630,415)	2,399,245
Total Non-depreciable Capital Assets	11,617,133	3,501,870	(2,683,268)	12,435,735

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. CAPITAL ASSETS (Continued)

	Balance 1/1/2010	Additions	Reductions	Balance 12/31/2010
Depreciable Capital Assets:				
Land Improvements	1,039,064	420,322	(394,691)	1,064,695
Buildings	337,622	395,670		733,292
Improvements Other than Buildings	1,706,773			1,706,773
Streets	7,920,577	162,800		8,083,377
Furniture and Equipment	670,761	271,830	(31,956)	910,635
Vehicles	2,327,187	41,826	(51,766)	2,317,247
Total Depreciable Capital Assets	<u>14,001,984</u>	<u>1,292,448</u>	<u>(478,413)</u>	<u>14,816,019</u>
Less Accumulated Depreciation for:				
Land Improvements	(272,951)	(35,213)		(308,164)
Buildings	(206,082)	(15,708)		(221,790)
Improvements Other than Buildings	(917,774)	(53,166)		(970,940)
Streets	(5,459,636)	(266,028)		(5,725,664)
Furniture and Equipment	(409,339)	(41,222)	31,534	(419,027)
Vehicles	(1,460,595)	(107,126)	45,281	(1,522,440)
Total Accumulated Depreciation	<u>(8,726,377)</u>	<u>(518,463)</u>	<u>76,815</u>	<u>(9,168,025)</u>
Total Depreciable Capital Assets, Net	<u>5,275,607</u>	<u>773,985</u>	<u>(401,598)</u>	<u>5,647,994</u>
Governmental Activities Capital Assets, Net	<u>\$16,892,740</u>	<u>\$4,275,855</u>	<u>(\$3,084,866)</u>	<u>\$18,083,729</u>

The Electric, Water, and Stormwater enterprise funds purchased capital assets, in the amount of \$53,666, \$7,944, and \$125, respectively, and transferred them to governmental activities.

The State of Ohio is constructing streets that are being contributed to the City (reflected as part of construction in progress), in the amount of \$1,672,722.

The County contributed furniture and equipment to the City, in the amount of \$197,786.

During 2010, the City donated a portion of the West Bank Walkway to the Ohio Department of Natural Resources, in the amount of \$394,691.

Governmental activities donated capital assets to the Sewer and Stormwater enterprise funds, in the amount of \$1,204,827, and \$641,027.

	Balance 1/1/2010	Additions	Reductions	Balance 12/31/2010
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$ 312,246			\$ 312,246
Construction in Progress	93,604	\$2,290,438	(\$61,735)	2,322,307
Total Non-depreciable Capital Assets	<u>405,850</u>	<u>2,290,438</u>	<u>(61,735)</u>	<u>2,634,553</u>
Depreciable Capital Assets:				
Land Improvements	207,823			207,823
Buildings	28,345,246			28,345,246
Electric, Water, Sewer, and Stormwater Lines	31,591,793	2,309,181	(256,745)	33,644,229
Furniture and Equipment	790,315	58,881	(18,596)	830,600
Vehicles	2,096,856	37,480	(147,408)	1,986,928
Total Depreciable Capital Assets	<u>63,032,033</u>	<u>2,405,542</u>	<u>(422,749)</u>	<u>65,014,826</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. CAPITAL ASSETS (Continued)

	<u>Balance 1/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>
Less Accumulated Depreciation for:				
Land Improvements	(17,116)	(9,895)		(27,011)
Buildings	(15,097,003)	(509,443)		(15,606,446)
Electric, Water, Sewer, and Stormwater Lines	(13,679,680)	(949,775)	246,792	(14,382,663)
Furniture and Equipment	(483,178)	(49,848)	14,320	(518,706)
Vehicles	(1,312,844)	(131,177)	132,850	(1,311,171)
Total Accumulated Depreciation	<u>(30,589,821)</u>	<u>(1,650,138)</u>	<u>393,962</u>	<u>(31,845,997)</u>
Total Depreciable Capital Assets, Net	<u>32,442,212</u>	<u>755,404</u>	<u>(28,787)</u>	<u>33,168,829</u>
Business-Type Activities Capital Assets, Net	<u>\$32,848,062</u>	<u>\$3,045,842</u>	<u>(\$90,522)</u>	<u>\$35,803,382</u>

The Sewer and Stormwater enterprise funds received capital assets from governmental activities, in the amount of \$1,204,827 and \$641,027, respectively.

