

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

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

For The Year Ended  
December 31, 2005

**MS. NANCY MYERS, AUDITOR**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the City of Greenville, Darke County, prepared by Julian and Grube, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 24, 2006

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**CITY OF GREENVILLE, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### Independent Auditors' Report

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds: street and public transportation for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of Council and Mayor  
City of Greenville  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying 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 of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
June 14, 2006



## CITY OF GREENVILLE, OHIO

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

The management's 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, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. As stated in Note 2 to the basic financial statements, the financial information contained in this report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP-basis financial information will differ from cash basis information as maintained by City during the year.

#### Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the City increased \$1,276,946. Net assets of governmental activities increased \$1,051,506 or 6.93% from 2004 and net assets of business-type activities increased \$225,440 or 1.22% from 2004.
- General revenues accounted for \$8,087,739 of total governmental activities revenue. Program specific revenues accounted for \$3,439,618 or 29.84% of total governmental activities revenue.
- The City had \$10,449,351 in expenses related to governmental activities; \$3,439,618 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$7,009,733 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,087,739.
- The City has three major funds, the general fund, the street fund, and the public transportation fund. The general fund had revenues and other financing sources of \$8,496,164 in 2005. This represents an increase of \$1,173,314 from 2004 revenues. The expenditures and other financing uses of the general fund, which totaled \$7,919,827 in 2005, increased \$268,466 from 2004. The net increase in fund balance for the general fund was \$576,337 or 24.42%.
- The street fund had revenues and other financing sources of \$1,207,866 in 2005. The street fund had expenditures and other financing uses of \$1,084,403 in 2005. The net increase in fund balance for the street fund was \$123,463 or 29.05%.
- The public transportation fund had revenues of \$1,633,067 in 2005. The public transportation fund had expenditures of \$1,581,931 in 2005. The public transportation fund had transfers in from the general fund of \$61,282 in 2005. The net increase in fund balance for the public transportation fund was \$112,418 or 64.40%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, Special Park, Swimming Pool and Parking enterprise funds, increased in 2005 by \$225,440. This increase in net assets was due primarily due to the adequate charges for services revenues.
- In the general fund, the actual revenues came in \$203,853 higher than they were in the final budget and actual expenditures were \$1,161,293 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$288,512 from the original to the final budget due primarily to an increase in projected income tax revenue as well as intergovernmental revenue. Budgeted expenditures increased \$410,512 from the original to the final budget due primarily to an increase in the cost of security of person and property expenditures.

## CITY OF GREENVILLE, OHIO

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

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

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

##### *Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The government-wide statement of net assets 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.

**CITY OF GREENVILLE, OHIO**

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

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 focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

***Governmental Funds***

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the street fund and the public transportation fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements (including budgetary statements) can be found on pages 20-28 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 and parking functions. The City's major enterprise funds are the water and sewer funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 29-31 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 32-58 of this report.

**CITY OF GREENVILLE, OHIO**

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

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net assets for 2005 and 2004:

|   | <b>Net Assets</b>                  |                                     |                                    |                                     |                      |                      |
|---|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------|
|   | Governmental<br>Activities<br>2005 | Business-Type<br>Activities<br>2005 | Governmental<br>Activities<br>2004 | Business-Type<br>Activities<br>2004 | 2005<br>Total        | 2004<br>Total        |
| <u>Assets</u>                                   |                                    |                                     |                                    |                                     |                      |                      |
| Current and other assets                        | \$ 7,771,152                       | \$ 9,176,111                        | \$ 6,990,280                       | \$ 8,631,426                        | \$ 16,947,263        | \$ 15,621,706        |
| Capital assets                                  | <u>14,159,592</u>                  | <u>12,129,392</u>                   | <u>14,001,918</u>                  | <u>12,585,356</u>                   | <u>26,288,984</u>    | <u>26,587,274</u>    |
| Total assets                                    | <u>21,930,744</u>                  | <u>21,305,503</u>                   | <u>20,992,198</u>                  | <u>21,216,782</u>                   | <u>43,236,247</u>    | <u>42,208,980</u>    |
| <u>Liabilities</u>                              |                                    |                                     |                                    |                                     |                      |                      |
| Current liabilities                             | 2,052,602                          | 86,689                              | 2,015,306                          | 74,046                              | 2,139,291            | 2,089,352            |
| Long-term liabilities                           | <u>3,654,734</u>                   | <u>2,481,910</u>                    | <u>3,804,990</u>                   | <u>2,631,272</u>                    | <u>6,136,644</u>     | <u>6,436,262</u>     |
| Total liabilities                               | <u>5,707,336</u>                   | <u>2,568,599</u>                    | <u>5,820,296</u>                   | <u>2,705,318</u>                    | <u>8,275,935</u>     | <u>8,525,614</u>     |
| <u>Net Assets</u>                               |                                    |                                     |                                    |                                     |                      |                      |
| Invested in capital assets, net of related debt | 10,833,603                         | 9,744,392                           | 10,488,417                         | 10,050,356                          | 20,577,995           | 20,538,773           |
| Restricted                                      | 1,616,853                          | 295,385                             | 1,428,294                          | 267,109                             | 1,912,238            | 1,695,403            |
| Unrestricted                                    | <u>3,772,952</u>                   | <u>8,697,127</u>                    | <u>3,255,191</u>                   | <u>8,193,999</u>                    | <u>12,470,079</u>    | <u>11,449,190</u>    |
| Total net assets                                | <u>\$ 16,223,408</u>               | <u>\$ 18,736,904</u>                | <u>\$ 15,171,902</u>               | <u>\$ 18,511,464</u>                | <u>\$ 34,960,312</u> | <u>\$ 33,683,366</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$34,960,312. At year-end, net assets were \$16,223,408 and \$18,736,904 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 60.80% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2005, were \$10,853,603 and \$9,744,392 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2005, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$1,912,238, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$3,772,952 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF GREENVILLE, OHIO**

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

The table below shows the changes in net assets for years 2005 and 2004.

|                                       | <b>Change in Net Assets</b> |                  |                  |                  |                   |                   |
|---------------------------------------|-----------------------------|------------------|------------------|------------------|-------------------|-------------------|
|                                       | Governmental                | Business-type    | Governmental     | Business-type    | 2005              | 2004              |
|                                       | Activities                  | Activities       | Activities       | Activities       | Total             | Total             |
|                                       | 2005                        | 2005             | 2004             | 2004             |                   |                   |
| <b>Revenues</b>                       |                             |                  |                  |                  |                   |                   |
| Program revenues:                     |                             |                  |                  |                  |                   |                   |
| Charges for services                  | \$ 898,964                  | \$ 2,641,573     | \$ 674,265       | \$ 2,353,172     | \$ 3,540,537      | \$ 3,027,437      |
| Operating grants and contributions    | 2,540,654                   | -                | 1,372,885        | -                | 2,540,654         | 1,372,885         |
| Capital grants and contributions      | -                           | -                | -                | 256,620          | -                 | 256,620           |
| <b>Total program revenues</b>         | <b>3,439,618</b>            | <b>2,641,573</b> | <b>2,047,150</b> | <b>2,609,792</b> | <b>6,081,191</b>  | <b>4,656,942</b>  |
| General revenues:                     |                             |                  |                  |                  |                   |                   |
| Property taxes                        | 1,359,256                   | -                | 1,548,577        | -                | 1,359,256         | 1,548,577         |
| Income taxes                          | 5,570,069                   | -                | 3,930,118        | -                | 5,570,069         | 3,930,118         |
| Unrestricted grants and entitlements  | 998,872                     | -                | 1,418,910        | -                | 998,872           | 1,418,910         |
| Investment earnings                   | 95,902                      | 285,902          | 33,437           | 120,213          | 381,804           | 153,650           |
| Miscellaneous                         | 63,640                      | 21,229           | 110,866          | 6,217            | 84,869            | 117,083           |
| <b>Total general revenues</b>         | <b>8,087,739</b>            | <b>307,131</b>   | <b>7,041,908</b> | <b>126,430</b>   | <b>8,394,870</b>  | <b>7,168,338</b>  |
| Expenses:                             |                             |                  |                  |                  |                   |                   |
| General government                    | 2,013,824                   | -                | 1,784,063        | -                | 2,013,824         | 1,784,063         |
| Security of persons and property      | 3,875,628                   | -                | 3,739,743        | -                | 3,875,628         | 3,739,743         |
| Public health and welfare             | 48,848                      | -                | 99,063           | -                | 48,848            | 99,063            |
| Transportation                        | 2,953,049                   | -                | 2,036,083        | -                | 2,953,049         | 2,036,083         |
| Community environment                 | 457,477                     | -                | 132,383          | -                | 457,477           | 132,383           |
| Leisure time activity                 | 772,438                     | -                | 914,814          | -                | 772,438           | 914,814           |
| Utility services                      | 186,481                     | -                | 109,504          | -                | 186,481           | 109,504           |
| Interest and fiscal charges           | 141,606                     | -                | 145,338          | -                | 141,606           | 145,338           |
| Water                                 | -                           | 1,358,027        | -                | 1,363,981        | 1,358,027         | 1,363,981         |
| Sewer                                 | -                           | 1,290,850        | -                | 1,367,129        | 1,290,850         | 1,367,129         |
| Parking                               | -                           | -                | -                | 10               | -                 | 10                |
| Special park                          | -                           | 1,543            | -                | 2,125            | 1,543             | 2,125             |
| Swimming pool                         | -                           | 99,344           | -                | 94,300           | 99,344            | 94,300            |
| <b>Total expenses</b>                 | <b>10,449,351</b>           | <b>2,749,764</b> | <b>8,960,991</b> | <b>2,827,545</b> | <b>13,199,115</b> | <b>11,788,536</b> |
| Change in net assets before transfers | 1,078,006                   | 198,940          | 128,067          | (91,323)         | 1,276,946         | 36,744            |
| Transfers                             | (26,500)                    | 26,500           | (59,594)         | 59,594           | -                 | -                 |
| Change in net assets                  | 1,051,506                   | 225,440          | 68,473           | (31,729)         | 1,276,946         | 36,744            |
| Net assets at beginning of year       | 15,171,902                  | 18,511,464       | 15,103,429       | 18,543,193       | 33,683,366        | 33,646,622        |
| Net assets at end of year             | \$ 16,223,408               | \$ 18,736,904    | \$ 15,171,902    | \$ 18,511,464    | \$ 34,960,312     | \$ 33,683,366     |

