

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***  
**(Audited)**

For The Year Ended  
December 31, 2012

**ROXANNE WILLMAN, CITY AUDITOR**





# Dave Yost • Auditor of State

Members of Council and Mayor  
City of Greenville  
100 Public Square, Room 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, 2012 through December 31, 2012. 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 18, 2013

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**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Auditor's Report

City of Greenville  
Darke County  
100 Public Square, Room 200  
Greenville, Ohio 45331

To the Members of Council and Mayor:

***Report on the Financial Statements***

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, 2012, and the related notes to the financial statements, which collectively comprise the City of Greenville's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City of Greenville's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City of Greenville's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Darke County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the general fund, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Members of Council and Mayor  
City of Greenville  
Page Two

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2012, the City of Greenville adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the City of Greenville's basic financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Greenville's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
June 13, 2013

## CITY OF GREENVILLE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. As stated in Note 2 to the basic financial statements, the financial information contained in this report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP-basis financial information will differ from cash basis information as maintained by the City during the year.

#### **Financial Highlights**

Key financial highlights for 2012 are as follows:

- The total net position of the City increased \$4,400,730. Net position of the governmental activities increased \$143,596 or 0.75% from restated net position at December 31, 2011, and net position of the business-type activities increased \$4,257,134 or 16.44% from 2011.
- General revenues accounted for \$8,459,512 of total governmental activities revenue. Program specific revenues accounted for \$2,387,738 or 22.01% of total governmental activities revenue.
- The City had \$10,653,997 in expenses related to governmental activities; program specific charges for services, grants and contributions offset \$2,387,738 of these expenses. The remaining expenses of the governmental activities of \$8,266,259 were funded by general revenues, primarily property taxes, income taxes and unrestricted grants and entitlements, of \$8,459,512.
- The general fund had revenues of \$8,330,776 in 2012. This represents a decrease of \$118,592 from revenues and other financing sources in 2011. The expenditures and other financing uses of the general fund, which totaled \$7,487,563 in 2012, decreased \$796,735 from 2011. The net increase in fund balance for the general fund was \$843,213 or 30.78%.
- Net position for the business-type activities, which are composed of the water, sewer, special park, swimming pool, storm water, and parking enterprise funds, increased in 2012 by \$4,257,134. Of this increase, \$3,329,860 is related to proceeds from a legal settlement awarded to the City during 2012. A special item has been recognized in this amount in the water fund.
- In the general fund, actual budgetary-basis revenues were \$946,001 higher than final budgeted revenues and actual expenditures and other financing uses were \$794,896 lower than the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$495,179 from the original to the final budget, while budgeted expenditures and other financing uses increased \$614,029 from the original to the final budget.

#### **Using this Annual Financial Report**

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

The statement of net position 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 the governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

## CITY OF GREENVILLE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

#### **Reporting the City as a Whole**

##### *Statement of Net Position 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 the city perform financially during 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses of the City using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting includes 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 position and changes in net position. This change in net position 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 position 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 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 position and statement of activities can be found on pages 17-19 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, 2012

#### ***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 resources, as well as on balances of the 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. Reconciliations are provided of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to the net position of the governmental activities and the change in net position of the governmental activities, respectively, for comparative purposes.

The City maintains a variety of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental fund is the general fund. Information for the major fund is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements, including a budgetary statement for the general fund, are located on pages 20-24 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, Sewer, and Storm Water 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 26-31 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 33-65 of this report.

**CITY OF GREENVILLE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2012 and December 31, 2011. In accordance with GASB Statement No. 65, balances of the governmental activities at December 31, 2011, have been restated to (1) remove unamortized bond issuance costs, (2) reclassify property taxes and payment in lieu of taxes levied for the subsequent year from a liability to a deferred inflow of resources, and (3) reclassify deferred charges resulting from refunding transactions from a reduction of long-term liabilities, as previously reported, to a deferred outflow of resources.

	<b>Net Position</b>					
	Governmental Activities 2012	Business-Type Activities 2012	Restated		2012 Total	Restated 2011 Total
			Governmental Activities 2011	Business-Type Activities 2011		
<b>Assets</b>						
Current and other assets	\$ 11,141,470	\$ 12,626,535	\$ 10,209,597	\$ 11,948,958	\$ 23,768,005	\$ 22,158,555
Capital assets, net	<u>13,518,168</u>	<u>18,991,360</u>	<u>14,389,570</u>	<u>16,066,345</u>	<u>32,509,528</u>	<u>30,455,915</u>
Total assets	<u>24,659,638</u>	<u>31,617,895</u>	<u>24,599,167</u>	<u>28,015,303</u>	<u>56,277,533</u>	<u>52,614,470</u>
Deferred outflows of resources	<u>43,374</u>	<u>-</u>	<u>52,197</u>	<u>-</u>	<u>43,374</u>	<u>52,197</u>
<b>Liabilities</b>						
Current liabilities	1,148,955	203,342	918,038	665,919	1,352,297	1,583,957
Long-term liabilities	<u>3,040,595</u>	<u>1,261,041</u>	<u>3,462,199</u>	<u>1,453,006</u>	<u>4,301,636</u>	<u>4,915,205</u>
Total liabilities	<u>4,189,550</u>	<u>1,464,383</u>	<u>4,380,237</u>	<u>2,118,925</u>	<u>5,653,933</u>	<u>6,499,162</u>
Deferred inflows of resources	<u>1,342,265</u>	<u>-</u>	<u>1,243,526</u>	<u>-</u>	<u>1,342,265</u>	<u>1,243,526</u>
<b>Net Position</b>						
Net investment in capital assets	10,943,239	17,846,360	11,649,636	14,721,345	28,789,599	26,370,981
Restricted	3,020,708	318,345	1,448,230	318,021	3,339,053	1,766,251
Unrestricted	<u>5,207,250</u>	<u>11,988,807</u>	<u>5,929,735</u>	<u>10,857,012</u>	<u>17,196,057</u>	<u>16,786,747</u>
Total net position	<u>\$ 19,171,197</u>	<u>\$ 30,153,512</u>	<u>\$ 19,027,601</u>	<u>\$ 25,896,378</u>	<u>\$ 49,324,709</u>	<u>\$ 44,923,979</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,324,709. At year-end, net position was \$19,171,197 and \$30,153,512 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 position. At year-end, capital assets represented 57.77% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, software, vehicles and infrastructure. The City's net investment in capital assets at December 31, 2012, was \$10,943,239 and \$17,846,360 in the governmental activities and the 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 net investment in capital assets has been reduced by the related debt to acquire the assets, 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.

**CITY OF GREENVILLE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

As of December 31, 2012, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$3,339,053, represents resources that are subject to external restriction on how they may be used. The remaining balances of unrestricted net position in the governmental and the business-type activities of \$5,207,250 and \$11,988,807, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for 2012 and 2011. In accordance with GASB Statement No. 65, 2011 amounts have been restated to eliminate the amortization of bond issuance costs, previously recorded as a component of interest and fiscal charges, record the issuance costs of bonds in 2011 as an expense, and to eliminate the effects of unamortized bond issuance costs on beginning net position. Further, an accrual of delinquent special assessments amounting to \$25,789 was erroneously recorded as property taxes in the governmental activities in 2011; this amount has been reclassified from property taxes to charges for services program revenues for 2011 in the table below and had no effect on net position as previously reported.

	<b>Change in Net Position</b>					
			Restated			
	Governmental Activities 2012	Business-type Activities 2012	Governmental Activities 2011	Business-type Activities 2011	2012 Total	Restated 2011 Total
<u>Revenues:</u>						
Program revenues:						
Charges for services	\$ 412,931	\$ 4,643,789	\$ 563,586	\$ 4,273,527	\$ 5,056,720	\$ 4,837,113
Operating grants and contributions	1,418,074	1,750	1,917,169	-	1,419,824	1,917,169
Capital grants and contributions	<u>556,733</u>	<u>-</u>	<u>-</u>	<u>283,146</u>	<u>556,733</u>	<u>283,146</u>
Total program revenues	<u>2,387,738</u>	<u>4,645,539</u>	<u>2,480,755</u>	<u>4,556,673</u>	<u>7,033,277</u>	<u>7,037,428</u>
General revenues:						
Property taxes	1,098,631	-	1,351,341	-	1,098,631	1,351,341
Income taxes	6,203,534	-	5,717,695	-	6,203,534	5,717,695
Payment in lieu of taxes	237,039	-	229,929	-	237,039	229,929
Unrestricted grants and entitlements	753,544	-	948,403	-	753,544	948,403
Investment earnings	3,701	6,701	2,011	4,443	10,402	6,454
Miscellaneous	<u>163,063</u>	<u>55,524</u>	<u>133,027</u>	<u>13,450</u>	<u>218,587</u>	<u>146,477</u>
Total general revenues	<u>8,459,512</u>	<u>62,225</u>	<u>8,382,406</u>	<u>17,893</u>	<u>8,521,737</u>	<u>8,400,299</u>
Total revenues	<u>10,847,250</u>	<u>4,707,764</u>	<u>10,863,161</u>	<u>4,574,566</u>	<u>15,555,014</u>	<u>15,437,727</u>

(Continued)