The Electric enterprise fund contributed furniture and equipment to the Water enterprise fund with a gross value of \$1,907 and accumulated depreciation of \$954.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Security of Persons and Property	\$ 58,018
Leisure Time Activities	103,310
Community Environment	2,746
Basic Utility Services	8,422
Transportation	328,774
General Government	17,193
Total Depreciation Expense - Governmental Activities	<u>\$518,463</u>

12. INTERFUND RECEIVABLES/PAYABLES

At December 31, 2010, the General Fund had an interfund receivable, in the amount of \$139,539; \$96,113 from providing cash flow resources to other governmental funds, \$43,283 from the Electric enterprise fund for the City's portion of the kilowatt hour tax, and \$143 from providing cash flow resources to the Sewer enterprise fund. Of the \$139,539, \$128,343 is expected to be repaid within one year.

The Electric enterprise fund had an interfund receivable, in the amount of \$134,055. Of this amount, \$26,636 was for services provided by the Electric enterprise fund, in the amount of \$33 to the General Fund, in the amount of \$171 to other governmental funds, in the amount of \$14,629 to the Water enterprise fund, and in the amount of \$11,803 to the Sewer enterprise fund. During 2010, the Electric enterprise fund also provided loans to the General Fund, other governmental funds, and the Sewer enterprise fund, in the amount of \$47,710, \$39,709, and \$20,000, respectively. Of the \$134,055, \$105,194 is expected to be repaid within one year.

The Water enterprise fund had an interfund receivable, in the amount of \$39, from other governmental funds for services provided by the Water enterprise fund.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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 2010, 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)	\$45,516,238	\$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	7,000,000	
Automobile Liability	5,000,000	

There has been no significant reduction in insurance coverage from 2009, 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 \$2,000,000 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.

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, 2010, 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

13. RISK MANAGEMENT (Continued)

Changes in the fund's claim liability in 2009 and 2010 were:

	Balance at Beginning of Year	Current Year Claims	Stop-Loss Reimbursement	Claims Payments	Balance at Year End
2009	\$155,793	\$913,686	\$173,328	(\$1,118,982)	\$123,825
2010	123,825	905,486	502,219	(1,406,263)	125,267

C. Workers' Compensation

For 2010, 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.

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2010:

Vendor	Outstanding Balance
Tumbusch Construction, Inc.	\$21,314
Fanning/Howey Associates, Inc.	75,000
Birmingham Control Systems, Inc.	37,830
Tatman Associates, Inc.	15,999
Myers Controlled Power LLC	23,414
Siemens Energy, Inc.	11,515
Virginia Transformer Corporation	44,670
Areva T & D, Inc.	7,191
Vaughn Industries LLC	413,337

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a 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.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the City's contribution was 17.87 percent of covered payroll. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1, through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 was \$322,622, \$287,281, and \$231,953, respectively. For 2010, 89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. There were no contributions to the member-directed plan for 2010.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

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 publicly available financial that includes financial information and required supplementary information for the plan. The 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 - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2010, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$109,537 and \$153,544 for the year ended December 31, 2010, \$110,425 and \$151,049, for the year ended December 31, 2009, and \$107,673 and \$150,956, for the year ended December 31, 2008. For 2010, 76 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

16. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order 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 mandate, 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.

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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

16. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units.

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 portion of the employer contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or 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, 2010, 2009, and 2008 was \$183,925, \$207,726, and \$231,953, respectively. For 2010, 89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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

B. 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, 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 check, or is a spouse or eligible dependent child of such person. The healthcare coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

16. POSTEMPLOYMENT BENEFITS (Continued)

The Ohio Revised Code allows, but does not mandate, 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 publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, 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 is limited by the provisions of Sections 115 and 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.

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$57,990 and \$60,082 for the year ended December 31, 2010, \$58,460 and \$59,106 for the year ended December 31, 2009, and \$57,003 and \$59,070 for the year ended December 31, 2008. For 2010, 76 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

17. OTHER EMPLOYEE BENEFITS (Continued)

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.

