

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(Audited)

For The Year Ended
December 31, 2010

NANCY MYERS, AUDITOR



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Greenville, Darke County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 8, 2011

This page intentionally left blank.

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities.....	17 - 18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Street Construction, Maintenance and Repair.....	24
Statement of Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in - Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds.....	27
Notes to the Basic Financial Statements	28 - 61
Supplementary Data:	
Schedule of Expenditures of Federal Awards.....	62
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	63 - 64
Independent Accountants’ Report on Compliance with Requirements Applicable To Its Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	65 - 66
Schedule of Findings <i>OMB Circular A-133 § .505</i>	67

This page intentionally left blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Auditor's Report

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

To the Members of Council and Mayor:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Darke County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Greenville's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Greenville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011, on our consideration of the City of Greenville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Members of Council and Mayor
City of Greenville
Page Two

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 15, 2011

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

The management discussion and analysis of the City of Greenville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. As stated in Note 2 to the basic financial statements, the financial information contained in this report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP-basis financial information will differ from cash basis information as maintained by City during the year.

Financial Highlights

Key financial highlights for 2010 are as follows:

- The City restated net assets for business-type activities at December 31, 2009 as described in Note 3.B to the basic financial statements. The total net assets of the City decreased \$80,485. Net assets of governmental activities decreased \$813,801 or 4.12% from 2009 and net assets of business-type activities increased \$733,316 or 3.19% from 2009.
- General revenues accounted for \$8,046,097 of total governmental activities revenue. Program specific revenues accounted for \$2,055,417 or 20.35% of total governmental activities revenue.
- The City had \$10,890,315 in expenses related to governmental activities; \$2,055,417 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,834,898 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,046,097.
- The general fund had revenues of \$8,125,221 in 2010. This represents a decrease of \$201,079 from 2009 revenues. The expenditures and other financing uses of the general fund, which totaled \$8,746,365 in 2010, increased \$312,220 from 2009. The net decrease in fund balance for the general fund was \$621,144 or 19.44%.
- The street construction, maintenance and repair fund had revenues and other financing sources of \$1,136,226 and expenditures of \$1,229,896 during 2010. The net decrease in fund balance for the street construction, maintenance and repair fund was \$93,670 or 20.81%.
- Net assets for the business-type activities, which are made up of the water, sewer, special park, swimming pool, storm water, and parking enterprise funds, increased in 2010 by \$733,316.
- In the general fund, the actual revenues came in \$1,654,141 lower than they were in the final budget and actual expenditures were \$995,855 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$152,703 from the original to the final budget due primarily to an increase in tax revenues. Budgeted expenditures increased \$385,484 from the original to the final budget.

Using this Annual Financial Report

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

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the street construction, maintenance and repair fund. Information for the major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements (including budgetary statements) can be found on pages 19-24 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, special park, swimming pool, storm water, and parking functions. The City's major enterprise funds are the water and sewer funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-61 of this report.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets at December 31, 2010 and December 31, 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

	Net Assets					
	Governmental Activities 2010	Business-Type Activities 2010	Governmental Activities 2009	Restated Business-Type Activities 2009	2010 Total	Restated 2009 Total
<u>Assets</u>						
Current and other assets	\$ 9,317,804	\$ 12,517,531	\$ 9,959,735	\$ 11,845,119	\$ 21,835,335	\$ 21,804,854
Capital assets, net	<u>15,637,428</u>	<u>13,012,337</u>	<u>16,245,544</u>	<u>13,092,878</u>	<u>28,649,765</u>	<u>29,338,422</u>
Total assets	<u>24,955,232</u>	<u>25,529,868</u>	<u>26,205,279</u>	<u>24,937,997</u>	<u>50,485,100</u>	<u>51,143,276</u>
<u>Liabilities</u>						
Current liabilities	2,342,389	194,333	2,350,334	141,078	2,536,722	2,491,412
Long-term liabilities	<u>3,690,206</u>	<u>1,631,448</u>	<u>4,118,507</u>	<u>1,826,148</u>	<u>5,321,654</u>	<u>5,944,655</u>
Total liabilities	<u>6,032,595</u>	<u>1,825,781</u>	<u>6,468,841</u>	<u>1,967,226</u>	<u>7,858,376</u>	<u>8,436,067</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	12,560,463	11,477,337	12,810,129	11,372,878	24,037,800	24,183,007
Restricted	2,382,767	316,178	2,321,155	317,624	2,698,945	2,638,779
Unrestricted	<u>3,979,407</u>	<u>11,910,572</u>	<u>4,605,154</u>	<u>11,280,269</u>	<u>15,889,979</u>	<u>15,885,423</u>
Total net assets, restated	<u>\$ 18,922,637</u>	<u>\$ 23,704,087</u>	<u>\$ 19,736,438</u>	<u>\$ 22,970,771</u>	<u>\$ 42,626,724</u>	<u>\$ 42,707,209</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2010, the City's assets exceeded liabilities by \$42,626,724. At year-end, net assets were \$18,922,637 and \$23,704,438 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 56.91% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, software, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2010, were \$12,560,463 and \$11,477,337 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's governmental net assets, 2,382,767, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,979,407 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The table below shows the changes in net assets for 2010 and 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

	Change in Net Assets					
			Restated			
	Governmental Activities 2010	Business-type Activities 2010	Governmental Activities 2009	Business-type Activities 2009	2010 Total	Restated 2009 Total
Revenues						
Program revenues:						
Charges for services	\$ 530,444	\$ 4,182,812	\$ 459,745	\$ 4,157,063	\$ 4,713,256	\$ 4,616,808
Operating grants and contributions	1,499,936	-	1,219,910	-	1,499,936	1,219,910
Capital grants and contributions	<u>25,037</u>	<u>-</u>	<u>460,734</u>	<u>168,369</u>	<u>25,037</u>	<u>629,103</u>
Total program revenues	<u>2,055,417</u>	<u>4,182,812</u>	<u>2,140,389</u>	<u>4,325,432</u>	<u>6,238,229</u>	<u>6,465,821</u>
General revenues:						
Property taxes	1,520,766	-	1,491,797	-	1,520,766	1,491,797
Income taxes	5,406,559	-	5,696,567	-	5,406,559	5,696,567
Unrestricted grants and entitlements	839,900	-	960,889	-	839,900	960,889
Payment in lieu of taxes	226,653	-	182,498	-	226,653	182,498
Investment earnings	2,881	5,826	19,915	46,792	8,707	66,707
Miscellaneous	<u>49,338</u>	<u>10,056</u>	<u>53,973</u>	<u>20,967</u>	<u>59,394</u>	<u>74,940</u>
Total general revenues	<u>8,046,097</u>	<u>15,882</u>	<u>8,405,639</u>	<u>67,759</u>	<u>8,061,979</u>	<u>8,473,398</u>
Total revenues	<u>10,101,514</u>	<u>4,198,694</u>	<u>10,546,028</u>	<u>4,393,191</u>	<u>14,300,208</u>	<u>14,939,219</u>

- - Continued

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Change in Net Assets - (Continued)					
	Governmental		Business-type		Restated	
	Activities	Activities	Activities	Activities	2010	Restated
	2010	2010	2009	2009	Total	2009
					Total	Total
Expenses:						
General government	2,191,373	-	2,261,355	-	2,191,373	2,261,355
Security of persons and property	5,020,689	-	4,691,807	-	5,020,689	4,691,807
Public health and welfare	311	-	3,943	-	311	3,943
Transportation	2,751,309	-	2,500,392	-	2,751,309	2,500,392
Community environment	36,789	-	289,578	-	36,789	289,578
Leisure time activity	492,828	-	551,741	-	492,828	551,741
Utility services	253,016	-	216,212	-	253,016	216,212
Interest and fiscal charges	144,000	-	157,177	-	144,000	157,177
Water	-	1,638,456	-	1,687,105	1,638,456	1,687,105
Sewer	-	1,317,241	-	1,303,326	1,317,241	1,303,326
Special park	-	544	-	370	544	370
Storm water	-	438,950	-	172,878	438,950	172,878
Swimming pool	-	95,187	-	93,339	95,187	93,339
Total expenses	10,890,315	3,490,378	10,672,205	3,257,018	14,380,693	13,929,223
Change in net assets before transfers	(788,801)	708,316	(126,177)	1,136,173	(80,485)	1,009,996
Transfers	(25,000)	25,000	(110,510)	110,510	-	-
Change in net assets	(813,801)	733,316	(236,687)	1,246,683	(80,485)	1,009,996
Net assets at beginning of year (restated)	19,736,438	22,970,771	19,973,125	21,724,088	42,707,209	41,697,213
Net assets at end of year (restated)	\$ 18,922,637	\$ 23,704,087	\$ 19,736,438	\$ 22,970,771	\$ 42,626,724	\$ 42,707,209

Governmental Activities

Governmental activities net assets decreased \$813,801 in 2010. This decrease is primarily a result of income tax, intergovernmental and investment earnings decreasing from 2009 to 2010.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,020,689 of the total expenses of the City. These expenses were partially funded by \$114,439 in direct charges to users of the services and \$118,757 in operating grants. Transportation expenses totaled \$2,751,309. Transportation expenses were partially funded by \$197,760 in direct charges to users of the services and \$1,152,358 in operating grants and \$25,037 in capital grants.