**CITY OF GREENVILLE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Change in Net Position (Continued)</b>					
			Restated			
	Governmental Activities 2012	Business-type Activities 2012	Governmental Activities 2011	Business-type Activities 2011	2012 Total	Restated 2011 Total
<u>Expenses:</u>						
General government	2,524,324	-	1,906,621	-	2,524,324	1,906,621
Security of persons and property	4,448,252	-	4,525,261	-	4,448,252	4,525,261
Public health and welfare	939	-	319	-	939	319
Transportation	2,535,898	-	2,326,249	-	2,535,898	2,326,249
Community environment	250,000	-	506	-	250,000	506
Leisure time activity	612,717	-	523,984	-	612,717	523,984
Utility services	168,764	-	170,468	-	168,764	170,468
Interest and fiscal charges	113,103	-	124,941	-	113,103	124,941
Bond issuance costs	-	-	1,728	-	-	1,728
Water	-	1,892,092	-	1,813,150	1,892,092	1,813,150
Sewer	-	1,371,895	-	1,397,178	1,371,895	1,397,178
Storm water	-	489,868	-	451,754	489,868	451,754
Special park	-	255	-	526	255	526
Swimming pool	-	76,037	-	78,800	76,037	78,800
<b>Total expenses</b>	<u>10,653,997</u>	<u>3,830,147</u>	<u>9,580,077</u>	<u>3,741,408</u>	<u>14,484,144</u>	<u>13,321,485</u>
Change in net position before special items and transfers	<u>193,253</u>	<u>877,617</u>	<u>1,283,084</u>	<u>833,158</u>	<u>1,070,870</u>	<u>2,116,242</u>
<u>Special items, extraordinary items and transfers:</u>						
Special item - proceeds from legal settlement	-	3,329,860	-	-	3,329,860	-
Extraordinary item - impairment gain on fire damage, net of insurance recovery	-	-	224,149	-	-	224,149
Transfers	<u>(49,657)</u>	<u>49,657</u>	<u>(1,359,133)</u>	<u>1,359,133</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	143,596	4,257,134	148,100	2,192,291	4,400,730	2,340,391
Net position at beginning of year (restated)	<u>19,027,601</u>	<u>25,896,378</u>	<u>18,879,501</u>	<u>23,704,087</u>	<u>44,923,979</u>	<u>42,583,588</u>
Net position at end of year	<u>\$ 19,171,197</u>	<u>\$ 30,153,512</u>	<u>\$ 19,027,601</u>	<u>\$ 25,896,378</u>	<u>\$ 49,324,709</u>	<u>\$ 44,923,979</u>

**Governmental Activities**

The net position of the governmental activities increased \$143,596 in 2012. This increase is a result of income taxes earned in 2012 which were higher than the prior year, offsetting higher expenses recognized in 2012.

Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$4,448,252 of the total expenses of the City. These expenses were partially funded by \$94,329 in direct charges to recipients of City services and \$345,830 in capital grants and contributions. Transportation expenses totaled \$2,535,898 and were funded by \$163,129 in direct charges to recipients of the City's services, \$1,150,961 in operating grants and \$196,719 in capital grants.

Community environment expenses increased significantly, as the City received a Community Development Block Grant for the repair and renovation of Memorial Hall on behalf of Greenville City Schools. Memorial Hall is owned by the school district; therefore, these improvements have not been capitalized as an asset by the City.

**CITY OF GREENVILLE, OHIO**

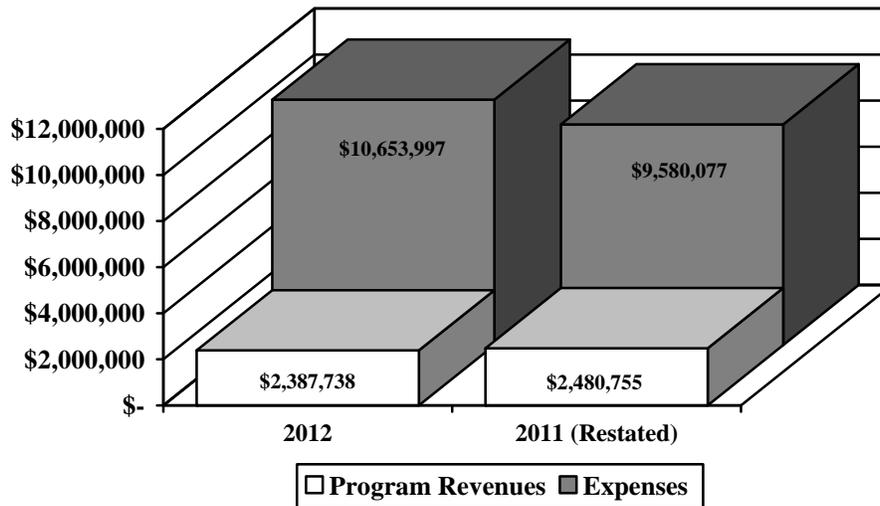
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

The State and federal government contributed to the City a total of \$1,976,557 in operating grants and contributions and capital grants and contributions, \$1,974,807 of which was in the governmental activities. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions of the governmental activities, \$1,150,961 subsidized transportation programs, \$250,000 subsidized community environment programs, \$9,315 subsidized leisure time activity programs and \$7,798 subsidized general government programs during 2012. Capital grants and contributions funded the acquisition or construction of governmental activities assets to serve the operations of general government, security of persons and property, and transportation programs in the amounts of \$14,184, \$345,830, and \$196,719, respectively.

General revenues of the governmental activities totaled \$8,459,512, and amounted to 77.99% of total governmental activities revenues. These revenues primarily consist of property and income tax revenue of \$7,302,165. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including the City's local government fund allocation, totaling \$753,544.

The statement of activities demonstrates how charges for services and grants to the City offset the costs of program services. The following figures show, for the 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. The City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities. In the figures below and on the page that follows, program revenues and the net cost of general government expenses in 2011 have been restated to include the effects of \$25,789 in delinquent special assessments as program revenues, previously presented as property tax general revenues, and to exclude the capitalization and amortization of bond issuance costs in 2011 and from prior years.

**Governmental Activities – Program Revenues vs. Total Expenses**



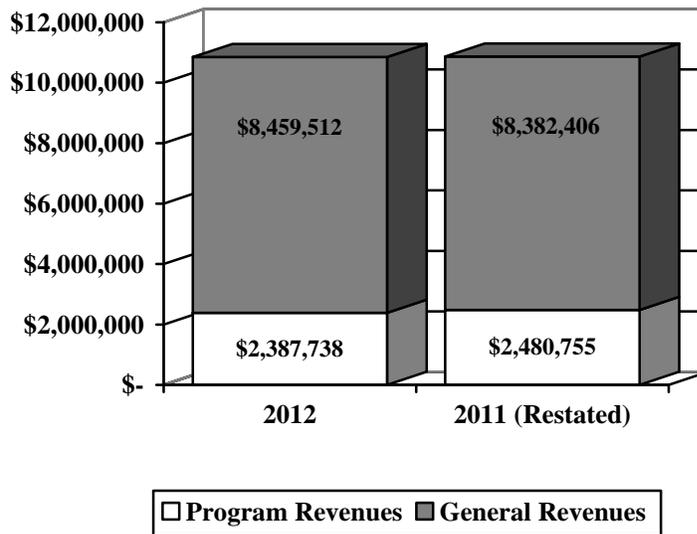
**CITY OF GREENVILLE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Governmental Activities</b>			
	2012		2011	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Restated Total Cost of Services</u>	<u>Restated Net Cost of Services</u>
Program Expenses:				
General government	\$ 2,524,324	\$ 2,380,916	\$ 1,906,621	\$ 1,487,698
Security of persons and property	4,448,252	4,008,093	4,525,261	4,057,611
Public health and welfare	939	939	319	(156)
Transportation	2,535,898	1,025,089	2,326,249	923,882
Community environment	250,000	(5,109)	506	(74,538)
Leisure time activity	612,717	574,464	523,984	407,688
Utility services	168,764	168,764	170,468	170,468
Interest and fiscal charges	113,103	113,103	124,941	124,941
Bond issuance costs	-	-	1,728	1,728
<b>Total</b>	<b>\$ 10,653,997</b>	<b>\$ 8,266,259</b>	<b>\$ 9,580,077</b>	<b>\$ 7,099,322</b>

The dependence upon general revenues for governmental activities is apparent, as 77.59% of expenses are supported through taxes and other general revenues.

**Governmental Activities – General and Program Revenues**



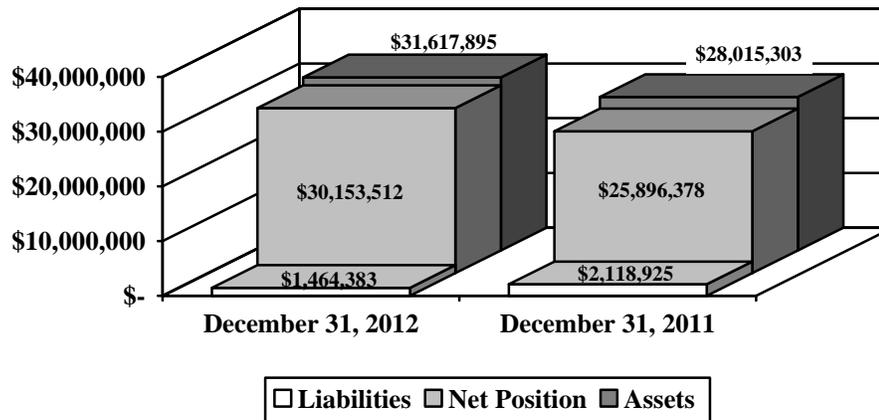
**CITY OF GREENVILLE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Business-Type Activities**

Business-type activities include the water, sewer, storm water, special park, swimming pool and parking enterprise funds. These programs had program revenues of \$4,645,539 and general revenues of \$62,225, recognized expenses of \$3,830,147, and received transfers from the governmental activities of \$49,657 during 2012. The graph below illustrates the assets, liabilities, and net position of the City's business-type activities at December 31, 2012 and December 31, 2011.

**Net Position in Business – Type Activities**



**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. 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, 2012 for all major and nonmajor governmental funds.

	Fund Balances 12/31/12	Fund Balances 12/31/11	Increase (Decrease)
Major fund:			
General	\$ 3,582,828	\$ 2,739,615	\$ 843,213
Nonmajor governmental funds	<u>2,787,687</u>	<u>3,034,143</u>	<u>(246,456)</u>
Total	<u>\$ 6,370,515</u>	<u>\$ 5,773,758</u>	<u>\$ 596,757</u>

**CITY OF GREENVILLE, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

***General Fund***

The City's general fund balance increased \$843,213 during 2012. The table that follows assists in illustrating the revenues of the general fund.