18. SHORT-TERM OBLIGATIONS

The City's note activity for the year ended December 31, 2010, was as follows:

	<u>Interest Rate</u>	<u>Balance 1/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>
Governmental Activities:					
State Route 29 West Improvement November 3, 2010	1 .5%	\$ 208,000		\$ 208,000	
Wayne Street Improvements November 3, 2010	1.5	105,000		105,000	
Grand Lake Road Improvement November 3, 2010	1.5	662,000		662,000	
Johnson Avenue Stormwater November 3, 2010	1.5	350,000		350,000	
SR 29 Stormwater November 3, 2010	1.5	625,000		625,000	
Eastview Park Restrooms November 3, 2010	1.5	100,000		100,000	
Main Street Reconstruction November 3, 2010	1.5	500,000		500,000	
Buckeye Street Reconstruction November 3, 2010	1.5	500,000		500,000	
Total Governmental Activities		<u>\$3,050,000</u>	<u>\$0</u>	<u>\$3,050,000</u>	<u>\$0</u>
Business-Type Activities					
Water Tower November 3, 2010	1.5%	\$350,000		\$350,000	
Livingston Water Line November 3, 2010	1.5	190,000		190,000	
Total Business-Type Activities		<u>\$540,000</u>	<u>\$0</u>	<u>\$540,000</u>	<u>\$0</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

18. SHORT-TERM OBLIGATIONS (Continued)

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 State Route 29 West Improvement, Wayne Street Improvements, Grand Lake Road Improvement, Johnson Avenue Stormwater, SR 29 Stormwater, Main Street Reconstruction, and Buckeye Street Reconstruction notes were issued for the replacement of infrastructure. The Eastview Park Restrooms notes were issued to construct new restrooms in the park. 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, 2010, all of the note proceeds have been spent and fully retired.

19. LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2010, was as follows:

	<u>Interest Rate</u>	<u>Balance 1/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>	<u>Due Within One Year</u>
Governmental Activities:						
Revenue Anticipation Notes:						
West Bank Walkway	5%	\$ 1,200,000		\$1,200,000		
West Bank Walkway	4.5		\$1,150,000		\$1,150,000	\$ 50,000
Total Revenue Anticipation Notes		<u>1,200,000</u>	<u>1,150,000</u>	<u>1,200,000</u>	<u>1,150,000</u>	<u>50,000</u>
Bond Anticipation Notes						
Street Improvement	3.06		1,350,000		1,350,000	
General Obligation Bonds						
2009 Rural Development Refunding	4.75	456,112		456,112		
2010 Rural Development Refunding	6.75		298,000		298,000	24,930
2010 Various Purpose	2 - 4		2,830,000		2,830,000	220,000
Total General Obligation Bonds		<u>456,112</u>	<u>3,128,000</u>	<u>456,112</u>	<u>3,128,000</u>	<u>244,930</u>
Equipment Loan	4.63	37,371		18,254	19,117	19,117
Compensated Absences Payable		428,080	13,592	28,210	413,462	112,712
Total Governmental Activities		<u>2,121,563</u>	<u>5,641,592</u>	<u>1,702,576</u>	<u>6,060,579</u>	<u>426,759</u>
Business-Type Activities:						
General Obligation Bonds						
2004 Electric Improvement Bond Premium	2 - 4.25%	1,260,000		400,000	860,000	410,000
2005 Waterworks Refunding Bond Premium	3 - 5	605,000		115,000	490,000	120,000
Accounting Loss		(56,683)		(10,775)	(45,908)	
2005 Wastewater Refunding Bond Premium	3 - 5	1,060,000		105,000	955,000	105,000
Accounting Loss		(79,751)		(7,900)	(71,851)	
2010 Various Purpose	2 - 4		500,000		500,000	30,000
Total General Obligation Bonds		<u>2,867,310</u>	<u>500,000</u>	<u>614,403</u>	<u>2,752,907</u>	<u>665,000</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 1/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>	<u>Due Within One Year</u>
Business-Type Activities: (Cont'd)						
Mortgage Revenue Bonds						
1999 Wastewater Refunding	3.25-4.95	2,425,000		300,000	2,125,000	315,000
Bond Discount		(2,737)		(338)	(2,399)	
Accounting Loss		(225,393)		(27,884)	(197,509)	
Total Mortgage Revenue Bonds		<u>2,196,870</u>		<u>271,778</u>	<u>1,925,092</u>	<u>315,000</u>
Other Long-Term Obligations						
OPWC Loans Payable		374,513		24,163	350,350	24,162
OWDA Loans Payable	3.25-4.99	6,292,956	10,616	246,482	6,057,090	254,557
Compensated Absences Payable		214,660	2,909	9,979	207,590	64,854
Total Other Long-Term Obligations		<u>6,882,129</u>	<u>13,525</u>	<u>280,624</u>	<u>6,615,030</u>	<u>343,573</u>
Total Business-Type Activities		<u>\$11,946,309</u>	<u>\$ 513,525</u>	<u>\$1,166,805</u>	<u>\$11,293,029</u>	<u>\$1,323,573</u>

A. Revenue Anticipation Notes

The City issued revenue anticipation notes in 2010, in the amount of \$1,150,000, to partially retire notes previously issued 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, 2010, all proceeds were spent. The notes matured on February 8, 2011.