The state and federal government contributed to the City a total of \$1,524,973 in operating grants and contributions and capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,152,358 subsidized transportation programs, \$118,757 subsidized security of persons and property programs, \$61,021 subsidized community environment programs, \$52 subsidized leisure time activity programs and \$122,866 subsidized general government programs during 2010. All of the capital grants and contributions of \$25,037 subsidized transportation programs.

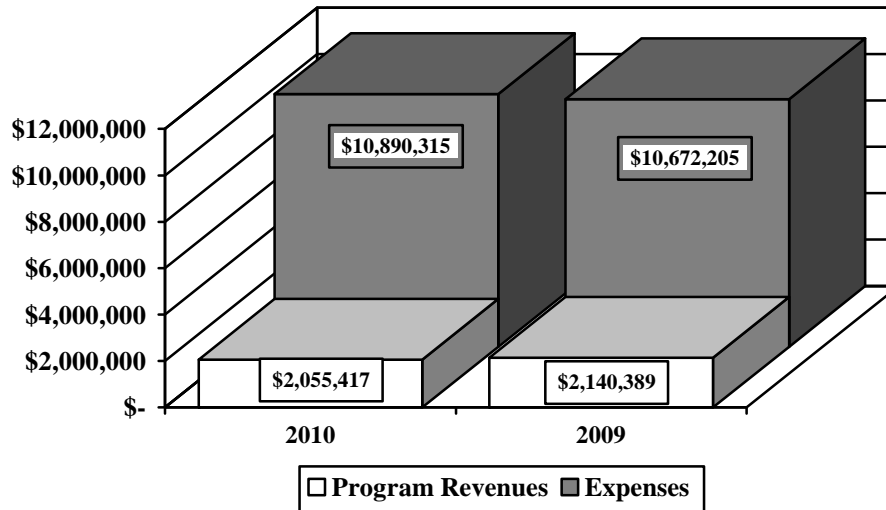
CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

General revenues totaled \$8,046,097, and amounted to 79.65% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,927,325. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and revenue, making up \$839,900.

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

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

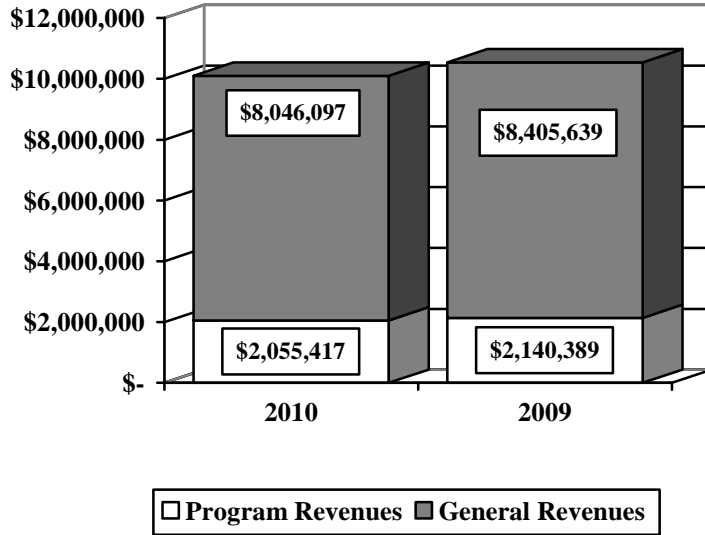
	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 2,191,373	\$ 1,937,814	\$ 2,261,355	\$ 2,088,618
Security of persons and property	5,020,689	4,742,611	4,691,807	4,563,673
Public health and welfare	311	311	3,943	3,943
Transportation	2,751,309	1,376,154	2,500,392	814,685
Community environment	36,789	(32,147)	289,578	228,724
Leisure time activity	492,828	413,139	551,741	458,784
Utility services	253,016	253,016	216,212	216,212
Interest and fiscal charges	144,000	144,000	157,177	157,177
Total	<u>\$ 10,890,315</u>	<u>\$ 8,834,898</u>	<u>\$ 10,672,205</u>	<u>\$ 8,531,816</u>

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The dependence upon general revenues for governmental activities is apparent, with 73.88% of expenses supported through taxes and other general revenues.

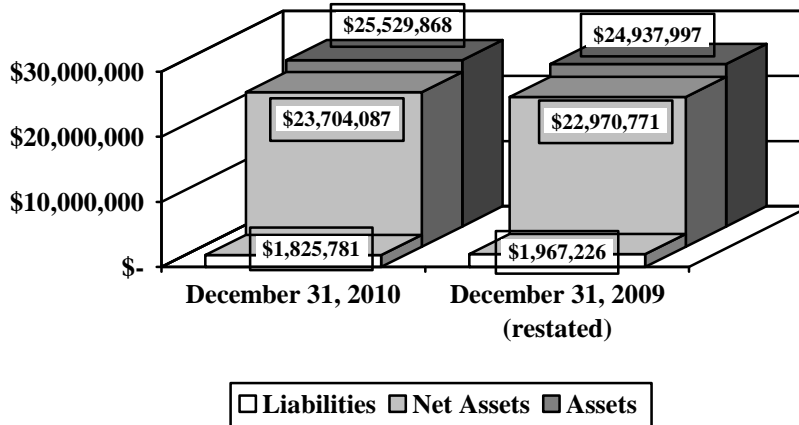
Governmental Activities – General and Program Revenues



Business-Type Activities

Business-Type activities include the water, sewer, special park, swimming pool, storm water, and parking enterprise funds. These programs had program revenues of \$4,182,812, general revenues of \$15,882, transfers in of \$25,000 and expenses of \$3,490,378 for 2010. The graph below illustrates the City's business-type assets, liabilities and net assets at December 31, 2010 and December 31, 2009. The net assets of the City were restated at December 31, 2009 as described in Note 3.B to the basic financial statements.

Net Assets in Business – Type Activities



CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2010 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/10</u>	<u>Fund Balances</u> <u>12/31/09</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 2,574,545	\$ 3,195,689	\$ (621,144)
Street construction, maintenance and repair	356,378	450,048	(93,670)
Other nonmajor governmental funds	<u>1,851,964</u>	<u>1,693,160</u>	<u>158,804</u>
Total	<u>\$ 4,782,887</u>	<u>\$ 5,338,897</u>	<u>\$ (556,010)</u>

General Fund

The City's general fund balance decreased \$621,144. The table that follows assists in illustrating the revenues of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Municipal income taxes	\$ 5,528,801	\$ 5,662,364	(2.36) %
Property and other taxes	1,367,505	1,279,710	6.86 %
Charges for services	40,395	35,302	14.43 %
Licenses and permits	102,079	90,094	13.30 %
Fines and forfeitures	112,698	126,246	(10.73) %
Investment income	2,298	17,172	(86.62) %
Special assessments	13,225	9,182	44.03 %
Intergovernmental	846,861	978,383	(13.44) %
Donations	52,137	66,471	(21.56) %
Other	<u>59,222</u>	<u>61,376</u>	(3.51) %
Total	<u>\$ 8,125,221</u>	<u>\$ 8,326,300</u>	(2.41) %

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

During 2010, the City's revenues decreased by 2.41%. The 86.62% decrease in investment income was primarily due to the declining interest rates in 2010. The City received less State funding, which is recorded as intergovernmental revenue, in 2010 than they did in 2009. The 21.56% decrease in donations revenue was caused by decreased donations to the City.

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,880,762	\$ 2,075,015	(9.36) %
Security of persons and property	4,178,576	3,993,055	4.65 %
Public health and welfare	311	3,943	(92.11) %
Transportation	101,368	92,209	9.93 %
Community environment	473	1,593	(70.31) %
Leisure time activity	420,274	498,855	(15.75) %
Utility services	181,660	157,212	15.55 %
Capital outlay	501,122	540,471	(7.28) %
Debt service	<u>90,846</u>	<u>80,070</u>	13.46 %
 Total	 <u>\$ 7,355,392</u>	 <u>\$ 7,442,423</u>	 (1.17) %

The decrease in public health and welfare, community environment and leisure time activity expenditures is primarily the result of a decrease in wage and benefits costs. The increase in utility service expenditures is due to increasing utility costs. All other expenditures remained comparable to 2009.

Street Construction, Maintenance and Repair Fund

The street construction, maintenance and repair fund had revenues and other financing sources of \$1,136,226 and expenditures of \$1,229,896 during 2010. The net decrease in fund balance for the street construction, maintenance and repair fund was \$93,670 or 20.81%.

Budgeting Highlights - General Fund

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

Budgetary information is presented for the general fund. In the general fund, the actual revenues came in \$1,654,141 lower than they were in the final budget and actual expenditures were \$995,855 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$152,703 from the original to the final budget due primarily to an increase in tax revenues. Budgeted expenditures increased \$385,484 from the original to the final budget due primarily to an increase in the general government expenditures and the costs relating to security of persons and property.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Proprietary Funds

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

Water Fund

The water fund, a major proprietary fund, had operating revenues of \$1,651,917 in 2010 and operating expenses of \$1,596,344 in 2010. The net change in operating expenses and revenues, contributed to the water fund balance increase of \$226 from 2009 to 2010.