<b><u>Revenues</u></b>	<b>2012 Amount</b>	<b>2011 Amount</b>	<b>Percentage Change</b>
Municipal income taxes	\$ 6,197,188	\$ 5,662,105	9.45 %
Property and other taxes	970,517	1,195,459	(18.82) %
Charges for services	37,032	42,605	(13.08) %
Licenses and permits	102,358	105,223	(2.72) %
Fines and forfeitures	83,991	72,411	15.99 %
Intergovernmental	739,784	943,032	(21.55) %
Special assessments	13,640	12,266	11.20 %
Investment income	2,533	1,439	76.03 %
Donations	17,029	53,387	(68.10) %
Other	166,704	168,941	(1.32) %
<b>Total</b>	<b><u>\$ 8,330,776</u></b>	<b><u>\$ 8,256,868</u></b>	<b><u>0.90 %</u></b>

During 2012, the City's revenues increased by 0.90%. Increased municipal income tax revenue earned and available during the year offset decreases in the City's property taxes, charges for services, and intergovernmental revenues from the prior year. A component of the reduction in property tax revenues and intergovernmental revenues resulted from lower assessed property values on which 2012 property taxes were based. Lower charges for services revenue in the general fund is primarily due to lower adult recreation fees during the year. Fines and forfeitures increased 15.99% due to higher assessments for the City's security of persons and property programs, while donations fell due to a reduction in private contributions to the City parks, which amounted to \$9,235 in 2012 and \$47,000 in 2011.

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

<b><u>Expenditures</u></b>	<b>2012 Amount</b>	<b>2011 Amount</b>	<b>Percentage Change</b>
General government	\$ 1,852,699	\$ 1,737,289	6.64 %
Security of persons and property	3,709,913	3,916,386	(5.27) %
Public health and welfare	939	319	194.36 %
Transportation	65,779	57,287	14.82 %
Community environment	-	506	(100.00) %
Leisure time activity	210,573	452,391	(53.45) %
Utility services	155,964	170,626	(8.59) %
Capital outlay	136,494	371,628	(63.27) %
Debt service	89,394	94,573	(5.48) %
<b>Total</b>	<b><u>\$ 6,221,755</u></b>	<b><u>\$ 6,801,005</u></b>	<b><u>(8.52) %</u></b>

General government expenses increased during 2012 due to higher tax refunds and payments to Greenville City Schools despite reductions in expenditures for employee salaries and benefits during the year. Security of persons and property expenditures fell due to lower expenditures for employee salaries and materials. Expenditures for the City parks were lower in 2012 than in the prior year, causing a reduction in leisure time activities expenditures, and fewer general fund purchases of equipment and other assets contributed to a reduction in capital outlay of 63.27%. In total, the City reduced expenditures of the general fund by 8.52% during 2012.

## CITY OF GREENVILLE, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

#### ***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 completely be 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, the City's only major governmental fund. In the general fund, actual budgetary-basis revenues were \$946,001 higher than final budgeted revenues and actual expenditures and other financing uses were \$794,896 lower than the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$495,179 between the original and the final budgets, while budgeted expenditures and other financing uses increased \$614,029 from the original to the final budget.

#### ***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 \$2,028,298, operating expenses of \$1,888,094, and net operating income of \$140,204 in 2012. Additionally, during 2012 the City was awarded a legal settlement resulting from a geological study of raw water availability that provided inaccurate information on which the City relied. Proceeds from the settlement have been recognized as a special item at a present value of \$3,329,860. These proceeds will be paid to the City in annual installments through 2034. The net position of the Water fund increased \$3,472,317, from a balance of \$10,264,375 to a balance of \$13,736,692.

#### ***Sewer Fund***

The Sewer fund, a major proprietary fund, had operating revenues of \$2,023,119 and operating expenses of \$1,302,110 in 2012. The net change in operating expenses and revenues contributed to an increase in the net position of the Sewer fund of \$658,872 or 5.67% from 2011 to 2012.

#### ***Storm Water Fund***

The Storm Water fund, a major proprietary fund, had operating revenues of \$569,328 and operating expenses of \$465,981 in 2012. The Storm Water fund also received capital contributions of \$34,657 from the governmental activities. These items contributed to an increase in the net position of the Storm Water fund of \$116,534 or 3.02% from 2011 to 2012.

**CITY OF GREENVILLE, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of 2012, the City had \$32,509,528, net of accumulated depreciation, invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, software, vehicles, and infrastructure. Of this total, \$13,518,168 is reported in the governmental activities and \$18,991,360 is reported in business-type activities. The following table shows balances at December 31, 2012 compared to 2011.

**Capital Assets at December 31, Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,073,848	\$ 1,071,129	\$ 510,065	\$ 499,128	\$ 1,583,913	\$ 1,570,257
Construction in progress	330,526	-	47,400	1,478,064	377,926	1,478,064
Land improvements	212,044	526,995	9,554	-	221,598	526,995
Buildings and improvements	2,926,427	2,785,159	6,712,012	4,398,935	9,638,439	7,184,094
Equipment	751,518	888,281	1,162,186	602,690	1,913,704	1,490,971
Software	23,111	29,161	200,945	119,834	224,056	148,995
Vehicles	942,730	1,138,716	200,870	34,125	1,143,600	1,172,841
Infrastructure	7,257,964	7,950,129	10,148,328	8,933,569	17,406,292	16,883,698
Totals	<u>\$ 13,518,168</u>	<u>\$ 14,389,570</u>	<u>\$ 18,991,360</u>	<u>\$ 16,066,345</u>	<u>\$ 32,509,528</u>	<u>\$ 30,455,915</u>

The City's largest capital asset category is infrastructure which includes streets, bridges, storm sewer lines and water and sewer lines. These items are immovable and of value to the area; however, the annual cost of purchasing or constructing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 53.69% and 53.44% of the City's total governmental and business-type capital assets, respectively.

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

*Debt Administration*

The City had the following long-term obligations outstanding at December 31, 2012 and 2011:

	Governmental Activities		Business-Type Activities	
	2012	2011	2012	2011
General obligation and revenue bonds	\$ 2,108,250	\$ 2,422,500	\$ -	\$ -
OPWC loan	212,511	236,123	-	-
Lease purchase agreement - fire station	243,400	262,300	-	-
Lease purchase agreement - fire truck	52,703	61,782	-	-
Landfill post-closure costs	54,000	54,000	-	-
Revenue bonds	-	-	1,145,000	1,345,000
Total long-term obligations	<u>\$ 2,670,864</u>	<u>\$ 3,036,705</u>	<u>\$ 1,145,000</u>	<u>\$ 1,345,000</u>

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

## **CITY OF GREENVILLE, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012**

#### **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 area, thus making the City an easily accessible community.

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

The City's primary industrial park, Greenville Industrial Park, has shovel ready sites available for new construction and expansion. The industrial park is located on the east side of the community and offers access to rail via RJ Corman and truck traffic via four state routes. The park is home to the Anderson's Marathon Ethanol, Continental Carbonic, Ramco Electric Motors, Greenville Technology, Spartech Plastics, TXI, Beauty Systems Group and Monsanto. The City is also home to the KitchenAid division of Whirlpool and FRAM Group. Workforce Development has become a very important issue for the sustained growth of our manufacturing base and will be a major focus for the coming year.

The City, as with many local governments, has seen varied fluctuations in income tax revenues in the past several years. The City 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 Main Street Greenville, Garst Museum and the Darke County Visitors Bureau. The Bureau's mission is to enhance the economic growth of Darke County through the promotion and development of tourism. Ohio Magazine editors named Greenville as one of the Best Hometowns in Ohio for 2012/2013. Other popular visitor destinations in and around Greenville include the KitchenAid Experience, Bears 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. Roxanne Willman, Auditor, City of Greenville, 100 Public Square, Greenville, Ohio 45331.

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**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2012

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 7,216,429	\$ 8,343,570	\$ 15,559,999
Receivables (net of allowance for uncollectibles):			
Municipal income taxes . . . . .	1,451,059	-	1,451,059
Property and other taxes . . . . .	1,177,768	-	1,177,768
Accounts . . . . .	31,428	1,019,143	1,050,571
Accrued interest . . . . .	851	1,370	2,221
Intergovernmental . . . . .	765,080	709	765,789
Special assessments . . . . .	66,976	-	66,976
Payment in lieu of taxes . . . . .	238,445	-	238,445
Legal settlement . . . . .	-	2,709,860	2,709,860
Internal balance . . . . .	4,239	(4,239)	-
Prepayments . . . . .	123,203	37,584	160,787
Materials and supplies inventory . . . . .	65,992	200,193	266,185
Restricted assets:			
Cash with fiscal and escrow agents . . . . .	-	318,345	318,345
Capital assets:			
Land and construction in progress . . . . .	1,404,374	557,465	1,961,839
Depreciable capital assets, net . . . . .	12,113,794	18,433,895	30,547,689
Total capital assets, net . . . . .	<u>13,518,168</u>	<u>18,991,360</u>	<u>32,509,528</u>
Total assets . . . . .	<u>24,659,638</u>	<u>31,617,895</u>	<u>56,277,533</u>
<b>Deferred outflows of resources:</b>			
Deferred charges on refunding . . . . .	43,374	-	43,374
Total deferred outflows of resources . . . . .	<u>43,374</u>	<u>-</u>	<u>43,374</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	344,816	88,240	433,056
Contracts payable . . . . .	165,263	4,230	169,493
Accrued wages and benefits payable . . . . .	355,451	86,741	442,192
Due to other governments . . . . .	62,652	-	62,652
Pension obligation payable . . . . .	184,643	19,599	204,242
Accrued interest payable . . . . .	8,302	4,532	12,834
Claims payable . . . . .	27,828	-	27,828
Long-term liabilities:			
Due within one year . . . . .	450,717	227,493	678,210
Due in more than one year . . . . .	2,589,878	1,033,548	3,623,426
Total liabilities . . . . .	<u>4,189,550</u>	<u>1,464,383</u>	<u>5,653,933</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the subsequent year . . . . .	1,103,820	-	1,103,820
Payment in lieu of taxes levied for the subsequent year . . . . .	238,445	-	238,445
Total deferred inflows of resources . . . . .	<u>1,342,265</u>	<u>-</u>	<u>1,342,265</u>
<b>Net position:</b>			
Net investment in capital assets . . . . .	10,943,239	17,846,360	28,789,599
Restricted for:			
Debt service . . . . .	428,758	318,345	747,103
Capital projects . . . . .	993,944	-	993,944
Transportation projects . . . . .	1,569,010	-	1,569,010
Other purposes . . . . .	28,996	-	28,996
Unrestricted . . . . .	<u>5,207,250</u>	<u>11,988,807</u>	<u>17,196,057</u>
Total net position . . . . .	<u>\$ 19,171,197</u>	<u>\$ 30,153,512</u>	<u>\$ 49,324,709</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
General government . . . . .	\$ 2,524,324	\$ 121,426	\$ 7,798	\$ 14,184
Security of persons and property. . . . .	4,448,252	94,329	-	345,830
Public health and welfare . . . . .	939	-	-	-
Transportation. . . . .	2,535,898	163,129	1,150,961	196,719
Community environment . . . . .	250,000	5,109	250,000	-
Leisure time activity. . . . .	612,717	28,938	9,315	-
Utility services . . . . .	168,764	-	-	-
Interest and fiscal charges. . . . .	113,103	-	-	-
Total governmental activities . . . . .	<u>10,653,997</u>	<u>412,931</u>	<u>1,418,074</u>	<u>556,733</u>
<b>Business-type activities:</b>				
Water. . . . .	1,892,092	2,007,838	-	-
Sewer. . . . .	1,371,895	2,020,148	-	-
Storm water. . . . .	489,868	559,171	1,750	-
Other enterprise activities:				
Parking meter. . . . .	-	1,404	-	-
Special park . . . . .	255	125	-	-
Swimming pool. . . . .	76,037	55,103	-	-
Total business-type activities . . . . .	<u>3,830,147</u>	<u>4,643,789</u>	<u>1,750</u>	<u>-</u>
Total primary government. . . . .	<u>\$ 14,484,144</u>	<u>\$ 5,056,720</u>	<u>\$ 1,419,824</u>	<u>\$ 556,733</u>