B. Bond Anticipation Notes

The City issued bond anticipation notes in 2010, in the amount of \$1,350,000, to provide for the City's share of the Main Street Reconstruction project. The notes are payable from the revenues of the Electric and Stormwater enterprise funds. As of December 31, 2010, proceeds, in the amount of \$202,305, were spent. The notes matured on May 27, 2011.

C. Governmental Activities General Obligation Bonds

In 2009, the City issued current refunding general obligation bonds, in the amount of \$467,000, to refund the remaining balance of previously issued rural development bonds. The bonds were fully retired in 2010.

In 2010, the City issued current refunding general obligation bonds, in the amount of \$298,000, to refund the remaining balance of the current refunding general obligation bonds issued in 2009. The refunding general obligation bonds will fully mature in 2019. The bonds will be paid with transfers from the General Fund.

In 2010, the City issued general obligation bonds, in the amount of \$2,830,000, to retire bond anticipation notes issued for recreational, street, water, sewer, and stormwater improvements. These bonds will fully mature in 2030. The bonds will be paid with transfers from the Tax Incremental Financing capital projects fund and the Stormwater enterprise fund.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 through 2023 (with the balance of \$50,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

<u>Year</u>	<u>Amount</u>
2021	\$50,000
2022	50,000
2023	50,000

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2025 through 2029 (with the balance of \$15,000 to be paid at stated maturity on December 1, 2030), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$55,000
2026	10,000
2027	10,000
2028	15,000
2029	15,000

The bonds maturing on or after December 1, 2024, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, on any date on or after December 1, 2020, at par plus accrued interest to the redemption date.

D. Equipment Loan

During 2008, the City entered into a loan for the purchase of a vehicle, in the amount of \$78,241. The loan will fully mature in 2011. The loan will be paid from resources of the Street special revenue fund.

E. Business-Type Activities 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. These bonds will fully mature in 2012. 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. These bonds will fully mature in 2014. 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. These bonds will fully mature in 2018. The bonds will be paid from the Sewer enterprise fund. The refunded bonds were fully retired.

In 2010, the City issued general obligation bonds, in the amount of \$500,000, to retire bond anticipation bonds issued for water improvements. These bonds will fully mature in 2030. The bonds will be paid from the Water enterprise fund.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2021 through 2023 (with the balance of \$20,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2021	\$20,000
2022	20,000
2023	20,000

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, in part by lot, on December 1, in each of the years 2025 through 2029 (with the balance of \$25,000 to be paid at stated maturity on December 1, 2030), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date according to the following schedule:

<u>Year</u>	<u>Amount</u>
2025	\$20,000
2026	20,000
2027	20,000
2028	20,000
2029	25,000

The bonds maturing on or after December 1, 2024, are subject to prior redemption, by and at the sole option of the City, either in whole or in part, on any date on or after December 1, 2020, at par plus accrued interest to the redemption date.

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 operation 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.

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, 2010:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	Restricted Assets
	Wastewater Refunding
Restricted Assets held by the City for:	
Revenue Bond Operations and Maintenance	\$101,567
Revenue Bond Renewal and Replacement	227,242
Restricted Assets held by Fiscal Agent for:	
Revenue Bond Future Debt Service	487,785

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 \$2,125,000 and \$376,090 respectively. Principal and interest for the current year and total net revenues were \$416,623 and \$678,627, 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 are expected to require less than 100 percent of these net revenues in future years. The total principal remaining on the OPWC loan is \$350,350. Principal for the current year and total net revenues were \$24,163, and \$1,200,503, respectively.

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 was \$8,542,544.

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. The total principal remaining on the OWDA loan is \$6,057,090. Principal and interest for the current year and total net revenues were \$451,120 and \$1,200,503, respectively.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

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

The City's legal debt margin was \$13,634,218 at December 31, 2010.