Sewer Fund

The sewer fund, a major proprietary fund, had operating revenues of \$1,912,953 in 2010 and operating expenses of \$1,263,188 in 2010. The net change in operating expenses and the increase in revenues contributed to the sewer fund balance increase of \$669,101 or 6.34% from 2009 to 2010.

Capital Assets and Debt Administration

Capital Assets

During 2010, the City restated capital assets at December 31, 2009 due to software that should have been reported (see Note 3.B for details). At the end of 2010, the City had \$28,649,765 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, equipment, software, vehicles, and infrastructure. Of this total, \$15,637,428 was reported in governmental activities and \$13,012,337 was reported in business-type activities. The following table shows December 31, 2010 balances compared to December 31, 2009:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2010	2009	2010	Restated 2009	2010	Restated 2009
Land	\$ 713,119	\$ 713,119	\$ 868,075	\$ 868,075	\$ 1,581,194	\$ 1,581,194
Construction in progress	5,780	622,972	316,502	-	322,282	622,972
Land improvements	593,309	656,992	-	3,909	593,309	660,901
Buildings and improvements	3,290,114	3,395,092	4,425,838	4,639,003	7,715,952	8,034,095
Equipment	1,004,493	1,166,941	662,015	697,698	1,666,508	1,864,639
Software	35,211	-	118,645	140,215	153,856	140,215
Vehicles	745,049	774,984	24,948	29,175	769,997	804,159
Infrastructure	<u>9,250,353</u>	<u>8,915,444</u>	<u>6,596,314</u>	<u>6,714,803</u>	<u>15,846,667</u>	<u>15,630,247</u>
Totals	<u>\$ 15,637,428</u>	<u>\$ 16,245,544</u>	<u>\$ 13,012,337</u>	<u>\$ 13,092,878</u>	<u>\$ 28,649,765</u>	<u>\$ 29,338,422</u>

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

The City's largest capital asset category is infrastructure which includes streets, bridges, storm sewer lines and water and sewer lines. These items are immovable and of value to the area, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 59.16% and 50.69% of the City's total governmental and business-type capital assets, respectively.

See Note 9 to the basic financial statements for more detail on the City's capital assets.

Debt Administration

The City had the following long-term obligations in governmental activities outstanding at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 1,690,000	\$ 1,900,000
Land acquisition bond	111,000	129,500
Rail project bonds	835,000	910,000
OPWC loan	259,735	283,347
Lease purchase agreements - fire station	280,400	297,800
Lease purchase agreements - 911 system	-	32,530
Lease purchase agreements - fire truck	<u>70,437</u>	<u>78,681</u>
Total long-term obligations	<u>\$ 3,246,572</u>	<u>\$ 3,631,858</u>

The City had the following long-term obligations in business-type activities outstanding at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Revenue bonds	<u>\$ 1,535,000</u>	<u>\$ 1,720,000</u>

See Note 11 to the basic financial statements for more detail on the City's long-term debt obligations.

Economic Conditions and Outlook

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

Wayne Hospital, Darke County's only hospital, has recently opened a new \$48 million expansion and continues to look at the potential expansion of other hospital-owned facilities. The expansions will allow expanded services to the residents of Greenville and Darke County.

The City's primary industrial park, Greenville Industrial Park, has site ready lots available for building and expansion. Continental Carbonic Products, Inc is expected to open a new \$13.9 million dollar dry ice manufacturing facility in the Park in June, 2011. Continental Carbonic Products joins other businesses including Greenville Technology, Spartech Plastics, Beauty Systems Group, Tigereye Design, Buchy Foods, Monsanto, TXI and The Andersons Marathon Ethanol.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Contacting the City's Financial Management

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

CITY OF GREENVILLE, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,513,526	\$ 11,200,215	\$ 16,713,741
Receivables (net of allowance for uncollectibles):			
Income taxes	1,338,408	-	1,338,408
Real and other taxes	1,255,281	-	1,255,281
Accounts	34,761	750,138	784,899
Accrued interest	452	1,304	1,756
Intergovernmental	726,589	-	726,589
Payment in lieu of taxes	238,737	-	238,737
Internal balances	(28,974)	28,974	-
Prepayments	133,788	48,028	181,816
Materials and supplies inventory	62,100	172,694	234,794
Unamortized bond issue costs	43,136	-	43,136
Restricted assets:			
Cash with fiscal and escrow agent	-	316,178	316,178
Capital assets:			
Land and construction in progress	718,899	1,184,577	1,903,476
Depreciable capital assets, net	14,918,529	11,827,760	26,746,289
Total capital assets	<u>15,637,428</u>	<u>13,012,337</u>	<u>28,649,765</u>
Total assets	<u>24,955,232</u>	<u>25,529,868</u>	<u>50,485,100</u>
Liabilities:			
Accounts payable	183,014	22,349	205,363
Contracts payable	23,045	63,955	87,000
Accrued wages and benefits	421,724	84,401	506,125
Due to other governments	41,667	159	41,826
Pension obligation payable	233,837	17,522	251,359
Unearned revenue	1,390,977	-	1,390,977
Accrued interest payable	14,269	5,947	20,216
Claims payable	33,856	-	33,856
Long-term liabilities:			
Due within one year	484,719	199,067	683,786
Due in more than one year	3,205,487	1,432,381	4,637,868
Total liabilities	<u>6,032,595</u>	<u>1,825,781</u>	<u>7,858,376</u>
Net assets:			
Invested in capital assets, net of related debt	12,560,463	11,477,337	24,037,800
Restricted for:			
Capital projects	482,451	-	482,451
Debt service	470,714	316,178	786,892
Transportation projects	1,404,303	-	1,404,303
Other purposes	25,299	-	25,299
Unrestricted	<u>3,979,407</u>	<u>11,910,572</u>	<u>15,889,979</u>
Total net assets	<u>\$ 18,922,637</u>	<u>\$ 23,704,087</u>	<u>\$ 42,626,724</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,191,373	\$ 130,693	\$ 122,866	\$ -
Security of persons and property.	5,020,689	114,439	163,639	-
Public health and welfare	311	-	-	-
Transportation	2,751,309	197,760	1,152,358	25,037
Community environment.	36,789	7,915	61,021	-
Leisure time activity.	492,828	79,637	52	-
Utility services	253,016	-	-	-
Interest and fiscal charges.	144,000	-	-	-
Total governmental activities	10,890,315	530,444	1,499,936	25,037
Business-type activities:				
Water	1,638,456	1,650,776	-	-
Sewer	1,317,241	1,911,595	-	-
Other enterprise activities:				
Storm Water	438,950	552,730	-	-
Parking	-	2,475	-	-
Special park	544	-	-	-
Swimming pool	95,187	65,236	-	-
Total business-type activities	3,490,378	4,182,812	-	-
Total primary government.	\$ 14,380,693	\$ 4,713,256	\$ 1,499,936	\$ 25,037

General Revenues:

Property taxes levied for:

 General purposes.

 Police and Fire pension

Income taxes levied for:

 General purposes.

Grants and entitlements not restricted to specific programs

Payment in lieu of taxes.

Investment earnings

Miscellaneous

Total general revenues

Transfers

Change in net assets.

Net assets at beginning of year (restated)

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,937,814)	\$ -	\$ (1,937,814)
(4,742,611)	-	(4,742,611)
(311)	-	(311)
(1,376,154)	-	(1,376,154)
32,147	-	32,147
(413,139)	-	(413,139)
(253,016)	-	(253,016)
(144,000)	-	(144,000)
<u>(8,834,898)</u>	<u>-</u>	<u>(8,834,898)</u>
-	12,320	12,320
-	594,354	594,354
-	113,780	113,780
-	2,475	2,475
-	(544)	(544)
-	(29,951)	(29,951)
<u>-</u>	<u>692,434</u>	<u>692,434</u>
<u>(8,834,898)</u>	<u>692,434</u>	<u>(8,142,464)</u>
1,365,418	-	1,365,418
155,348	-	155,348
5,406,559	-	5,406,559
839,900	-	839,900
226,653	-	226,653
2,881	5,826	8,707
49,338	10,056	59,394
<u>8,046,097</u>	<u>15,882</u>	<u>8,061,979</u>
<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
(813,801)	733,316	(80,485)
<u>19,736,438</u>	<u>22,970,771</u>	<u>42,707,209</u>
<u>\$ 18,922,637</u>	<u>\$ 23,704,087</u>	<u>\$ 42,626,724</u>