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

**Governmental Activities**

Governmental activities net assets increased \$1,051,506 in 2005. This increase is a result of total governmental revenues increasing from \$9,089,058 in 2004 to \$11,527,357 in 2005.

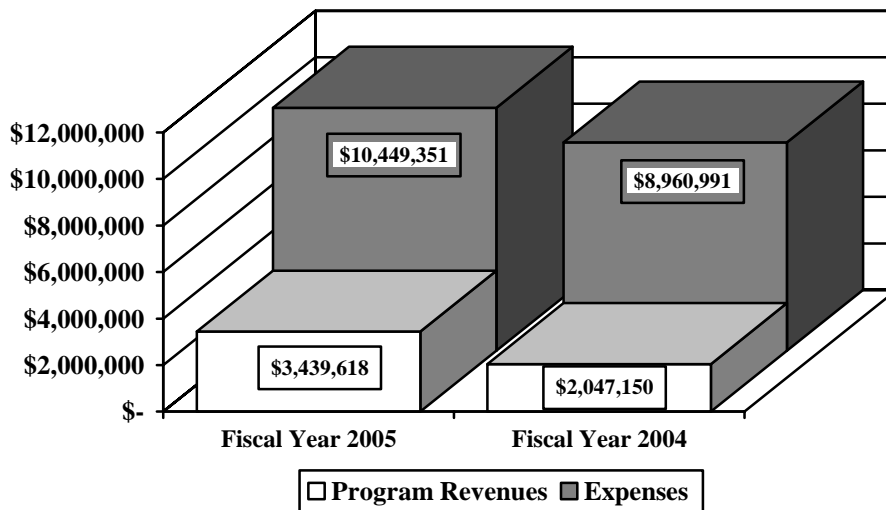
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$3,875,628 of the total expenses of the City. These expenses were partially funded by \$217,911 in direct charges to users of the services. Transportation expenses totaled \$2,953,049. Transportation expenses were partially funded by \$332,294 in direct charges to users of the services and \$2,111,270 in operating grants and contributions.

The state and federal government contributed to the City a total of \$2,540,654 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$2,111,270 subsidized transportation programs, \$334,493 subsidized community environment programs and \$94,891 subsidized all other programs during 2005.

General revenues totaled \$8,087,739, and amounted to 70.16% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$6,929,325. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$998,872.