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

Year	Governmental Activities			
	General Obligation Bonds		Equipment Loan	
	Principal	Interest	Principal	Interest
2011	\$ 244,930	\$ 98,367	\$19,117	\$904
2012	271,612	86,441		
2013	283,517	79,635		
2014	265,502	72,550		
2015	277,626	65,727		
2016-2020	1,464,813	199,198		
2021-2025	255,000	41,500		
2026-2030	65,000	8,400		
Total	\$3,128,000	\$651,818	\$19,117	\$904

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

Year	Business-Type Activities					
	Electric Improvement General		Waterworks Refunding General		Wastewater Refunding General	
	Obligation Bonds		Obligation Bonds		Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$410,000	\$34,300	\$120,000	\$18,285	\$105,000	\$42,233
2012	450,000	16,875	115,000	14,085	105,000	38,557
2013			125,000	9,888	110,000	34,725
2014			130,000	5,200	115,000	30,600
2015					125,000	26,000
2016-2020					395,000	40,250
	\$860,000	\$51,175	\$490,000	\$47,458	\$955,000	\$212,365

Year	2010 Various Purpose General Obligation Bonds		Wastewater Refunding Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest
	2011	\$ 30,000	\$ 16,262	\$ 315,000
2012	15,000	14,450	330,000	87,868
2013	30,000	14,150	345,000	72,192
2014	30,000	13,550	360,000	55,633
2015	30,000	12,950	380,000	38,172
2016-2020	155,000	53,800	395,000	19,553
2021-2025	100,000	33,000		
2026-2028	110,000	13,800		
	\$500,000	\$171,962	\$2,125,000	\$376,090

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

Year	OPWC	OWDA Loans	
	Loans	Principal	Interest
2011	\$ 24,162	\$ 254,557	\$ 196,562
2012	24,162	262,898	188,222
2013	24,162	271,511	179,608
2014	24,162	280,407	170,712
2015	24,162	289,594	161,525
2016-2020	120,810	1,596,669	658,928
2021-2025	108,730	1,875,946	379,650
2026-2028		1,225,508	73,755
	<u>\$350,350</u>	<u>\$6,057,090</u>	<u>\$2,008,962</u>

20. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

Fund Balance	General	Tax Increment Financing	Other Governmental	Total Governmental Funds
Non-spendable for:				
Prepaid Items	\$ 14,184			\$ 14,184
Materials and Supplies Inventory	17,852		\$ 55,906	73,758
Interfund Loans	11,196			11,196
Total Non-spendable	<u>43,232</u>		<u>55,906</u>	<u>99,138</u>
Restricted for:				
Street Construction and Maintenance		\$352,274	1,291,228	1,643,502
Economic Development and Rehabilitation			264,941	264,941
Police and Fire Operations			5,374	5,374
Drug Enforcement			2,952	2,952
Court Operations			281,032	281,032
Recreation			17,322	17,322
Debt Retirement			32,607	32,607
Unclaimed Monies	29,173			29,173
Total Restricted	<u>29,173</u>	<u>352,274</u>	<u>1,895,456</u>	<u>2,276,903</u>
Assigned for:				
Debt Retirement			1	1
Unpaid Obligations	29,845			29,845
Total Assigned	<u>29,845</u>		<u>1</u>	<u>29,846</u>
Unassigned (Deficit)	1,131,669		(176,075)	955,594
Total Fund Balance	<u>\$1,233,919</u>	<u>\$352,274</u>	<u>\$1,775,288</u>	<u>\$3,361,481</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

21. INTERFUND TRANSFERS

During 2010, the General Fund made transfers to the Tax Increment Financing Fund, other governmental funds, and the Electric enterprise fund, in the amount of \$31,000, \$571,375, and \$210, respectively, to move receipts as debt payments became due and to subsidize various programs in other funds.

The Tax Increment Financing Fund made transfers to the Water enterprise fund, in the amount of \$42,845, to provide additional funds for capital projects.

Other governmental funds made transfers to the General Fund, in the amount of \$300,000, to close out nonactive funds.

The Stormwater enterprise fund made transfers to the Tax Increment Financing Fund, in the amount of \$139,282, for the repayment of debt.

22. 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.

23. 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.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

23. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Grand Lake/Mercer County Research Corporation

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

C. Mercer County Planning Commission

The City participates in the Mercer County Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Mercer County, 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.

24. 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, 2010
(Continued)**

25. 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, 2010, to December 31, 2010, 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.

C. Awarded Loans

In 2010, the City was awarded an interest-free loan from the Ohio Public Works Commission, in the amount of \$171,100, for the construction of Buckeye Street. The City had not drawn down on this loan as of December 31, 2010.

26. SUBSEQUENT EVENTS

In November 2010, the voters passed an additional .5 percent income tax for the operational expenses and capital improvements for the City's fire and police departments for a period of seven years beginning January 1, 2011.