CITY OF GREENVILLE, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,034,253	\$ 243,949	\$ 1,969,821	\$ 4,248,023
Receivables (net of allowance for uncollectibles):				
Income taxes.	1,338,408	-	-	1,338,408
Real and other taxes.	1,101,439	-	153,842	1,255,281
Accounts	25,483	420	8,698	34,601
Intergovernmental.	354,443	306,520	65,626	726,589
Accrued interest	254	25	48	327
Payment in lieu of taxes	-	-	238,737	238,737
Prepayments.	120,860	10,009	2,919	133,788
Materials and supplies inventory	10,062	52,038	-	62,100
Total assets	<u>\$ 4,985,202</u>	<u>\$ 612,961</u>	<u>\$ 2,439,691</u>	<u>\$ 8,037,854</u>
Liabilities:				
Accounts payable	\$ 181,424	\$ 1,470	\$ 120	\$ 183,014
Contracts payable	11,200	6,483	5,362	23,045
Accrued wages and benefits.	353,347	62,854	5,523	421,724
Due to other governments.	41,667	-	-	41,667
Pension obligation payable	59,151	12,950	161,736	233,837
Deferred revenue	753,228	172,826	34,649	960,703
Unearned revenue	1,010,640	-	380,337	1,390,977
Total liabilities	<u>2,410,657</u>	<u>256,583</u>	<u>587,727</u>	<u>3,254,967</u>
Fund balances:				
Reserved for encumbrances.	91,510	6,914	397,838	496,262
Reserved for prepayments	120,860	10,009	2,919	133,788
Reserved for materials and supplies inventory	10,062	52,038	-	62,100
Reserved for debt service.	-	-	484,962	484,962
Unreserved, undesignated, reported in:				
General fund.	2,352,113	-	-	2,352,113
Special revenue funds	-	287,417	483,794	771,211
Capital projects funds.	-	-	482,451	482,451
Total fund balances	<u>2,574,545</u>	<u>356,378</u>	<u>1,851,964</u>	<u>4,782,887</u>
Total liabilities and fund balances.	<u>\$ 4,985,202</u>	<u>\$ 612,961</u>	<u>\$ 2,439,691</u>	<u>\$ 8,037,854</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010

Total governmental fund balances		\$ 4,782,887
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		15,637,428
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Municipal taxes receivable	\$ 494,675	
Property taxes receivable	99,619	
Intergovernmental revenues receivable	366,179	
Investment income receivable	<u>230</u>	
Total		960,703
Unamortized premiums/discounts on bond issuances are not recorded in the funds.		(2,413)
Unamortized deferred charges on refundings are not recorded in the funds.		61,020
Unamortized bond issuance costs are not recorded in the funds.		43,136
An internal service fund is used by management to charge the cost of the health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets. The net assets of the internal service fund, including an internal balance of (\$28,974) are:		1,202,958
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Compensated absences	(448,241)	
Accrued interest payable	(14,269)	
Lease purchase agreements	(350,837)	
OPWC loan payable	(259,735)	
Land acquisition bonds	(111,000)	
General obligation bonds	(1,690,000)	
Rail project bonds	(835,000)	
Landfill postclosure costs	<u>(54,000)</u>	
Total		<u>(3,763,082)</u>
Net assets of governmental activities		<u><u>\$ 18,922,637</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

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

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Municipal income taxes	\$ 5,528,801	\$ -	\$ -	\$ 5,528,801
Property and other taxes	1,367,505	-	155,666	1,523,171
Charges for services	40,395	97,677	100,083	238,155
Licenses and permits	102,079	-	-	102,079
Fines and forfeitures	112,698	-	1,741	114,439
Intergovernmental	846,861	589,080	858,184	2,294,125
Special assessments	13,225	-	525	13,750
Investment income	2,298	152	201	2,651
Donations	52,137	-	-	52,137
Payment in lieu of taxes.	-	-	226,653	226,653
Other	59,222	125,317	4,236	188,775
Total revenues	<u>8,125,221</u>	<u>812,226</u>	<u>1,347,289</u>	<u>10,284,736</u>
Expenditures:				
Current:				
General government	1,880,762	-	141,919	2,022,681
Security of persons and property	4,178,576	-	587,288	4,765,864
Public health and welfare	311	-	-	311
Transportation.	101,368	1,186,492	585,308	1,873,168
Community environment	473	-	34,800	35,273
Leisure time activity	420,274	-	-	420,274
Utility services	181,660	-	61,000	242,660
Capital outlay.	501,122	43,404	393,133	937,659
Debt service:				
Principal retirement	67,756	-	317,530	385,286
Interest and fiscal charges	23,090	-	109,480	132,570
Total expenditures	<u>7,355,392</u>	<u>1,229,896</u>	<u>2,230,458</u>	<u>10,815,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>769,829</u>	<u>(417,670)</u>	<u>(883,169)</u>	<u>(531,010)</u>
Other financing sources (uses):				
Transfers in	-	324,000	1,202,890	1,526,890
Transfers out	(1,390,973)	-	(160,917)	(1,551,890)
Total other financing sources (uses)	<u>(1,390,973)</u>	<u>324,000</u>	<u>1,041,973</u>	<u>(25,000)</u>
Net change in fund balances	(621,144)	(93,670)	158,804	(556,010)
Fund balances at beginning of year	<u>3,195,689</u>	<u>450,048</u>	<u>1,693,160</u>	<u>5,338,897</u>
Fund balances at end of year.	<u>\$ 2,574,545</u>	<u>\$ 356,378</u>	<u>\$ 1,851,964</u>	<u>\$ 4,782,887</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