**General revenues:**

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

**Speical item and transfers:**

Special item - proceeds from legal settlement. .	
Transfers . . . . .	

Total general revenues,  
transfers and special items. . . . .

Change in net position. . . . .

**Net position at beginning of year (restated) . .**

**Net position at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (2,380,916)	\$ -	\$ (2,380,916)
(4,008,093)	-	(4,008,093)
(939)	-	(939)
(1,025,089)	-	(1,025,089)
5,109	-	5,109
(574,464)	-	(574,464)
(168,764)	-	(168,764)
(113,103)	-	(113,103)
<u>(8,266,259)</u>	<u>-</u>	<u>(8,266,259)</u>
-	115,746	115,746
-	648,253	648,253
-	71,053	71,053
-	1,404	1,404
-	(130)	(130)
-	(20,934)	(20,934)
<u>-</u>	<u>815,392</u>	<u>815,392</u>
<u>(8,266,259)</u>	<u>815,392</u>	<u>(7,450,867)</u>
977,699	-	977,699
120,932	-	120,932
6,203,534	-	6,203,534
753,544	-	753,544
237,039	-	237,039
3,701	6,701	10,402
163,063	55,524	218,587
<u>8,459,512</u>	<u>62,225</u>	<u>8,521,737</u>
-	3,329,860	3,329,860
<u>(49,657)</u>	<u>49,657</u>	<u>-</u>
<u>8,409,855</u>	<u>3,441,742</u>	<u>11,851,597</u>
143,596	4,257,134	4,400,730
19,027,601	25,896,378	44,923,979
<u>\$ 19,171,197</u>	<u>\$ 30,153,512</u>	<u>\$ 49,324,709</u>

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 3,032,020	\$ 2,926,160	\$ 5,958,180
Receivables (net of allowance for uncollectibles):			
Municipal income taxes . . . . .	1,451,059	-	1,451,059
Property and other taxes . . . . .	1,040,158	137,610	1,177,768
Accounts . . . . .	24,603	6,825	31,428
Intergovernmental . . . . .	344,520	420,560	765,080
Special assessments . . . . .	66,976	-	66,976
Accrued interest . . . . .	530	156	686
Payment in lieu of taxes . . . . .	-	238,445	238,445
Prepayments . . . . .	110,958	11,996	122,954
Materials and supplies inventory . . . . .	8,184	57,808	65,992
Total assets . . . . .	<u>\$ 6,079,008</u>	<u>\$ 3,799,560</u>	<u>\$ 9,878,568</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 257,397	\$ 87,419	\$ 344,816
Contracts payable . . . . .	-	165,263	165,263
Accrued wages and benefits payable . . . . .	305,864	49,587	355,451
Due to other governments . . . . .	62,302	350	62,652
Pension obligation payable . . . . .	53,202	131,441	184,643
Total liabilities . . . . .	<u>678,765</u>	<u>434,060</u>	<u>1,112,825</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the subsequent year . . . . .	974,380	129,440	1,103,820
Payment in lieu of taxes levied for the subsequent year . . . . .	-	238,445	238,445
Income tax revenue not available . . . . .	556,611	-	556,611
Delinquent property tax revenue not available . . . . .	62,485	8,170	70,655
Intergovernmental revenue not available . . . . .	156,581	201,645	358,226
Special assessments revenue not available . . . . .	66,976	-	66,976
Accrued interest not available . . . . .	382	113	495
Total deferred inflows of resources . . . . .	<u>1,817,415</u>	<u>577,813</u>	<u>2,395,228</u>
<b>Fund balances:</b>			
Nonspendable . . . . .	119,142	69,804	188,946
Restricted . . . . .	-	2,456,870	2,456,870
Committed . . . . .	127,627	-	127,627
Assigned . . . . .	566,532	354,156	920,688
Unassigned (deficit) . . . . .	<u>2,769,527</u>	<u>(93,143)</u>	<u>2,676,384</u>
Total fund balances . . . . .	<u>3,582,828</u>	<u>2,787,687</u>	<u>6,370,515</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 6,079,008</u>	<u>\$ 3,799,560</u>	<u>\$ 9,878,568</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012

<b>Total governmental fund balances</b>		\$	6,370,515
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			13,518,168
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.			
Municipal income taxes receivable	\$	556,611	
Property and other taxes receivable		70,655	
Intergovernmental receivable		358,226	
Special assessments receivable		66,976	
Accrued interest receivable		495	
Total		1,052,963	1,052,963
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			43,374
Unamortized premiums on bond issuances are not recognized in the governmental funds.			(4,651)
Unamortized discounts on bond issuances are not recognized in the governmental funds.			3,212
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities on the statement of net position. The effect of the net position of the internal service fund, including an internal balance receivable of \$4,239, is to increase net position.			1,235,074
Accrued interest is not due and payable in the current period and therefore is not reported in the governmental funds			(8,302)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities of the governmental activities are as follows:			
Compensated absences		(368,292)	
Lease purchase agreements		(296,103)	
OPWC loan payable		(212,511)	
General obligation and revenue bonds		(2,108,250)	
Landfill postclosure costs		(54,000)	
Total		(3,039,156)	(3,039,156)
<b>Net position of governmental activities</b>		\$	19,171,197

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Municipal income taxes . . . . .	\$ 6,197,188	\$ -	\$ 6,197,188
Property and other taxes . . . . .	970,517	128,302	1,098,819
Charges for services . . . . .	37,032	159,679	196,711
Licenses and permits . . . . .	102,358	-	102,358
Fines and forfeitures. . . . .	83,991	8,813	92,804
Intergovernmental . . . . .	739,784	1,823,685	2,563,469
Special assessments . . . . .	13,640	1,000	14,640
Investment income. . . . .	2,533	560	3,093
Donations . . . . .	17,029	-	17,029
Payment in lieu of taxes . . . . .	-	237,039	237,039
Other. . . . .	166,704	151,739	318,443
<b>Total revenues . . . . .</b>	<b>8,330,776</b>	<b>2,510,817</b>	<b>10,841,593</b>
<b>Expenditures:</b>			
Current:			
General government . . . . .	1,852,699	148,081	2,000,780
Security of persons and property . . . . .	3,709,913	534,042	4,243,955
Public health and welfare. . . . .	939	-	939
Transportation . . . . .	65,779	1,393,784	1,459,563
Community environment . . . . .	-	250,000	250,000
Leisure time activity . . . . .	210,573	-	210,573
Utility services . . . . .	155,964	-	155,964
Capital outlay . . . . .	136,494	1,299,863	1,436,357
Debt service:			
Principal retirement . . . . .	70,841	295,000	365,841
Interest and fiscal charges . . . . .	18,553	87,311	105,864
<b>Total expenditures . . . . .</b>	<b>6,221,755</b>	<b>4,008,081</b>	<b>10,229,836</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	2,109,021	(1,497,264)	611,757
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	1,340,236	1,340,236
Transfers (out). . . . .	(1,265,808)	(89,428)	(1,355,236)
<b>Total other financing sources (uses) . . . . .</b>	<b>(1,265,808)</b>	<b>1,250,808</b>	<b>(15,000)</b>
Net change in fund balances. . . . .	843,213	(246,456)	596,757
<b>Fund balances at beginning of year . . . . .</b>	<b>2,739,615</b>	<b>3,034,143</b>	<b>5,773,758</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 3,582,828</b>	<b>\$ 2,787,687</b>	<b>\$ 6,370,515</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