On February 8, 2011, the City issued revenue anticipation notes, in the amount of \$1,100,000, to partially retire notes previously issued to provide 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. The notes have an interest rate of 3.49 percent and mature on February 7, 2012.

On May 27, 2011, the City issued bond anticipation notes, in the amount of \$1,350,000, to retire notes previously issued to provide for the City's share of the Main Street Reconstruction project. The notes are payable from the revenues of the Electric and Stormwater enterprise funds. The notes have an interest rate of 1.85 percent and mature on May 25, 2012.

This page intentionally left blank.



Dave Yost • 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 Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celina, Mercer County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2011, wherein we noted the City adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-02 as described in the accompanying schedule of findings to be a material weakness.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 and 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 28, 2011.

The City's response to the finding identified in our audit 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 management, the audit committee, City Council and others within the City. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

September 28, 2011

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-01

Finding for Recovery – Mayor’s Benefits

City of Celina Ordinance No. 33-98-0 (1999), states that the Mayor shall receive all paid fringe benefits as are provided to all full-time permanent city employees. Effective January 1, 2005 full time employees were required to pay a portion of their medical insurance. From the time the Mayor’s current term commenced on January 1, 2008, she has not paid the required portion of her medical insurance. The following shows the amount that should have been paid by year, including through July 15, 2011:

<u>Year</u>	<u>Employee Contribution Per Payroll</u>		<u># of Pays</u>		<u>Total</u>
2008	\$40.00	X	26	=	\$1,040.00
2009	\$68.79	X	26	=	1,788.00
2010	\$77.90	X	26	=	2,025.00
2011	\$83.64	X	15	=	1,254.00
Total					<u>\$6,107.00</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for monies due but not collected is issued against Sharon LaRue, City of Celina Mayor, in the amount of \$6,107 and in favor of the City of Celina General Fund, in the amount of \$6,107.

Official’s Response:

The Law Director of the City of Celina reaffirms his opinion dated 7/19/11 regarding the interpretation of city ordinance 33-98-0, dealing with the fringe benefits of the Mayor. The Law Director is still of the opinion that the Mayor should have been paying for health insurance beginning January 1, 2008.

Mayor’s Response:

Upon commencement of my first term as Mayor of Celina (2004-2007), I received health insurance coverage as a benefit from employment without any payroll contribution/deduction from my salary. Prior to the commencement of my second term as Mayor of Celina (2008-2011), I advised the personnel and finance committee that I was satisfied with my current pay and benefits and desired to maintain the status quo, (Minutes of Personnel & Finance Committee Meeting, 10-3-2007). The committee decided not to change the structure and compensation of the Mayor’s position at that time, (Minutes of Personnel & Finance Committee Meeting, 10-3-2007). In conclusion, my request to maintain the status quo was honored by Council and I have no legal obligation to make payroll contributions/deductions for health insurance coverage.

Auditor of State’s Response:

Ordinance #33-98-0 (1999) states that “.....the Mayor shall receive all paid fringe benefits as are provided to all full time permanent City employees.” Pursuant to this Ordinance, beginning January 1, 2008 the Mayor was required to pay a portion of her medical insurance.

FINDING NUMBER 2010-02

Noncompliance/Material Weakness – TIF Adjustment

Ohio Rev. Code Section 5709.40(C) authorized cities to participate in financing techniques commonly referred to as tax increment financing. **City of Celina Ordinance No. 50-04-0 (2004)** declared that certain public infrastructure improvements made or to be made, to wit, public recreational facilities and public streets improvements including pavements, walkways, traffic control devices and alterations to existing streets to benefit or serve parcels of land collectively referred to as the Staeger Road Industrial Park Tax Incentive Financing District.

A transfer of \$51,500 was made from the Staeger Road Industrial Park TIF Fund to Eastview Park Improvement Debt Service Fund. The Eastview Park Improvement Fund is used to repay debt on a restroom project at the park which did not benefit or serve all the parcels of land in the Staeger Road Industrial Park TIF.

An adjustment has been made against the Eastview Park Improvement Debt Service Fund in the amount of \$51,500 and in favor of the Staeger Road Industrial Park TIF Fund in the amount of \$51,500. The accompanying financial statements reflect the above adjustments and the adjustments have been posted to the accounting records of the City.

Officials Response:

The City made the adjustment to their Staeger Road Industrial Park TIF Fund in the amount of \$51,500.



Dave Yost • 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
NOVEMBER 10, 2011