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

Net change in fund balances - total governmental funds	\$	(556,010)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital outlays	\$ 683,051	
Depreciation expense	(1,228,282)	
Total		(545,231)
The effect of various miscellaneous transactions involving capital assets is to decrease net assets.		(62,885)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	(122,242)	
Property taxes	(2,405)	
Intergovernmental revenues	(59,018)	
Investment income	(227)	
Total		(183,892)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Decrease in accrued interest payable	2,562	
Amortization of bond discounts/premiums	487	
Amortization of deferred charges on refundings	(8,823)	
Amortization of bond issue costs	(5,656)	
Total		(11,430)
Repayment of bonds, lease purchase agreements, landfill costs and loans are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets. Principal payments during the year were:		
General obligation bonds	210,000	
Land acquisition bonds	18,500	
Rail project bonds	75,000	
OPWC loans	23,612	
Lease purchase agreements	58,174	
Landfill postclose costs	36,000	
Total		421,286
Some expenses reported in the statement of activities do not require the use of current current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		15,351
An internal service fund is used by management to charge the costs of self-insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity, is allocated among the governmental activities.		
		109,010
Change in net assets of governmental activities	\$	(813,801)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 6,693,861	\$ 6,799,410	\$ 5,656,085	\$ (1,143,325)
Property and other taxes	1,617,301	1,642,802	1,366,564	(276,238)
Charges for services	47,807	48,560	40,395	(8,165)
Licenses and permits.	119,574	121,459	101,036	(20,423)
Fines and forfeitures.	132,375	134,462	111,852	(22,610)
Intergovernmental	956,594	971,677	808,289	(163,388)
Special assessments	15,652	15,898	13,225	(2,673)
Investment income	3,191	3,241	2,696	(545)
Donations	61,703	62,676	52,137	(10,539)
Other	67,554	68,130	61,895	(6,235)
Total revenues.	<u>9,715,612</u>	<u>9,868,315</u>	<u>8,214,174</u>	<u>(1,654,141)</u>
Expenditures:				
Current:				
General government	2,175,325	2,277,218	2,013,986	263,232
Security of persons and property	4,572,970	4,787,172	4,233,806	553,366
Public health and welfare.	364	381	337	44
Transportation	90,257	94,485	83,563	10,922
Community environment	607	635	562	73
Leisure time activity	486,753	509,553	450,652	58,901
Utility services	195,733	204,901	181,216	23,685
Capital outlay.	596,778	624,732	552,517	72,215
Debt service:				
Principal retirement	73,184	76,612	67,756	8,856
Interest and fiscal charges	37,691	39,457	34,896	4,561
Total expenditures	<u>8,229,662</u>	<u>8,615,146</u>	<u>7,619,291</u>	<u>995,855</u>
Excess of revenues over expenditures	<u>1,485,950</u>	<u>1,253,169</u>	<u>594,883</u>	<u>(658,286)</u>
Other financing uses:				
Transfers out	(1,390,973)	(1,390,973)	(1,390,973)	-
Total other financing uses	<u>(1,390,973)</u>	<u>(1,390,973)</u>	<u>(1,390,973)</u>	<u>-</u>
Net change in fund balance	94,977	(137,804)	(796,090)	(658,286)
Fund balance at beginning of year.	2,430,348	2,430,348	2,430,348	-
Prior year encumbrances appropriated	<u>235,758</u>	<u>235,758</u>	<u>235,758</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 2,761,083</u>	<u>\$ 2,528,302</u>	<u>\$ 1,870,016</u>	<u>\$ (658,286)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET CONSTRUCTION MAINTANCE AND REPAIR
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services.	\$ 118,914	\$ 129,096	\$ 97,583	\$ (31,513)
Intergovernmental.	662,849	719,604	543,945	(175,659)
Investment income	252	274	207	(67)
Other	152,313	165,354	124,991	(40,363)
Total revenues.	<u>934,328</u>	<u>1,014,328</u>	<u>766,726</u>	<u>(247,602)</u>
Expenditures:				
Current:				
Transportation	1,276,559	1,306,194	1,192,000	114,194
Capital outlay.	15,743	16,108	14,700	1,408
Total expenditures	<u>1,292,302</u>	<u>1,322,302</u>	<u>1,206,700</u>	<u>115,602</u>
Deficiency of revenues under expenditures	<u>(357,974)</u>	<u>(307,974)</u>	<u>(439,974)</u>	<u>(132,000)</u>
Other financing sources:				
Transfers in	324,000	324,000	324,000	-
Total other financing sources	<u>324,000</u>	<u>324,000</u>	<u>324,000</u>	<u>-</u>
Net change in fund balance	(33,974)	16,026	(115,974)	(132,000)
Fund balance at beginning of year.	331,329	331,329	331,329	-
Prior year encumbrances appropriated	<u>13,727</u>	<u>13,727</u>	<u>13,727</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 311,082</u>	<u>\$ 361,082</u>	<u>\$ 229,082</u>	<u>\$ (132,000)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise</u>	<u>Total</u>	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 2,254,892	\$ 8,014,228	\$ 931,095	\$ 11,200,215	\$ 1,265,503
Receivables (net of allowance for uncollectibles):					
Accounts	291,589	346,821	111,728	750,138	160
Accrued interest	282	1,022	-	1,304	125
Prepayments	31,940	14,358	1,730	48,028	-
Materials and supplies inventory	100,289	72,405	-	172,694	-
Restricted assets:					
Cash with fiscal and escrow agent	-	316,178	-	316,178	-
Total current assets	<u>2,678,992</u>	<u>8,765,012</u>	<u>1,044,553</u>	<u>12,488,557</u>	<u>1,265,788</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress	329,557	306,804	548,216	1,184,577	-
Depreciable capital assets, net	<u>7,407,731</u>	<u>3,703,440</u>	<u>716,589</u>	<u>11,827,760</u>	-
Total capital assets	<u>7,737,288</u>	<u>4,010,244</u>	<u>1,264,805</u>	<u>13,012,337</u>	-
Total assets	<u>10,416,280</u>	<u>12,775,256</u>	<u>2,309,358</u>	<u>25,500,894</u>	<u>1,265,788</u>
Liabilities:					
Current liabilities:					
Accounts payable	18,707	598	3,044	22,349	-
Contracts payable	23,439	25,248	15,268	63,955	-
Accrued wages and benefits	47,274	29,201	7,926	84,401	-
Due to other governments	53	53	53	159	-
Compensated absences	5,465	3,187	415	9,067	-
Pension obligation payable	9,815	6,250	1,457	17,522	-
Claims payable	-	-	-	-	33,856
Current portion of revenue bonds	-	190,000	-	190,000	-
Accrued interest payable	-	5,947	-	5,947	-
Total current liabilities	<u>104,753</u>	<u>260,484</u>	<u>28,163</u>	<u>393,400</u>	<u>33,856</u>
Long-term liabilities:					
Revenue bonds	-	1,345,000	-	1,345,000	-
Compensated absences	48,866	32,916	5,599	87,381	-
Total long-term liabilities	<u>48,866</u>	<u>1,377,916</u>	<u>5,599</u>	<u>1,432,381</u>	-
Total liabilities	<u>153,619</u>	<u>1,638,400</u>	<u>33,762</u>	<u>1,825,781</u>	<u>33,856</u>
Net assets:					
Invested in capital assets, net of related debt	7,737,288	2,475,244	1,264,805	11,477,337	-
Restricted for debt service	-	316,178	-	316,178	-
Unrestricted	<u>2,525,373</u>	<u>8,345,434</u>	<u>1,010,791</u>	<u>11,881,598</u>	<u>1,231,932</u>
Total net assets	<u>\$ 10,262,661</u>	<u>\$ 11,136,856</u>	<u>\$ 2,275,596</u>	<u>23,675,113</u>	<u>\$ 1,231,932</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				28,974	
Net assets of business-type activities				<u>\$ 23,704,087</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Other Enterprise	Total	
Operating revenues:					
Charges for services	\$ 1,648,226	\$ 1,907,770	\$ 620,441	\$ 4,176,437	\$ 889,139
Tap-in fees.	2,550	3,825	-	6,375	-
Other.	1,141	1,358	7,557	10,056	3,719
Total operating revenues.	<u>1,651,917</u>	<u>1,912,953</u>	<u>627,998</u>	<u>4,192,868</u>	<u>892,858</u>
Operating expenses:					
Personal services	804,868	468,166	254,751	1,527,785	-
Contract services	95,869	252,725	187,046	535,640	-
Materials and supplies	83,551	141,703	39,928	265,182	-
Utilities	159,217	144,372	6,375	309,964	-
Depreciation.	452,839	256,222	50,390	759,451	-
Claims.	-	-	-	-	741,811
Total operating expenses.	<u>1,596,344</u>	<u>1,263,188</u>	<u>538,490</u>	<u>3,398,022</u>	<u>741,811</u>
Operating income	<u>55,573</u>	<u>649,765</u>	<u>89,508</u>	<u>794,846</u>	<u>151,047</u>
Nonoperating revenues (expenses):					
Interest revenue.	1,236	4,590	-	5,826	670
Interest expense and fiscal charges	-	(78,480)	-	(78,480)	-
Loss on sale of capital assets	(56,583)	-	-	(56,583)	-
Total nonoperating revenues (expenses)	<u>(55,347)</u>	<u>(73,890)</u>	<u>-</u>	<u>(129,237)</u>	<u>670</u>
Income before transfers	226	575,875	89,508	665,609	151,717
Transfers in.	-	-	25,000	25,000	-
Changes in net assets	226	575,875	114,508	690,609	151,717
Net assets at beginning of year (restated).	<u>10,262,435</u>	<u>10,560,981</u>	<u>2,161,088</u>		<u>1,080,215</u>
Net assets at end of year	<u>\$ 10,262,661</u>	<u>\$ 11,136,856</u>	<u>\$ 2,275,596</u>		<u>\$ 1,231,932</u>
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds.				42,707	
Changes in net assets of business-type activities				<u>\$ 733,316</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

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

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Other Enterprise	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 1,637,559	\$ 1,926,023	\$ 619,039	\$ 4,182,621	\$ 889,139
Cash received from tap-in fees	2,550	3,825	-	6,375	-
Cash received from other operations	1,843	1,193	7,460	10,496	4,628
Cash payments for personal services	(822,583)	(456,743)	(252,043)	(1,531,369)	-
Cash payments for contract services	(94,819)	(249,439)	(186,928)	(531,186)	-
Cash payments for materials and supplies	(116,626)	(152,621)	(39,695)	(308,942)	-
Cash payments for utilities	(159,217)	(144,372)	(6,375)	(309,964)	-
Cash payments for claims	-	-	-	-	(897,032)
Net cash provided by (used in) operating activities	448,707	927,866	141,458	1,518,031	(3,265)
Cash flows from noncapital financing activities:					
Cash received from transfers in	-	-	25,000	25,000	-
Net cash provided by noncapital financing activities	-	-	25,000	25,000	-
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(288,429)	(369,108)	(27,369)	(684,906)	-
Principal retirement on revenue bonds	-	(185,000)	-	(185,000)	-
Interest and fiscal charges	-	(79,127)	-	(79,127)	-
Net cash used in capital and related financing activities	(288,429)	(633,235)	(27,369)	(949,033)	-
Cash flows from investing activities:					
Interest received	1,616	6,033	-	7,649	1,008
Net cash provided by investing activities	1,616	6,033	-	7,649	1,008
Net increase (decrease) in cash and cash equivalents	161,894	300,664	139,089	601,647	(2,257)
Cash and cash equivalents at beginning of year	2,092,998	8,029,742	792,006	10,914,746	1,267,760
Cash and cash equivalents at end of year	\$ 2,254,892	\$ 8,330,406	\$ 931,095	\$ 11,516,393	\$ 1,265,503
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 55,573	\$ 649,765	\$ 89,508	\$ 794,846	\$ 151,047
Adjustments:					
Depreciation	452,839	256,222	50,390	759,451	-
Changes in assets and liabilities:					
Increase in materials and supplies inventory	(18,377)	(11,437)	-	(29,814)	-
(Increase) decrease in accounts receivable	(9,965)	18,088	(1,499)	6,624	909
(Increase) decrease in prepayments	(7,561)	836	34	(6,691)	-
Increase (decrease) in accounts payable	(5,631)	(826)	264	(6,193)	-
Increase (decrease) in contracts payable	(1,504)	3,742	-	2,238	-
Increase in accrued wages and benefits	914	4,829	1,833	7,576	-
Increase in intergovernmental payable	53	53	53	159	-
(Decrease) in claims payable	-	-	-	-	(155,221)
Increase (decrease) in compensated absences payable	(16,397)	6,169	528	(9,700)	-
Increase (decrease) in pension obligation payable	(1,237)	425	347	(465)	-
Net cash provided by (used in) operating activities	\$ 448,707	\$ 927,866	\$ 141,458	\$ 1,518,031	\$ (3,265)

Non-cash transactions:

At December 31, 2010 and December 31, 2009, the Water fund purchased \$35,952 and \$3,826, respectively, in capital assets on account.
 At December 31, 2010 and December 31, 2009, the Sewer fund purchased \$21,506 and \$20,700, respectively, in capital assets on account.
 At December 31, 2010 the Other enterprise funds purchased \$17,655 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF GREENVILLE, OHIO

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

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, water system, sewage treatment, storm water services and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

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

B. Basis of Presentation - Fund Accounting

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

CITY OF GREENVILLE, OHIO

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

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

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

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

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

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

C. Fund Accounting

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

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

CITY OF GREENVILLE, OHIO

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

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

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.