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

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



**CITY OF GREENVILLE, OHIO**

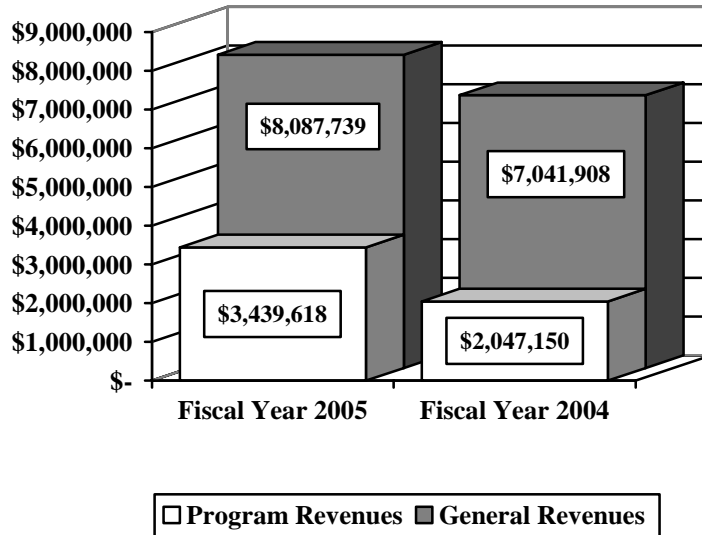
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

**Governmental Activities**

|                                  | 2005                   |                      | 2004                   |                      |
|----------------------------------|------------------------|----------------------|------------------------|----------------------|
|                                  | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Program Expenses:                |                        |                      |                        |                      |
| General government               | \$ 2,013,824           | \$ 1,777,728         | \$ 1,784,063           | \$ 1,707,810         |
| Security of persons and property | 3,875,628              | 3,657,717            | 3,739,743              | 3,524,127            |
| Public health and welfare        | 48,848                 | (54,686)             | 99,063                 | 98,439               |
| Transportation                   | 2,953,049              | 509,485              | 2,036,083              | 550,092              |
| Community environment            | 457,477                | 97,477               | 132,383                | (64,747)             |
| Leisure time activity            | 772,438                | 693,925              | 914,814                | 843,278              |
| Utility services                 | 186,481                | 186,481              | 109,504                | 109,504              |
| Interest and fiscal charges      | 141,606                | 141,606              | 145,338                | 145,338              |
| <b>Total</b>                     | <b>\$ 10,449,351</b>   | <b>\$ 7,009,733</b>  | <b>\$ 8,960,991</b>    | <b>\$ 6,913,841</b>  |

The dependence upon general revenues for governmental activities is apparent, with 67.03% of expenses supported through taxes and other general revenues.

**Governmental Activities – General and Program Revenues**

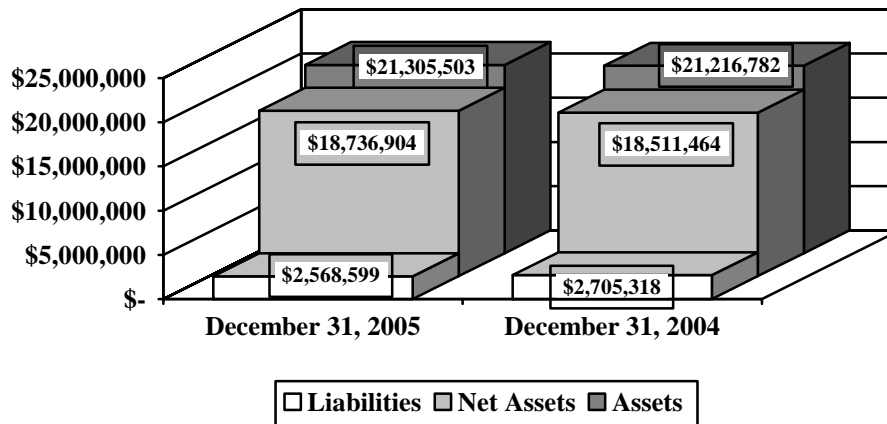


**CITY OF GREENVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

**Business-Type Activities**

Business-Type activities include the water, sewer, special park, swimming pool and parking enterprise funds. These programs had program revenues of \$2,641,573, general revenues of \$307,131, transfers in of \$26,500 and expenses of \$2,749,764 for 2005. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets 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. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

|                                   | Fund Balances<br>12/31/05 | Fund Balances<br>12/31/04 | Increase<br>(Decrease) |
|-----------------------------------|---------------------------|---------------------------|------------------------|
| Major funds:                      |                           |                           |                        |
| General                           | \$ 2,936,579              | \$ 2,360,242              | \$ 576,337             |
| Street                            | 548,478                   | 425,015                   | 123,463                |
| Public Transportation             | 286,982                   | 174,564                   | 112,418                |
| Other nonmajor governmental funds | <u>535,690</u>            | <u>667,013</u>            | <u>(131,323)</u>       |
| Total                             | <u>\$ 4,307,729</u>       | <u>\$ 3,626,834</u>       | <u>\$ 680,895</u>      |