<b>Net change in fund balances - total governmental funds</b>	\$	596,757
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, on the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 1,179,031	
Current year depreciation	<u>(1,974,459)</u>	
Total		(795,428)
The net effect of various transactions involving capital assets is to decrease net position.		
		(75,974)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	6,346	
Property and other taxes	(188)	
Intergovernmental revenues	1,786	
Special assessments	6,418	
Investment income	<u>323</u>	
Total		14,685
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due.		
Decrease in accrued interest payable	1,097	
Amortization of bond premiums	946	
Amortization of bond discounts	(459)	
Amortization of deferred charges on refundings	<u>(8,823)</u>	
		(7,239)
Repayment of bonds, lease purchase agreements, landfill postclosure costs and loans are expenditures in the governmental funds; however, the payments reduce long-term liabilities on the statement of net position. Principal payments during the year were as follows:		
Lease purchase agreements	27,979	
OPWC loan payable	23,612	
General obligation and revenue bonds	<u>314,250</u>	
Total		365,841
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		55,276
The internal service fund, 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 is allocated among the governmental activities.		
		<u>(10,322)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>143,596</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 5,057,850	\$ 5,423,532	\$ 6,122,139	\$ 698,607
Property and other taxes. . . . .	801,921	859,900	970,664	110,764
Charges for services. . . . .	6,749	7,237	8,169	932
Licenses and permits . . . . .	84,100	90,180	101,796	11,616
Fines and forfeitures . . . . .	68,907	73,889	83,407	9,518
Intergovernmental. . . . .	637,168	683,235	771,243	88,008
Special assessments . . . . .	11,764	12,615	14,240	1,625
Investment income. . . . .	2,011	2,156	2,434	278
Donations. . . . .	6,439	6,905	7,794	889
Other . . . . .	172,050	184,489	208,253	23,764
<b>Total revenues . . . . .</b>	<u>6,848,959</u>	<u>7,344,138</u>	<u>8,290,139</u>	<u>946,001</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	1,819,259	2,248,891	1,792,065	456,826
Security of persons and property . . . . .	4,068,929	4,073,335	3,807,183	266,152
Public health and welfare. . . . .	5,000	5,000	939	4,061
Transportation . . . . .	71,538	71,538	65,998	5,540
Community environment . . . . .	1,198	1,198	19	1,179
Utility services . . . . .	164,027	163,677	156,346	7,331
Capital outlay . . . . .	56,390	176,719	125,547	51,172
Debt service:				
Principal retirement. . . . .	82,592	82,648	82,592	56
Interest and fiscal charges . . . . .	18,608	21,187	18,608	2,579
<b>Total expenditures . . . . .</b>	<u>6,287,541</u>	<u>6,844,193</u>	<u>6,049,297</u>	<u>794,896</u>
Excess of revenues over expenditures . . . . .	<u>561,418</u>	<u>499,945</u>	<u>2,240,842</u>	<u>1,740,897</u>
<b>Other financing uses:</b>				
Transfers out . . . . .	(1,408,998)	(1,466,375)	(1,466,375)	-
<b>Total other financing sources uses . . . . .</b>	<u>(1,408,998)</u>	<u>(1,466,375)</u>	<u>(1,466,375)</u>	<u>-</u>
Net change in fund balances . . . . .	(847,580)	(966,430)	774,467	1,740,897
<b>Fund balances at beginning of year . . . . .</b>	1,837,488	1,837,488	1,837,488	-
<b>Prior year encumbrances appropriated . . . . .</b>	146,048	146,048	146,048	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,135,956</u>	<u>\$ 1,017,106</u>	<u>\$ 2,758,003</u>	<u>\$ 1,740,897</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012

	<b>Business-type Activities - Enterprise Funds</b>				
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Nonmajor Enterprise</b>	<b>Total</b>
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,165,542	\$ 4,333,943	\$ 775,668	\$ 68,417	\$ 8,343,570
Receivables:					
Accounts . . . . .	441,941	442,723	134,479	-	1,019,143
Accrued interest. . . . .	566	804	-	-	1,370
Intergovernmental. . . . .	-	-	709	-	709
Legal settlement. . . . .	2,709,860	-	-	-	2,709,860
Prepayments. . . . .	27,934	7,368	772	1,510	37,584
Materials and supplies inventory . . . . .	127,046	73,147	-	-	200,193
Restricted assets:					
Cash with fiscal and escrow agents. . . . .	-	318,345	-	-	318,345
<b>Total current assets . . . . .</b>	<b>6,472,889</b>	<b>5,176,330</b>	<b>911,628</b>	<b>69,927</b>	<b>12,630,774</b>
Noncurrent assets:					
Capital assets:					
Land and construction in progress . . . . .	203,420	70,889	207,785	75,371	557,465
Depreciable capital assets, net . . . . .	7,222,780	8,323,074	2,870,946	17,095	18,433,895
<b>Total capital assets, net . . . . .</b>	<b>7,426,200</b>	<b>8,393,963</b>	<b>3,078,731</b>	<b>92,466</b>	<b>18,991,360</b>
<b>Total assets . . . . .</b>	<b>13,899,089</b>	<b>13,570,293</b>	<b>3,990,359</b>	<b>162,393</b>	<b>31,622,134</b>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable . . . . .	34,695	52,732	813	-	88,240
Contracts payable. . . . .	-	4,230	-	-	4,230
Accrued wages and benefits payable . . . . .	50,062	28,668	6,906	1,105	86,741
Compensated absences . . . . .	10,339	6,756	398	-	17,493
Pension obligation payable . . . . .	10,977	6,503	2,119	-	19,599
Claims payable . . . . .	-	-	-	-	-
Current portion of revenue bonds. . . . .	-	210,000	-	-	210,000
Accrued interest payable . . . . .	-	4,532	-	-	4,532
<b>Total current liabilities . . . . .</b>	<b>106,073</b>	<b>313,421</b>	<b>10,236</b>	<b>1,105</b>	<b>430,835</b>
Long-term liabilities:					
Revenue bonds . . . . .	-	935,000	-	-	935,000
Compensated absences payable . . . . .	56,324	34,738	7,486	-	98,548
<b>Total long-term liabilities. . . . .</b>	<b>56,324</b>	<b>969,738</b>	<b>7,486</b>	<b>-</b>	<b>1,033,548</b>
<b>Total liabilities . . . . .</b>	<b>162,397</b>	<b>1,283,159</b>	<b>17,722</b>	<b>1,105</b>	<b>1,464,383</b>
<b>Net position:</b>					
Net investment in capital assets. . . . .	7,426,200	7,248,963	3,078,731	92,466	17,846,360
Restricted for debt service . . . . .	-	318,345	-	-	318,345
Unrestricted . . . . .	6,310,492	4,719,826	893,906	68,822	11,993,046
<b>Total net position. . . . .</b>	<b>\$ 13,736,692</b>	<b>\$ 12,287,134</b>	<b>\$ 3,972,637</b>	<b>\$ 161,288</b>	<b>30,157,751</b>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.					(4,239)
<b>Net position of business-type activities</b>					<b>\$ 30,153,512</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Governmental  
Activities -  
Internal  
Service Fund**

\$ 1,258,249

-

165

-

-

249

-

-

-

---

1,258,663

-

-

-

---

1,258,663

-

-

-

-

-

27,828

-

-

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27,828

-

-

-

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27,828

-

-

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1,230,835

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\$ 1,230,835

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Nonmajor Enterprise</b>
<b>Operating revenues:</b>				
Charges for services . . . . .	\$ 2,007,838	\$ 2,020,143	\$ 559,171	\$ 56,632
Tap-in fees . . . . .	-	5	-	-
Other . . . . .	20,460	2,971	10,157	21,936
Total operating revenues. . . . .	<u>2,028,298</u>	<u>2,023,119</u>	<u>569,328</u>	<u>78,568</u>
<b>Operating expenses:</b>				
Personal services . . . . .	791,415	465,540	182,287	52,135
Contract services. . . . .	78,359	246,969	155,305	2,562
Materials and supplies. . . . .	552,011	70,361	21,163	15,109
Utilities . . . . .	135,452	128,847	-	4,777
Depreciation. . . . .	330,857	390,393	107,226	1,709
Claims expense . . . . .	-	-	-	-
Total operating expenses . . . . .	<u>1,888,094</u>	<u>1,302,110</u>	<u>465,981</u>	<u>76,292</u>
Operating income (loss). . . . .	<u>140,204</u>	<u>721,009</u>	<u>103,347</u>	<u>2,276</u>
<b>Nonoperating revenues (expenses):</b>				
Interest and fiscal charges. . . . .	-	(62,454)	-	-
Interest income. . . . .	2,253	4,448	-	-
Intergovernmental . . . . .	-	-	1,750	-
Loss on disposal of assets . . . . .	-	(4,131)	(23,220)	-
Total nonoperating revenues (expenses). . . . .	<u>2,253</u>	<u>(62,137)</u>	<u>(21,470)</u>	<u>-</u>
Income (loss) before contributions, transfers and special items. . . . .	142,457	658,872	81,877	2,276
Transfer in . . . . .	-	-	-	15,000
Capital contributions. . . . .	-	-	34,657	-
Special item - proceeds from legal settlement . . . . .	<u>3,329,860</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position . . . . .	3,472,317	658,872	116,534	17,276
<b>Net position at beginning of year . . . . .</b>	<u>10,264,375</u>	<u>11,628,262</u>	<u>3,856,103</u>	<u>144,012</u>
<b>Net position at end of year . . . . .</b>	<u>\$ 13,736,692</u>	<u>\$ 12,287,134</u>	<u>\$ 3,972,637</u>	<u>\$ 161,288</u>

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

Change in net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 4,643,784	\$ 801,984
5	-
55,524	-
<u>4,699,313</u>	<u>801,984</u>
1,491,377	-
483,195	-
658,644	-
269,076	-
830,185	-
-	820,923
<u>3,732,477</u>	<u>820,923</u>
<u>966,836</u>	<u>(18,939)</u>
(62,454)	752
6,701	-
1,750	-
<u>(27,351)</u>	<u>-</u>
<u>(81,354)</u>	<u>752</u>
885,482	(18,187)
15,000	-
34,657	-
<u>3,329,860</u>	<u>-</u>
4,264,999	(18,187)
	<u>1,249,022</u>
	<u>\$ 1,230,835</u>
<u>(7,865)</u>	
<u>\$ 4,257,134</u>	