Street construction, maintenance and repair - This fund accounts for all transactions relating to street maintenance and construction.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) grants and other resources whose use is restricted to a particular purpose.

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

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City had no fiduciary funds in 2010.

D. Measurement Focus and Basis of Accounting

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

CITY OF GREENVILLE, OHIO

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

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

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

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

E. Basis of Accounting

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

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

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

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

CITY OF GREENVILLE, OHIO

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2010, are recorded as deferred revenue on the fund financial statements.

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

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

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

F. Budgetary Data

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

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

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2010.

CITY OF GREENVILLE, OHIO

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

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

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

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

G. Cash and Cash Equivalents

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

During 2010, investments were limited to non-negotiable certificates of deposit which are reported at cost. Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2010 amounted to \$2,298 which included \$1,082 assigned from other funds of the City.

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

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

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

H. Inventories of Materials and Supplies

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

CITY OF GREENVILLE, OHIO

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

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

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2010, the City maintained a capitalization threshold of \$5,000. The City's governmental infrastructure consists of storm sewers and streets. The City's proprietary infrastructure consists of water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. Capitalized interest for 2010 was not material.

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

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

J. Compensated Absences

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

CITY OF GREENVILLE, OHIO

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

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

CITY OF GREENVILLE, OHIO

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

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

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

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

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no interfund receivables/payables at December 31, 2010. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with governmental activities.

N. Interfund Activity

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

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

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

O. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance amounts representing encumbrances outstanding, materials and supplies inventory, prepayments, and debt service in the governmental fund financial statements.

CITY OF GREENVILLE, OHIO

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

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

P. Estimates

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

Q. Net Assets

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

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

R. 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 at the time of the purchase and the expenditure/expense in the year in which services are consumed.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the City has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 resulted in the restatement of capital assets as described in Note 3.B. The City has reported intangible assets on a separate line in Note 10 presented as "Software" and has reflected intangible assets as indicated in the financial statements.

CITY OF GREENVILLE, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the City.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the City.

B. Restatement of Net Assets

The City's net assets have been restated at December 31, 2009 for adjustments to capital assets due to the implementation of GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", which added software to the City's capital assets. The change in the City's capital assets had the following effect on net assets as previously reported by the business-type activities:

	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Enterprise</u>
Net assets, December 31, 2009	\$ 22,830,556	\$ 10,208,388	\$ 10,514,141	\$ 2,121,760
Adjustment to capital assets	<u>140,215</u>	<u>54,047</u>	<u>46,840</u>	<u>39,328</u>
Restated net assets, December 31, 2009	<u>\$ 22,970,771</u>	<u>\$ 10,262,435</u>	<u>\$ 10,560,981</u>	<u>\$ 2,161,088</u>

See Note 10 for the effect of the change on capital asset balances as previously reported by the City at December 31, 2009.

C. Deficit Fund Balances

Fund balances at December 31, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Police pension	\$ 29,213
Fire pension	36,440

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

CITY OF GREENVILLE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

CITY OF GREENVILLE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

A. Cash with Fiscal and Escrow Agent

At December 31, 2010, \$316,178 was invested in U.S. Treasury money market funds related to the sewer refunding bond issue. U.S. Treasury money market funds are uncategorized investments since they are not evidenced by securities that exist in physical or book entry form. This amount is not included in "deposits" below.

B. Deposits with Financial Institutions

At December 31, 2010, the carrying amount of all City deposits was \$16,713,741. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2010, \$15,819,473 of the City's bank balance of \$16,819,473 was exposed to custodial risk as discussed below, while \$1,000,000 was covered by FDIC.

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

CITY OF GREENVILLE, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investment

The City had no investments at December 31, 2010.

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of December 31, 2010:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 16,713,741
Cash with fiscal agent	316,178
Total	\$ 17,029,919
 <u>Cash and cash equivalents per statement of net assets</u>	
Governmental activities	\$ 5,513,526
Business-type activities	11,516,393
Total	\$ 17,029,919

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2010, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Street construction, maintenance and repair	\$ 324,000
Nonmajor governmental funds	1,041,973
Nonmajor enterprise funds	25,000
Total	\$ 1,390,973
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	\$ 160,917

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

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

CITY OF GREENVILLE, OHIO

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2009-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Greenville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

CITY OF GREENVILLE, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2010 was \$7.55 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 154,883,380
Commercial/industrial/mineral	<u>76,470,190</u>
Total assessed value	<u>\$ 231,353,570</u>

NOTE 7 - LOCAL INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund and may be distributed to other funds as determined by City Council. Income tax revenue for 2010 was \$5,528,801 as reported in the fund financial statements.

NOTE 8 - TAX INCREMENT FINANCING DISTRICT (TIF)

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

PILOT revenue was \$226,653 in 2010 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 10 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2010, consisted of taxes, accounts (billings for user charged services), accrued interest, payment in lieu of taxes and intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2010 that applies to revenue recognition, not receivables.

CITY OF GREENVILLE, OHIO

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

NOTE 9 - RECEIVABLES - (Continued)

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

Governmental activities:

Income taxes	\$ 1,338,408
Real and other taxes	1,255,281
Accounts	34,761
Accrued interest	452
Intergovernmental	726,589
Payments in lieu of taxes	238,737

Business-type activities:

Accounts	750,138
Accrued interest	1,304

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

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2010, was as follows:

	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/10</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 713,119	\$ -	\$ -	\$ 713,119
Construction in progress	<u>622,972</u>	<u>5,780</u>	<u>(622,972)</u>	<u>5,780</u>
Total capital assets, not being depreciated	<u>1,336,091</u>	<u>5,780</u>	<u>(622,972)</u>	<u>718,899</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	779,669	-	(60,000)	719,669
Buildings and improvements	4,529,311	-	-	4,529,311
Furniture and equipment	2,482,674	11,054	(58,795)	2,434,933
Software	-	42,350	-	42,350
Vehicles	2,687,678	118,750	(40,818)	2,765,610
Infrastructure	<u>15,823,187</u>	<u>1,128,089</u>	<u>-</u>	<u>16,951,276</u>
Total capital assets, being depreciated	<u>26,302,519</u>	<u>1,300,243</u>	<u>(159,613)</u>	<u>27,443,149</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(62,677)	(63,683)	-	(126,360)
Buildings and improvements	(1,134,219)	(104,978)	-	(1,239,197)
Furniture and equipment	(1,315,733)	(170,617)	55,910	(1,430,440)
Software	-	(7,139)	-	(7,139)
Vehicles	(1,912,694)	(148,685)	40,818	(2,020,561)
Infrastructure	<u>(6,967,743)</u>	<u>(733,180)</u>	<u>-</u>	<u>(7,700,923)</u>
Total accumulated depreciation	<u>(11,393,066)</u>	<u>(1,228,282)</u>	<u>96,728</u>	<u>(12,524,620)</u>
Total capital assets, being depreciated, net	<u>14,909,453</u>	<u>71,961</u>	<u>(62,885)</u>	<u>14,918,529</u>
Governmental activities capital assets, net	<u>\$ 16,245,544</u>	<u>\$ 77,741</u>	<u>\$ (685,857)</u>	<u>\$ 15,637,428</u>

CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 140,365
Security of persons and property	105,529
Transportation	920,721
Leisure time activity	<u>61,667</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,228,282</u></u>

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

Capital assets of the business-type activities have been restated by \$140,215 (net of accumulated depreciation) to reflect the implementation of GASB Statement No. 51. The effect of this change in business-type activities capital assets and 2010 capital asset activity is as follows:

	Restated Balance 12/31/09	Additions	Disposals	Balance 12/31/10
<u>Business-type activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 868,075	\$ -	\$ -	\$ 868,075
Construction in progress	<u>-</u>	<u>316,502</u>	<u>-</u>	<u>316,502</u>
Total capital assets, not being depreciated	<u>868,075</u>	<u>316,502</u>	<u>-</u>	<u>1,184,577</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	117,283	-	-	117,283
Buildings and improvements	7,638,583	27,175	(66,393)	7,599,365
Furniture and equipment	6,381,337	159,958	(5,945)	6,535,350
Software	151,000	-	-	151,000
Vehicles	155,010	-	-	155,010
Infrastructure	<u>9,783,615</u>	<u>231,858</u>	<u>-</u>	<u>10,015,473</u>
Total capital assets, being depreciated	<u>24,226,828</u>	<u>418,991</u>	<u>(72,338)</u>	<u>24,573,481</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(113,374)	(3,909)	-	(117,283)
Buildings and improvements	(2,999,580)	(183,757)	9,810	(3,173,527)
Furniture and equipment	(5,683,640)	(195,641)	5,945	(5,873,336)
Software	(10,785)	(21,570)	-	(32,355)
Vehicles	(125,835)	(4,227)	-	(130,062)
Infrastructure	<u>(3,068,811)</u>	<u>(350,347)</u>	<u>-</u>	<u>(3,419,158)</u>
Total accumulated depreciation	<u>(12,002,025)</u>	<u>(759,451)</u>	<u>15,755</u>	<u>(12,745,721)</u>
Total capital assets, being depreciated, net	<u>12,224,803</u>	<u>(340,460)</u>	<u>(56,583)</u>	<u>11,827,760</u>
Business-type activities capital assets, net	<u>\$ 13,092,878</u>	<u>\$ (23,958)</u>	<u>\$ (56,583)</u>	<u>\$ 13,012,337</u>

CITY OF GREENVILLE, OHIO

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

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the enterprise funds as follows:

Business-type activities:

Water	\$ 452,839
Sewer	256,222
Nonmajor enterprise fund:	
Swimming pool	5,619
Storm water	<u>44,771</u>
Total depreciation expense - business-type activities	<u>\$ 759,451</u>

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

A. Lease Purchase Agreement - Fire Station Improvements

On December 2, 2002, the City entered into a lease purchase agreement with a financial institution to assist in financing the fire station building improvements. The City is leasing the "building improvements" from the financial institution. The City made principal and interest payments on the lease purchase agreement in the amount of \$17,400 and \$13,401, respectively, in 2010. Principal and interest payments are made from the general fund.

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

Capital assets consisting of building improvements have been capitalized in the amount of \$477,094 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$307,782, leaving a book value of \$169,312.

CITY OF GREENVILLE, OHIO

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

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

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2010:

<u>Year Ending December 31,</u>	<u>Fire Station</u>
2011	\$ 30,718
2012	30,736
2013	30,753
2014	30,762
2015	30,731
2016 - 2020	153,787
2021 - 2022	<u>61,625</u>
Total minimum lease payments	369,112
Less: amount representing interest	<u>(88,712)</u>
Present value of future minimum lease payment	<u>\$ 280,400</u>

B. Lease Purchase Agreement - 911 System Console

In a prior year the City entered into a lease purchase agreement to purchase a 911 System Console.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. The final principal payment was made in 2010 totaling \$32,530 in the nonmajor governmental capital improvement plan fund.

Capital assets consisting of the 911 System Console has been capitalized in the amount of \$152,808 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$76,405, leaving a book value of \$76,403.

C. Lease Purchase Agreement - Fire Truck

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

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal payments in 2010 totaled \$8,244 in the general fund. Principal and interest payments are made from the general fund.

Capital assets consisting of a fire truck have been capitalized in the amount of \$94,000 in governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2010 was \$21,933, leaving a book value of \$72,067.

CITY OF GREENVILLE, OHIO

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

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

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2010:

<u>Year Ending December 31,</u>	<u>Fire Truck</u>
2011	\$ 12,170
2012	12,170
2013	12,170
2014	12,170
2015	12,170
2016 - 2017	<u>24,340</u>
Total minimum lease payments	85,190
Less: amount representing interest	<u>(14,753)</u>
Present value of future minimum lease payment	<u>\$ 70,437</u>

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2010, the following changes occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	<u>Interest</u>	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>Rate</u>	<u>12/31/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/10</u>	<u>Due in</u>
						<u>One Year</u>
<u>General obligation bonds:</u>						
Series 2004 various purpose refunding bonds	2-4%	\$ 1,900,000	\$ -	\$ (210,000)	\$ 1,690,000	\$ 215,000
Total G.O. bonds		<u>1,900,000</u>	<u>-</u>	<u>(210,000)</u>	<u>1,690,000</u>	<u>215,000</u>
<u>Other long-term obligations:</u>						
Compensated absences		463,592	471,322	(486,673)	448,241	67,263
Land acquisition bond payable	6.75%	129,500	-	(18,500)	111,000	18,500
Rail project bonds		910,000	-	(75,000)	835,000	80,000
OPWC loan payable	0%	283,347	-	(23,612)	259,735	23,612
Lease purchase agreement - 911 system		32,530	-	(32,530)	-	-
Lease purchase agreement - fire station		297,800	-	(17,400)	280,400	18,100
Lease purchase agreement - fire truck		78,681	-	(8,244)	70,437	8,244
Landfill postclosure costs		<u>90,000</u>	<u>-</u>	<u>(36,000)</u>	<u>54,000</u>	<u>54,000</u>
Total other long-term obligations		<u>2,285,450</u>	<u>471,322</u>	<u>(697,959)</u>	<u>2,058,813</u>	<u>269,719</u>
Total governmental activities						
Long-term obligations		<u>\$ 4,185,450</u>	<u>\$ 471,322</u>	<u>\$ (907,959)</u>	3,748,813	<u>\$ 484,719</u>
Add: Unamortized premium/discount on bond issuance					2,413	
Less: Unamortized deferred charges on refundings					<u>(61,020)</u>	
Total reported on the statement of net assets					<u>\$ 3,690,206</u>	

Compensated Absences

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

OPWC Loan Payable

In prior years, the City had entered into an agreement with the Ohio Public Works Commission for a street construction loan in the amount of \$472,243. The City made principal payments of \$23,612 on the loan in 2010. The loan is interest free and principal payments are made from the general fund.

Landfill Postclosure Costs

See Note 18 for additional disclosure on landfill postclosure costs.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Lease Purchase Agreements

See Note 11 for detail on the lease purchase agreements.

Land Acquisition Bond Payable

During 2006, the City issued \$185,000 in bonds, with an interest rate of 6.75%, to purchase land for the Greenville Community Improvement Corporation. The first payment was due April 1, 2007 and will be due annually until its maturity on April 1, 2016. The payments will be made from the general fund. The bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment. These bonds are excluded from the net assets invested in capital assets, net of related debt because the bonds were not used to purchase assets that are owned by the City.

Rail Project Bonds

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

Series 2004 Various Purpose Refunding Bonds

On September 1, 2004, the City issued \$2,415,000 in various purpose general obligation bonds to advance refund the callable portion of the Series 1997 Various Purpose Bonds (principal \$2,260,000, average interest rate 5.23%). The issuance proceeds were used to repay the callable portion of the 1997 bonds on the call date which was September 1, 2004. This refunded debt is considered defeased and accordingly, has been removed from the statement of net assets. The actual amount of principal paid toward this general obligation bond from nonmajor governmental funds totaled \$210,000 for 2010.

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

The assets held in trust as a result of the advance refunding described above are not included in the accompanying BFS. The principal balance of the general obligation refunded bonds at December 31, 2010, was \$1,610,000.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2010 are as follows:

Year Ending December 31,	General Obligation Bonds			OPWC Loans
	Principal	Interest	Total	Principal
2011	\$ 215,000	\$ 63,350	\$ 278,350	\$ 23,612
2012	215,000	56,363	271,363	23,612
2013	230,000	48,569	278,569	23,612
2014	245,000	39,944	284,944	23,612
2015	250,000	30,450	280,450	23,612
2016 - 2020	535,000	32,075	567,075	118,063
2021	-	-	-	23,612
Total	<u>\$ 1,690,000</u>	<u>\$ 270,751</u>	<u>\$ 1,960,751</u>	<u>\$ 259,735</u>

Year Ending December 31,	Land Acquisition Bonds			Rail Project Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 18,500	\$ 7,493	\$ 25,993	\$ 80,000	\$ 35,318	\$ 115,318
2012	18,500	6,244	24,744	80,000	32,078	112,078
2013	18,500	4,995	23,495	85,000	28,838	113,838
2014	18,500	3,746	22,246	90,000	25,395	115,395
2015	18,500	2,498	20,998	90,000	21,750	111,750
2016 - 2019	18,500	1,289	19,789	410,000	45,675	455,675
Total	<u>\$ 111,000</u>	<u>\$ 26,265</u>	<u>\$ 137,265</u>	<u>\$ 835,000</u>	<u>\$ 189,054</u>	<u>\$ 1,024,054</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2010, the City's total debt margin was \$23,087,108 and the unvoted debt margin was \$12,724,446.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Long-Term Obligations

The following changes occurred in the City's business-type long-term obligations during 2010:

<u>Business-type activities:</u>	Balance 12/31/09	Additions	Reductions	Balance 12/31/10	Amounts Due in One Year
<u>Other long-term obligations</u>					
Compensated absences	\$ 106,148	\$ 73,881	\$ (83,581)	\$ 96,448	\$ 9,067
Total other long-term obligations	<u>106,148</u>	<u>73,881</u>	<u>(83,581)</u>	<u>96,448</u>	<u>9,067</u>
<u>Revenue Bonds</u>					
Wastewater system revenue Refunding Bonds	<u>1,720,000</u>	<u>-</u>	<u>(185,000)</u>	<u>1,535,000</u>	<u>190,000</u>
Total - revenue bonds	<u>1,720,000</u>	<u>-</u>	<u>(185,000)</u>	<u>1,535,000</u>	<u>190,000</u>
Total business-type long-term obligations	<u>\$ 1,826,148</u>	<u>\$ 73,881</u>	<u>\$ (268,581)</u>	<u>\$ 1,631,448</u>	<u>\$ 199,067</u>

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

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

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,985,000 in Series 2002 wastewater refunding revenue bonds. Proceeds of the wastewater refunding revenue bonds were used to refund the outstanding balance of previously issued Series 1992 wastewater revenue bonds. The Series 2002 wastewater refunding revenue bonds are payable solely from sewer customer net revenues and are payable through 2017. Annual principal and interest payments on the bonds are expected to require less than 29.01 percent of net revenues. The total principal and interest remaining to be paid on the Series 2002 wastewater refunding revenue bonds is \$1,837,695. Principal and interest paid for the current year and total customer net revenues were \$264,127 and \$910,577, respectively.