**CITY OF GREENVILLE, OHIO**

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

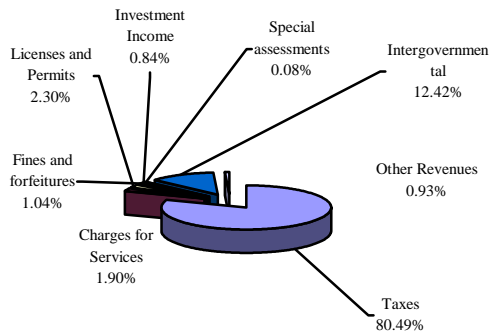
**General Fund**

The City's general fund balance increased \$576,337, primarily due to the large increase in revenues and smaller increase in expenditures. The table that follows assists in illustrating the revenues of the general fund.

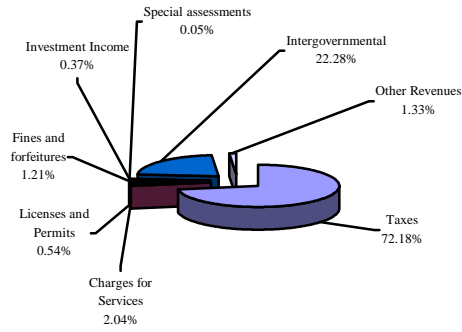
|                        | <u>2005</u><br><u>Amount</u> | <u>2004</u><br><u>Amount</u> | <u>Percentage</u><br><u>Change</u> |
|------------------------|------------------------------|------------------------------|------------------------------------|
| <b><u>Revenues</u></b> |                              |                              |                                    |
| Taxes                  | \$ 6,802,113                 | \$ 5,285,605                 | 28.69 %                            |
| Charges for services   | 160,343                      | 149,603                      | 7.18 %                             |
| Licenses and permits   | 194,140                      | 39,434                       | 392.32 %                           |
| Fines and forfeitures  | 87,924                       | 88,517                       | (0.67) %                           |
| Investment income      | 71,302                       | 26,751                       | 166.54 %                           |
| Special assessments    | 6,911                        | 3,718                        | 85.88 %                            |
| Intergovernmental      | 1,049,953                    | 1,631,681                    | (35.65) %                          |
| Other                  | <u>78,478</u>                | <u>97,541</u>                | (19.54) %                          |
| <b>Total</b>           | <b><u>\$ 8,451,164</u></b>   | <b><u>\$ 7,322,850</u></b>   | <b>15.41 %</b>                     |

Tax revenue represents 80.49% of all general fund revenue. Tax revenue increased by 28.69% from prior year as a result of the increase in the City's income tax rate from 1.00% in 2004 to 1.50% in 2005. The increase in investment income is due to the rise in interest rates by the Federal Reserve Bank throughout the year. The increase in licenses and permits and is due to an increase in the collections of licenses and permits, including cable fees. Intergovernmental revenue decreased due to a decrease in local government funds and other monies received from the State of Ohio. All other revenue remained comparable to 2004.

**Revenues – Fiscal Year 2005**



**Revenues – Fiscal Year 2004**



**CITY OF GREENVILLE, OHIO**

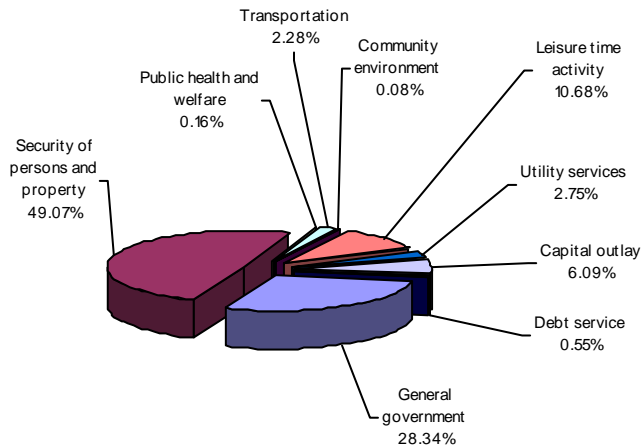
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