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Storm Water</b>	<b>Nonmajor Enterprise</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers. . . . .	\$ 1,941,061	\$ 2,007,655	\$ 554,154	\$ 56,632
Cash received from tap-in fees. . . . .	-	5	-	-
Cash received from other operations. . . . .	20,460	3,057	9,448	21,936
Cash payments for personal services. . . . .	(785,474)	(464,630)	(180,795)	(52,232)
Cash payments for contractual services . . . . .	(74,356)	(236,431)	(152,738)	(2,562)
Cash payments for materials and supplies . . . . .	(544,039)	(71,340)	(22,147)	(15,377)
Cash payments for utilities. . . . .	(129,124)	(123,353)	-	(4,777)
Cash payments for claims . . . . .	-	-	-	-
Net cash provided by (used in) operating activities . . . . .	<u>428,528</u>	<u>1,114,963</u>	<u>207,922</u>	<u>3,620</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from grants and subsidies. . . . .	-	-	1,750	-
Cash received from transfers in . . . . .	-	-	-	15,000
Cash received from legal settlement . . . . .	620,000	-	-	-
Net cash provided by noncapital financing activities . . . . .	<u>620,000</u>	<u>-</u>	<u>1,750</u>	<u>15,000</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets . . . . .	(76,750)	(3,963,763)	(200,237)	(10,937)
Principal retirement on revenue bonds. . . . .	-	(200,000)	-	-
Interest and fiscal charges . . . . .	-	(63,188)	-	-
Net cash used in capital and related financing activities. . . . .	<u>(76,750)</u>	<u>(4,226,951)</u>	<u>(200,237)</u>	<u>(10,937)</u>
<b>Cash flows from investing activities:</b>				
Interest received . . . . .	1,875	4,255	-	-
Net cash provided by investing activities. . . . .	<u>1,875</u>	<u>4,255</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	973,653	(3,107,733)	9,435	7,683
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>2,191,889</b>	<b>7,760,021</b>	<b>766,233</b>	<b>60,734</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 3,165,542</u></b>	<b><u>\$ 4,652,288</u></b>	<b><u>\$ 775,668</u></b>	<b><u>\$ 68,417</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss) . . . . .	\$ 140,204	\$ 721,009	\$ 103,347	\$ 2,276
Adjustments:				
Depreciation. . . . .	330,857	390,393	107,226	1,709
Changes in assets and liabilities:				
Decrease (increase) in materials and supplies inventory . . . . .	2,551	(4,990)	-	-
Decrease (increase) in accounts receivable. . . . .	(66,777)	(12,402)	(5,017)	-
(Increase) in intergovernmental receivable. . . . .	-	-	(709)	-
Decrease (increase) in prepayments . . . . .	(7,849)	1,212	2,276	(268)
Increase (decrease) in accounts payable . . . . .	23,853	18,831	(537)	-
(Decrease) in contracts payable. . . . .	(182)	-	(156)	-
Increase (decrease) in accrued wages and benefits . . . . .	264	(800)	465	(97)
Increase in compensated absences payable. . . . .	5,529	1,566	940	-
Increase in pension obligation payable. . . . .	78	144	87	-
Increase in claims payable . . . . .	-	-	-	-
Net cash provided by (used in) operating activities . . . . .	<u>\$ 428,528</u>	<u>\$ 1,114,963</u>	<u>\$ 207,922</u>	<u>\$ 3,620</u>
<b>Non-cash transactions:</b>				
At December 31, 2011, the Water fund purchased \$32,852 in capital assets on account.				
At December 31, 2012 and December 31, 2011, the Sewer fund purchased \$4,230 and \$475,043, respectively, in capital assets on account.				
At December 31, 2011, the Storm Water fund purchased \$128 in capital assets on account.				
During 2012, the Storm Water fund received \$44,870 in capital assets (at cost) transferred from the governmental activities.				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 4,559,502	\$ 801,984
5	-
54,901	888
(1,483,131)	-
(466,087)	-
(652,903)	-
(257,254)	-
-	(815,574)
<u>1,755,033</u>	<u>(12,702)</u>
1,750	-
15,000	-
<u>620,000</u>	<u>-</u>
<u>636,750</u>	<u>-</u>
(4,251,687)	-
(200,000)	-
<u>(63,188)</u>	<u>-</u>
<u>(4,514,875)</u>	<u>-</u>
<u>6,130</u>	<u>669</u>
<u>6,130</u>	<u>669</u>
(2,116,962)	(12,033)
10,778,877	1,270,282
<u>\$ 8,661,915</u>	<u>\$ 1,258,249</u>
\$ 966,836	\$ (18,939)
830,185	-
(2,439)	-
(84,196)	888
(709)	-
(4,629)	(249)
42,147	-
(338)	-
(168)	-
8,035	-
309	-
-	5,598
<u>\$ 1,755,033</u>	<u>\$ (12,702)</u>

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## CITY OF GREENVILLE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### 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 reporting. The most significant of the City's accounting policies are described below.

##### A. Reporting Entity

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

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

##### B. Basis of Presentation - Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net position 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, 2012

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

***Government-wide Financial Statements*** - The statement of net position 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 position 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

The following is the City's major governmental fund:

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

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

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

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

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

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

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

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

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

*Fiduciary Funds* - Fiduciary fund reporting focuses on net position and changes in net position. 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 has no fiduciary funds.

**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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**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, current deferred outflows of resources, current liabilities, and current deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 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, payments in lieu of 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 and payments in lieu of taxes are recognized in the year for which these items 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, interest and special assessments.

**CITY OF GREENVILLE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance fiscal year 2013 operations, grants and entitlements received before the eligibility requirements are met, and long-term special assessments have been recorded as deferred inflows of resources. On governmental fund financial statements, delinquent taxes due at December 31, 2012 and grants, entitlements and other receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

On the accrual basis of accounting, unamortized deferred charges on debt refunding (the difference between the reacquisition price and the carrying amount of the refunded obligation) is reported as a deferred outflow of resources.

*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.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

*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 2012.

*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" on the basic financial statements.

During 2012, 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 2012 amounted to \$2,533 which included \$837 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.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**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.

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

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, 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 position 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 2012, the City maintained a capitalization threshold of \$5,000. The City's governmental infrastructure consists of storm sewers and streets. The City's proprietary infrastructure consists of water, sanitary sewer and storm water lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. Capitalized interest for 2012 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

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**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.

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. A compensated absences payable was not recorded in the current year in the governmental fund financial statements. 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. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss**

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which they are incurred.

**CITY OF GREENVILLE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

On the government-wide financial statements, bond premiums and discounts are 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 and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 12.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is 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 a deferred inflow of resources or a deferred outflow of resources.

**M. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no interfund loans receivable/payable at December 31, 2012. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with the 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 basic financial statements.

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

**O. Capital Contributions**

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2012, the Storm Water fund received capital contributions of \$34,657 from the governmental activities.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**P. Fund Balance**

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

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

**Q. Estimates**

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

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**R. Net Position**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The City's net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consists 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 position is available.

**S. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2012, the City was awarded a legal settlement resulting from a geological study of raw water availability that provided inaccurate information on which the City relied. Proceeds from the legal settlement amounting to \$3,329,860 are recognized as a special item in the water enterprise fund in the accompanying financial statements.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the City:

	Governmental Activities
Net assets as previously reported	\$ 19,066,779
Removal of unamortized bond issuance costs	<u>(39,178)</u>
Net position at January 1, 2012	<u>\$ 19,027,601</u>

**B. Deficit Fund Balances**

Fund balances at December 31, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Police pension	\$ 43,122
Fire pension	50,021

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

## CITY OF GREENVILLE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### 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, 2012

**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 Agents**

At December 31, 2012, \$318,345 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, 2012, the carrying amount of all City deposits was \$15,559,999. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$14,243,370 of the City's bank balance of \$15,605,337 was exposed to custodial risk as discussed below, while \$1,361,967 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, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

The City had no investments at December 31, 2012.

**D. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

The following is a reconciliation of cash and cash equivalents as reported in the preceding note to cash and cash equivalents as reported on the statement of net position as of December 31, 2012:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 15,559,999
Cash with fiscal agent	318,345
Total	\$ 15,878,344
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 7,216,429
Business-type activities	8,661,915
Total	\$ 15,878,344

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 1,250,808
Nonmajor enterprise funds	15,000
Total	\$ 1,265,808
 <u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	\$ 89,428

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.

During 2012, \$34,657 in net capital assets of the governmental activities were reassigned to the Storm Water fund, an enterprise fund among the City's business-type activities. This amount, which is not included above, is shown as capital contributions revenue on the statement of revenues, expenses and changes in net position – proprietary funds and as a transfer out of the governmental activities on the statement of activities.

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, 2012

**NOTE 6 - PROPERTY TAXES**

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Greenville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, property and other taxes receivable has been offset by a deferred inflow of resources for the current portion, since the current taxes were not levied to finance 2012 operations, and the delinquent portion, 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 unavailable.

The full tax rate for all City operations for the year ended December 31, 2012 was \$7.55 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 and 2011 property tax receipts were based are as follows:

	2012	2011
<u>Real property</u>		
Residential/agricultural	\$ 135,035,330	\$ 154,883,380
Commercial/industrial/mineral	76,795,160	76,470,190
<u>Public utility property</u>		
Real	28,830	27,740
Personal	4,689,950	4,583,530
Total assessed value	\$ 216,549,270	\$ 235,964,840

**NOTE 7 - LOCAL INCOME TAXES**

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.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 7 - LOCAL INCOME TAXES - (Continued)**

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 2012 was \$6,197,188 as reported in the fund financial statements.

**NOTE 8 - TAX INCREMENT FINANCING DISTRICT**

The City, pursuant to the Ohio Revised Code and City ordinances, has established three Tax Increment Financing Districts ("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 (PILOTS)", 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.

PILOTS revenue was \$237,039 in 2012 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 and PILOTS payments then cease, at which point property taxes apply to the increased property values.