CITY OF GREENVILLE, OHIO

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

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2010 were:

Year Ending <u>December 31,</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 190,000	\$ 71,358	\$ 261,358
2012	200,000	63,187	263,187
2013	210,000	54,388	264,388
2014	215,000	44,412	259,412
2015	230,000	34,200	264,200
2016 - 2017	<u>490,000</u>	<u>35,150</u>	<u>525,150</u>
Total	<u>\$ 1,535,000</u>	<u>\$ 302,695</u>	<u>\$ 1,837,695</u>

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2010, the City contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverages. Coverage provided during the year is as follows:

- Building and Contents - replacement cost (\$1,000 deductible) - \$36,840,501
- Boiler and Machinery Coverage - \$36,840,501
- Inland Marine Coverage - (\$1,000 deductible) \$1,103,607
- Automobile Liability - (\$250 comprehensive; \$1,000 collision deductible) - \$1,000,000
- Uninsured Motorists - \$1,000,000
- General Liability - (\$1,000 deductible) - \$1,000,000 Limit, \$3,000,000 Aggregate
- Public Officials - \$1,000,000 Limit, \$3,000,000 Aggregate
- Umbrella Coverage - \$6,000,000

There have been no significant reductions in insurance coverages during 2010. Settled claims have not exceeded commercial excess coverages in any of the past three years.

B. Self-Insurance

The City operates a self-insurance plan for health care benefits. The activity of the plan is recorded in the City's Health Care internal service fund. Monies are expensed on a monthly basis by the funds participating and receipted into the internal service fund. The claims liability of \$33,856 reported on the financial statements at December 31, 2010 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred, but not reported claims, be reported.

CITY OF GREENVILLE, OHIO

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

NOTE 13 - RISK MANAGEMENT - (Continued)

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

	Balance <u>January 1</u>	Current <u>Year Claims</u>	Claims <u>Payments</u>	Balance <u>December 31</u>
2008	\$ 52,485	\$ 762,549	\$ (758,354)	\$ 56,680
2009	56,680	931,960	(799,563)	189,077
2010	189,077	741,811	(897,032)	33,856

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively. The City's contribution rate for 2010 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87% of covered payroll.

CITY OF GREENVILLE, OHIO

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

NOTE 14 - PENSION PLANS - (Continued)

The City's contribution rate for pension benefits for members in the Traditional Plan for 2010 was 8.50% from January 1 through February 28, 2010 and 9.00% from March 1 through December 31, 2010. The City's contribution rate for pension benefits for members in the Combined Plan for 2010 was 9.27% from January 1 through February 28, 2010 and 9.77% from March 1 through December 31, 2010. For those plan members in law enforcement and public safety pension contributions were 12.37% from January 1 through February 28, 2010 and 12.87% from March 1 through December 31, 2010. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009, and 2008 were \$274,862, \$249,915, and \$214,442, respectively; 91.90% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2010, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$175,591 and \$219,948 for the year ended December 31, 2010, \$165,761 and \$220,771 for the year ended December 31, 2009, and \$162,647 and \$208,129, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 71.95% has been contributed for police and firefighters for 2010.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

CITY OF GREENVILLE, OHIO

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

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, local government employers contributed 14.00% of covered payroll (17.87% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2010 was 5.50% from January 1 through February 28, 2010 and 5.00% from March 1 through December 31, 2010. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2010 was 4.73% from January 1 through February 28, 2010 and 4.23% 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 their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009, and 2008 were \$147,034, \$179,866, and \$214,442, respectively; 91.90% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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

B. Ohio Police and Fire Pension Fund

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

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

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

CITY OF GREENVILLE, OHIO

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

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an Internal Revenue Service 115 trust and one for Medicare Part B reimbursements administrated 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 OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$92,960 and \$86,067 for the year ended December 31, 2010, \$87,756 and \$86,389 for the year ended December 31, 2009, and \$86,107 and \$81,442, for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. 71.95% has been contributed for police and firefighters for 2010.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the City is 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 balances - budget and actual (non-GAAP budgetary basis) presented for the general and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);

CITY OF GREENVILLE, OHIO

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and,
4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance

	<u>General</u>	Street Construction Maintenance <u>and Repair</u>
Budget basis	\$ (796,090)	\$ (115,974)
Net adjustment for revenue accruals	(88,953)	45,500
Net adjustment for expenditure accruals	99,662	(38,063)
Adjustment for encumbrances	<u>164,237</u>	<u>14,867</u>
GAAP basis	<u>\$ (621,144)</u>	<u>\$ (93,670)</u>

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2010.

B. Litigation

The City is currently involved in litigation. It is the opinion of the City's management that the ultimate settlement of such litigation will not result in a material adverse effect on the City's financial position and results of operations.

CITY OF GREENVILLE, OHIO

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

NOTE 18 - LANDFILL POSTCLOSURE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the closed landfill site for thirty years after closure. The landfill was closed in 1989. The postclosure costs incurred through December 31, 2010 amount to \$922,470. The estimated liability for landfill postclosure care has a balance of \$54,000 as of December 31, 2010. The estimated cost of landfill postclosure care expenses is based on the amount that would be paid if all materials and services required to monitor and maintain the closed landfill were acquired as of December 31, 2010. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The City retires this liability with resources from the general fund.

SUPPLEMENTARY DATA

**CITY OF GREENVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH DISBURSEMENTS
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT			
Community Development Block Grants/State's Program	14.228	A-F-09-2BV-1	\$ 61,000
Total U.S. Department of Housing and Urban Development			<u>61,000</u>
U. S. DEPARTMENT OF JUSTICE BUREAU OF JUSTICE ASSISTANCE OFFICE OF JUSTICE PROGRAMS PASSED THROUGH N/A			
ARRA - Edward Byrne Memorial Justice Assistance Grant - Grants to Units of Local Government	16.804	N/A	44,882
Total U.S. Department of Justice			<u>44,882</u>
U. S. DEPARTMENT OF TRANSPORTATION PASSED THROUGH THE OHIO DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction Program	20.205	21379	25,037
ARRA - Formula Grants for Other Than Urbanized Areas	20.509	RPTS-0019-001-093	6,059
Formula Grants for Other Than Urbanized Areas	20.509	RPT-0019-030-102	21,263
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4019-029-091	20,272
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4019-030-101	243,056
Total Formula Grants for Other Urbanized Areas			<u>290,650</u>
Total U.S. Department of Transportation			<u>315,687</u>
U. S. DEPARTMENT OF HOMELAND SECURITY PASSED THROUGH N/A			
Assistance to Firefighters	97.044	N/A	118,750
Total U.S. Department of Homeland Security			<u>118,750</u>
Total Federal Financial Assistance			<u>\$ 540,319</u>

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

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

Note: The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

The City did not have any outstanding loans at December 31, 2010.

The City did not have any loans issued/repaid during the year ended December 31, 2010.

Cash balance on hand as of 12/31/10: \$1,379

Delinquent amounts due as of 12/31/10: \$0



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

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

To the Members of Council and Mayor:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Darke County, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City of Greenville's basic financial statements and have issued our report thereon dated June 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Members of Council and Mayor
City of Greenville

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 15, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Independent Accountants' Report on Compliance With Requirements Applicable to Its
Major Federal Program and Internal Control Over Compliance In
Accordance With OMB Circular A-133**

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

To the Members of Council and Mayor:

Compliance

We have audited the compliance of the City of Greenville, Darke County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Greenville's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the City of Greenville's major federal program. The City of Greenville's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City of Greenville's compliance based on our audit.

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

In our opinion, the City of Greenville complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

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

Members of Council and Mayor
City of Greenville

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

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 15, 2011

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITORS' RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Formula Grants for Other Than Urbanized Areas - CFDA #20.509
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A:>\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None

This page intentionally left blank.



Dave Yost • Auditor of State

CITY OF GREENVILLE

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2012**