**NOTE 9 - RECEIVABLES**

Receivables at December 31, 2012, consisted of taxes, accounts (billings for user charged services), accrued interest, payment in lieu of taxes, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue, and the receivable portion of a legal settlement awarded in 2012. Receivables have been recorded to the extent that they are measurable at December 31, 2012. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Income taxes	\$ 1,451,059
Property and other taxes	1,177,768
Accounts	31,428
Accrued interest	851
Intergovernmental	765,080
Special assessments	66,976
Payments in lieu of taxes	238,445

**Business-type activities:**

Accounts	1,019,143
Accrued interest	1,370
Intergovernmental	709
Legal settlement	2,709,860

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

During 2012, the City was awarded a legal settlement resulting from a geological study of raw water availability that provided inaccurate information on which the City relied. Proceeds from the settlement included a \$620,000 payment received through mediation during 2012 and subsequent annual payments with a present value of \$2,709,860 to be received through 2034 at an annual interest rate of 3.5%.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 10 - CAPITAL ASSETS**

Governmental activities capital asset activity for the year ended December 31, 2012, was as follows:

<b><u>Governmental activities:</u></b>	Balance 12/31/11	Additions	Disposals	Balance 12/31/12
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,071,129	\$ 2,719	\$ -	\$ 1,073,848
Construction in progress	<u>-</u>	<u>330,526</u>	<u>-</u>	<u>330,526</u>
Total capital assets not being depreciated	<u>1,071,129</u>	<u>333,245</u>	<u>-</u>	<u>1,404,374</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	739,414	-	(21,541)	717,873
Buildings and improvements	4,066,226	638,272	-	4,704,498
Furniture and equipment	2,205,288	97,292	(75,466)	2,227,114
Software	42,350	-	-	42,350
Vehicles	3,310,868	-	(230,748)	3,080,120
Infrastructure	<u>15,157,608</u>	<u>110,222</u>	<u>(49,984)</u>	<u>15,217,846</u>
Total capital assets being depreciated	<u>25,521,754</u>	<u>845,786</u>	<u>(377,739)</u>	<u>25,989,801</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(212,419)	(293,410)	-	(505,829)
Buildings and improvements	(1,281,067)	(497,004)	-	(1,778,071)
Furniture and equipment	(1,317,007)	(217,246)	58,657	(1,475,596)
Software	(13,189)	(6,050)	-	(19,239)
Vehicles	(2,172,152)	(195,225)	229,987	(2,137,390)
Infrastructure	<u>(7,207,479)</u>	<u>(765,524)</u>	<u>13,121</u>	<u>(7,959,882)</u>
Total accumulated depreciation	<u>(12,203,313)</u>	<u>(1,974,459)</u>	<u>301,765</u>	<u>(13,876,007)</u>
Total capital assets being depreciated, net	<u>13,318,441</u>	<u>(1,128,673)</u>	<u>(75,974)</u>	<u>12,113,794</u>
Governmental activities capital assets, net	<u>\$ 14,389,570</u>	<u>\$ (795,428)</u>	<u>\$ (75,974)</u>	<u>\$ 13,518,168</u>

Depreciation expense was charged to governmental activities as follows:

<b><u>Governmental activities:</u></b>	
General government	\$ 437,225
Security of persons and property	141,248
Transportation	1,003,807
Leisure time activity	<u>392,179</u>
Total depreciation expense - governmental activities	<u>\$ 1,974,459</u>

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Business-type activities capital asset activity for the year ended December 31, 2012, was as follows:

	Balance			Balance
<b><u>Business-type activities:</u></b>	<u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 499,128	\$ 10,937	\$ -	\$ 510,065
Construction in progress	<u>1,478,064</u>	<u>47,400</u>	<u>(1,478,064)</u>	<u>47,400</u>
Total capital assets not being depreciated	<u>1,977,192</u>	<u>58,337</u>	<u>(1,478,064)</u>	<u>557,465</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	117,283	9,799	-	127,082
Buildings and improvements	7,835,366	2,567,426	-	10,402,792
Furniture and equipment	6,587,634	733,610	(273,114)	7,048,130
Software	175,512	115,068	-	290,580
Vehicles	175,184	182,533	-	357,717
Infrastructure	<u>13,600,450</u>	<u>1,604,055</u>	<u>(57,482)</u>	<u>15,147,023</u>
Total capital assets being depreciated	<u>28,491,429</u>	<u>5,212,491</u>	<u>(330,596)</u>	<u>33,373,324</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(117,283)	(245)	-	(117,528)
Buildings and improvements	(3,436,431)	(254,349)	-	(3,690,780)
Furniture and equipment	(5,984,944)	(169,983)	268,983	(5,885,944)
Software	(55,678)	(33,957)	-	(89,635)
Vehicles	(141,059)	(15,788)	-	(156,847)
Infrastructure	<u>(4,666,881)</u>	<u>(366,076)</u>	<u>34,262</u>	<u>(4,998,695)</u>
Total accumulated depreciation	<u>(14,402,276)</u>	<u>(840,398)</u>	<u>303,245</u>	<u>(14,939,429)</u>
Total capital assets being depreciated, net	<u>14,089,153</u>	<u>4,372,093</u>	<u>(27,351)</u>	<u>18,433,895</u>
Business-type activities capital assets, net	<u>\$ 16,066,345</u>	<u>\$ 4,430,430</u>	<u>\$ (1,505,415)</u>	<u>\$ 18,991,360</u>

Depreciation expense was charged to the enterprise funds as follows:

<b><u>Business-type activities:</u></b>	
Water	\$ 330,857
Sewer	390,393
Storm water	107,226
Nonmajor enterprise fund:	
Swimming pool	<u>1,709</u>
Total depreciation expense - business-type activities	<u>\$ 830,185</u>

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense for business-type activities differs from additions to accumulated depreciation during 2012 due to the transfer of assets with a cost of \$44,870, accumulated depreciation of \$10,213 and a net book value of \$34,657 from governmental activities to business-type activities.

**NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

**A. Lease Purchase Agreement - Fire Station Improvements**

On December 2, 2002, the City entered into a lease purchase agreement with a financial institution to assist in financing the fire station building improvements. The City is leasing the “building improvements” from the financial institution. 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 terms 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 the governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$384,726, leaving a book value of \$92,368.

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, 2012:

<u>Year Ending December 31,</u>	<u>Fire Station</u>
2013	\$ 30,753
2014	30,762
2015	30,731
2016	30,780
2017	30,742
2018 - 2022	<u>153,890</u>
Total minimum lease payments	307,658
Less: amount representing interest	<u>(64,258)</u>
Present value of future minimum lease payments	<u>\$ 243,400</u>

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**B. Lease Purchase Agreement - Fire Truck**

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

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal 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, 2012 was \$34,467, leaving a book value of \$59,533.

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, 2012:

Year Ending <u>December 31,</u>	<u>Fire Truck</u>
2013	\$ 12,170
2014	12,170
2015	12,170
2016	12,170
2017	<u>12,170</u>
Total minimum lease payments	60,850
Less: amount representing interest	<u>(8,147)</u>
Present value of future minimum lease payments	<u>\$ 52,703</u>

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Obligations**

During 2012, the following changes occurred in governmental activities long-term obligations:

**Governmental activities:**

	Interest Rate	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amounts Due in One Year
<u>General obligation and revenue bonds:</u>						
Series 2004 various purpose refunding bonds	2-4%	\$ 1,475,000	\$ -	\$ (215,000)	\$ 1,260,000	\$ 230,000
Series 2011 building improvement refunding and revenue bonds	3.25%	192,500	-	(19,250)	173,250	19,250
Series 2007 rail project bonds	3.875% - 4.150%	755,000	-	(80,000)	675,000	85,000
Total general obligation bonds		<u>2,422,500</u>	<u>-</u>	<u>(314,250)</u>	<u>2,108,250</u>	<u>334,250</u>
<u>Other long-term obligations:</u>						
Compensated absences		423,568	425,908	(481,184)	368,292	63,515
OPWC loan payable	0%	236,123	-	(23,612)	212,511	23,612
Lease purchase agreement - fire station		262,300	-	(18,900)	243,400	19,800
Lease purchase agreement - fire truck		61,782	-	(9,079)	52,703	9,540
Landfill postclosure costs		54,000	-	-	54,000	-
Total other long-term obligations		<u>1,037,773</u>	<u>425,908</u>	<u>(532,775)</u>	<u>930,906</u>	<u>116,467</u>
Total governmental activities long-term obligations		<u>\$ 3,460,273</u>	<u>\$ 425,908</u>	<u>\$ (847,025)</u>	3,039,156	<u>\$ 450,717</u>
Add: Unamortized premium on bond issuance					4,651	
Less: Unamortized discount on bond issuance					<u>(3,212)</u>	
Total reported on the statement of net position					<u>\$ 3,040,595</u>	

**Compensated Absences**

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

**OPWC Loan Payable**

In prior years, the City had entered into an agreement with the Ohio Public Works Commission for a street construction loan in the amount of \$472,243. The City made principal payments of \$23,612 on the loan in 2012. The loan is interest free and principal payments are made from the general fund. The loan is scheduled to mature in 2021.

**Landfill Postclosure Costs**

See Note 18 for additional disclosure on landfill postclosure costs.

**Lease Purchase Agreements**

See Note 11 for detail on the lease purchase agreements.

**CITY OF GREENVILLE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2011 Building Improvement Refunding and Revenue Bonds

During 2011, the City issued \$192,500 in bonds, with an interest rate of 3.25%, to pay off the land acquisition bonds and for various building improvements. The first payment was due October 11, 2012 and the bonds are scheduled to mature on October 11, 2021. The payments are 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.

Series 2007 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 maturity on December 1, 2019. The payments are made from the GIP/rail bond retirement fund (a nonmajor governmental fund). The bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment.

Series 2004 Various Purpose Refunding Bonds

On September 1, 2004, the City issued \$2,415,000 in various purpose general obligation bonds to advance refund the callable portion of the Series 1997 Various Purpose Bonds (principal \$2,260,000, average interest rate 5.23%). The issuance proceeds were used to repay the callable portion of the 1997 bonds on the call date which was September 1, 2004. This refunded debt is considered defeased and accordingly, has been removed from the statement of net position. Principal payments are made from the general bond retirement fund (a nonmajor governmental fund) and totaled \$215,000 in 2012.

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 financial statements. The principal balance of the general obligation refunded bonds at December 31, 2012, was \$1,220,000.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2012 are as follows:

Year Ending December 31,	Series 2004 Refunding Bonds			Series 2011 Building Improvement Refunding and Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 230,000	\$ 48,569	\$ 278,569	\$ 19,250	\$ 5,631	\$ 24,881
2014	245,000	39,944	284,944	19,250	5,005	24,255
2015	250,000	30,450	280,450	19,250	4,379	23,629
2016	260,000	21,075	281,075	19,250	3,754	23,004
2017	275,000	11,000	286,000	19,250	3,128	22,378
2018 - 2021	-	-	-	77,000	6,256	83,256
Total	<u>\$ 1,260,000</u>	<u>\$ 151,038</u>	<u>\$ 1,411,038</u>	<u>\$ 173,250</u>	<u>\$ 28,153</u>	<u>\$ 201,403</u>

Year Ending December 31,	Series 2007 Rail Project Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 85,000	\$ 28,838	\$ 113,838	\$ 23,612	\$ -	\$ 23,612
2014	90,000	25,395	115,395	23,612	-	23,612
2015	90,000	21,750	111,750	23,612	-	23,612
2016	95,000	17,835	112,835	23,613	-	23,613
2017	100,000	13,703	113,703	23,612	-	23,612
2018 - 2021	215,000	14,138	229,138	94,450	-	94,450
Total	<u>\$ 675,000</u>	<u>\$ 121,659</u>	<u>\$ 796,659</u>	<u>\$ 212,511</u>	<u>\$ -</u>	<u>\$ 212,511</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, 2012, the City's total debt margin was \$21,934,218 and the unvoted debt margin was \$11,910,210.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**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 2012:

<u><b>Business-type activities:</b></u>	Balance 12/31/11	Additions	Reductions	Balance 12/31/12	Amounts Due in One Year
<u>Revenue Bonds</u>					
Series 2002 wastewater system revenue refunding bonds	\$ 1,345,000	\$ -	\$ (200,000)	\$ 1,145,000	\$ 210,000
Total revenue bonds	<u>1,345,000</u>	<u>-</u>	<u>(200,000)</u>	<u>1,145,000</u>	<u>210,000</u>
<u>Other long-term obligations</u>					
Compensated absences	108,006	75,441	(67,406)	116,041	17,493
Total other long-term obligations	<u>108,006</u>	<u>75,441</u>	<u>(67,406)</u>	<u>116,041</u>	<u>17,493</u>
Total business-type activities long-term obligations	<u>\$ 1,453,006</u>	<u>\$ 75,441</u>	<u>\$ (267,406)</u>	<u>\$ 1,261,041</u>	<u>\$ 227,493</u>

Compensated absences are reported in the statement of net position 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 series 2002 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 system revenue refunding 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 23.68 percent of net revenues. The total principal and interest remaining to be paid on the Series 2002 wastewater refunding revenue bonds is \$1,313,150. Principal and interest paid for the current year and total customer net revenues were \$263,188 and \$1,111,402, respectively.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Debt service requirements to retire the City's revenue bonds outstanding at December 31, 2012 were:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2013	\$ 210,000	\$ 54,388	\$ 264,388
2014	215,000	44,412	259,412
2015	230,000	34,200	264,200
2016	240,000	23,275	263,275
2017	250,000	11,875	261,875
Total	<u>\$ 1,145,000</u>	<u>\$ 168,150</u>	<u>\$ 1,313,150</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 2012, the City contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverages. Coverage provided during the year is as follows:

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

There have been no significant reductions in insurance coverages during 2012. 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 \$27,828 reported on the financial statements at December 31, 2012 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, 2012

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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

	Balance January 1	Current Year Claims	Claims Payments	Prepayments	Balance December 31
2011	\$ 33,856	\$ 887,714	\$ 899,340	\$ -	\$ 22,230
2012	22,230	820,923	815,574	249	27,828

**NOTE 14 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$251,824, \$285,613, and \$274,862, respectively; 92.53% has been contributed for 2012 and 100% has been contributed for 2011 and 2010. Contributions to the member-directed plan for 2012 were \$3,490 made by the City and \$2,493 made by the plan members.

**CITY OF GREENVILLE, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 14 - PENSION PLANS - (Continued)**

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

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, 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 \$159,705 and \$203,553 for the year ended December 31, 2012, \$175,059 and \$213,323 for the year ended December 31, 2011, and \$175,591 and \$219,948 for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 76.84% has been contributed for police and 76.61% has been contributed for firefighters for 2012.

**NOTE 15 - POST-EMPLOYMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

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

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

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

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

## CITY OF GREENVILLE, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### **NOTE 15 - POST-EMPLOYMENT BENEFIT PLANS - (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$103,619, \$109,365, and \$147,034, respectively; 92.53% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

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

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

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

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

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

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

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

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 15 - POST-EMPLOYMENT BENEFIT PLANS - (Continued)**

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, 2012, 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 \$84,550 and \$79,651 for the year ended December 31, 2012, \$92,679 and \$83,474 for the year ended December 31, 2011, and \$92,960 and \$86,067, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 76.84% has been contributed for police and 76.61% has been contributed for firefighters for 2012.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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:

	<u>General fund</u>
Budget basis	\$ 774,467
Net adjustment for revenue accruals	(27,365)
Net adjustment for expenditure accruals	(41,789)
Funds budgeted elsewhere	1,852
Adjustment for encumbrances	<u>136,048</u>
GAAP basis	<u>\$ 843,213</u>

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

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2012.

**B. Litigation**

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

**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, 2012 amount to \$922,470. The estimated liability for landfill postclosure care has a balance of \$54,000 as of December 31, 2012. 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, 2012; 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.

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of December 31, 2012, the City had the following contractual commitments outstanding:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Payments Through 12/31/12</u>	<u>Remaining Contract Amount</u>
J&A Construction, Inc.	\$ 49,995	\$ 14,284	\$ 35,711
Synago Central	107,000	71,000	36,000
MV Contract Transportation	42,000	-	42,000
Kirk Bros. Co., Inc.	3,066,757	3,025,920	40,837
Spillman Technologies, Inc.	330,526	165,263	165,263
North American Salt Co.	30,869	-	30,869
Total	<u>\$ 3,627,147</u>	<u>\$ 3,276,467</u>	<u>\$ 350,680</u>

**NOTE 20 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 88,185
Nonmajor governmental funds	<u>19,703</u>
Total	<u>\$ 107,888</u>

**CITY OF GREENVILLE, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 21 - FUND BALANCE**

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

<u>Fund balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Materials and supplies inventory	\$ 8,184	\$ 57,808	\$ 65,992
Prepayments	<u>110,958</u>	<u>11,996</u>	<u>122,954</u>
Total nonspendable	<u>119,142</u>	<u>69,804</u>	<u>188,946</u>
Restricted:			
Debt service	-	81,026	81,026
Capital projects	-	993,944	993,944
Transportation	-	1,257,342	1,257,342
Other purposes	<u>-</u>	<u>124,558</u>	<u>124,558</u>
Total restricted	<u>-</u>	<u>2,456,870</u>	<u>2,456,870</u>
Committed:			
Leisure time activity	<u>127,627</u>	<u>-</u>	<u>127,627</u>
Total committed	<u>127,627</u>	<u>-</u>	<u>127,627</u>
Assigned:			
Debt service	11,806	354,156	365,962
General government	22,814	-	22,814
Security of persons and property	27,748	-	27,748
Transportation	77	-	77
Community environment	19	-	19
Utility services	298	-	298
Capital outlay	2,504	-	2,504
Subsequent year appropriations	<u>501,266</u>	<u>-</u>	<u>501,266</u>
Total assigned	<u>566,532</u>	<u>354,156</u>	<u>920,688</u>
Unassigned (deficit)	<u>2,769,527</u>	<u>(93,143)</u>	<u>2,676,384</u>
Total fund balances	<u>\$ 3,582,828</u>	<u>\$ 2,787,687</u>	<u>\$ 6,370,515</u>

## **SUPPLEMENTARY DATA**

**CITY OF GREENVILLE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A),(B) CASH DISBURSEMENTS
<b>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<b>PASSED THROUGH THE</b>			
<b>OHIO DEPARTMENT OF DEVELOPMENT</b>			
(C) Community Development Block Grants/State's Program	14.228	A-F-11-2BV-1	\$ 65,000
(C) Community Development Block Grants/State's Program	14.228	A-D-11-2BV-1	250,000
<b>Total Community Development Block Grants/State's Program</b>			315,000
<b>Total U.S. Department of Housing and Urban Development</b>			315,000
<b>U. S. DEPARTMENT OF JUSTICE</b>			
<b>PASSED THROUGH THE</b>			
<b>N/A</b>			
(D) Bulletproof Vest Partnership Program	16.607	N/A	893
<b>Total U.S. Department of Justice</b>			893
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>			
<b>PASSED THROUGH THE</b>			
<b>OHIO DEPARTMENT OF TRANSPORTATION</b>			
Highway Planning and Construction Program	20.205	81765	9,600
Formula Grants for Other Than Urbanized Areas	20.509	RPT-0019-031-112	7,000
Formula Grants for Other Than Urbanized Areas	20.509	RPT-0019-032-122	137,285
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4019-031-111	5,070
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4019-032-121	189,060
<b>Total Formula Grants for Other Urbanized Areas</b>			338,415
<b>Total U.S. Department of Transportation</b>			348,015
<b>U. S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>PASSED THROUGH THE</b>			
<b>N/A</b>			
(D) Assistance to Firefighters Grant	97.044	N/A	243,263
<b>Total U.S. Department of Homeland Security</b>			243,263
<b>Total Federal Financial Assistance</b>			\$ 907,171

**Notes to the Schedule of Expenditures of Federal Awards:**

- (A) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.
- (B) Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditures of non-Federal matching funds is not included on the Schedule.
- (C) The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.
- The City did not have any outstanding loans at December 31, 2012.
- The City did not have any loans issued/repaid during the year ended December 31, 2012.
- The City transferred \$1,000 from its revolving loan program to its CDBG program per guidance provided by ODOD. Both programs are accounted for within the same City fund.
- Cash balance on hand as of 12/31/12: \$379  
Delinquent amounts due as of 12/31/12: \$0
- (D) This is a direct award.



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

City of Greenville  
Darke County  
100 Public Square, Room 200  
Greenville, Ohio 45331

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Greenville's basic financial statements and have issued our report thereon dated June 13, 2013, wherein we noted as discussed in Note 3, the City of Greenville adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City of Greenville's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Greenville's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City of Greenville's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City of Greenville's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Greenville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
June 13, 2013



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

City of Greenville  
Darke County  
100 Public Square, Room 200  
Greenville, Ohio 45331

To the Members of Council and Mayor:

***Report on Compliance for Each Major Federal Program***

We have audited the City of Greenville's compliance with the applicable 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, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the City of Greenville's major federal program.

***Management's Responsibility***

The City of Greenville's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the City of Greenville's compliance for each of the City of Greenville's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Greenville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City of Greenville's major program. However, our audit does not provide a legal determination of the City of Greenville's compliance.

***Opinion on the Major Federal Program***

In our opinion, the City of Greenville complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Members of Council and Mayor  
City of Greenville

***Report on Internal Control Over Compliance***

The City of Greenville's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City of Greenville's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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.

*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's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
June 13, 2013

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

<b>1. SUMMARY OF AUDITORS' RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<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>	Unmodified
<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>	Community Development Block Grants/State's Program - CFDA #14.228
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS**

None



# Dave Yost • Auditor of State

**CITY OF GREENVILLE**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 30, 2013**