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

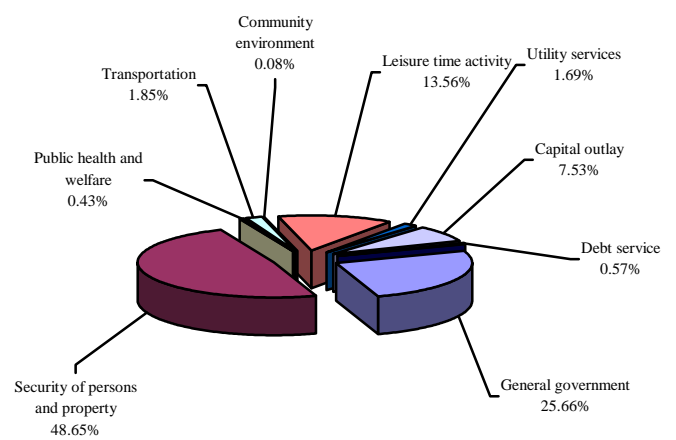
|                                  | <u>2005</u><br><u>Amount</u> | <u>2004</u><br><u>Amount</u> | <u>Percentage</u><br><u>Change</u> |
|----------------------------------|------------------------------|------------------------------|------------------------------------|
| <b><u>Expenditures</u></b>       |                              |                              |                                    |
| General government               | \$ 1,919,857                 | \$ 1,664,943                 | 15.31 %                            |
| Security of persons and property | 3,322,591                    | 3,157,032                    | 5.24 %                             |
| Public health and welfare        | 11,064                       | 28,063                       | (60.57) %                          |
| Transportation                   | 154,655                      | 119,939                      | 28.94 %                            |
| Community environment            | 5,217                        | 4,868                        | 7.17 %                             |
| Leisure time activity            | 723,692                      | 879,861                      | (17.75) %                          |
| Utility services                 | 186,481                      | 109,504                      | 70.30 %                            |
| Capital outlay                   | 412,601                      | 488,534                      | (15.54) %                          |
| Debt service                     | <u>37,512</u>                | <u>36,912</u>                | 1.63 %                             |
| <b>Total</b>                     | <b><u>\$ 6,773,670</u></b>   | <b><u>\$ 6,489,656</u></b>   | 4.38 %                             |

The most significant increase was in the area of utility services. The increase in utility services is primarily due to the successful collection of services provided. The slight increase in general government is primarily due to wage and benefit controls and overall cost controls in purchased goods and services. The largest expenditure line item, security of persons and property, increased which is primarily attributed to wage and benefit and overall cost controls in purchased goods and services. All other expenditures remained comparable to 2004.

**Expenditures - Fiscal Year 2005**



**Expenditures - Fiscal Year 2004**



**CITY OF GREENVILLE, OHIO**

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

***Budgeting Highlights - General Fund***

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

Budgetary information is presented for the general fund. In the general fund, the actual revenues came in \$203,853 higher than they were in the final budget and actual expenditures were \$1,161,293 less than the amount in the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues increased \$288,512 from the original to the final budget due primarily to an increase in projected income tax revenue. Budgeted expenditures increased \$410,512 from the original to the final budget due primarily to an increase in the cost of security of persons and property expenditures.

***Street Fund***

The street fund, a major governmental fund, had revenues and other financing sources of \$1,207,866 in 2005. This represents an increase of \$79,480 from 2004. The expenditures and other financing uses of the street fund, which totaled \$1,084,403 in 2005, increased \$134,985 from 2004. The net increase in fund balance for the street fund was \$123,463 or 29.05%.

***Public Transportation***

The public transportation fund, a major governmental fund, had revenues and other financing sources of \$1,694,349 in 2005. This represents an increase of \$841,231 from 2004. The expenditures of the public transportation fund, which totaled \$1,581,931 in 2005, increased \$747,634 from 2004. The net increase in fund balance for the public transportation fund was \$112,418 or 64.40%.

***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 are described below:

***Water Fund***

The water fund, a major proprietary fund, had operating revenues of \$1,127,133 in 2005, an increase of \$234,436 or 26.26% from 2004 revenues. The water fund had operating expenses of \$1,378,086 in 2005, an increase of \$20,460 or 1.51% from 2004. The increases in operating expenses and revenues, contributed to the water fund balance decrease of \$158,457 from 2004 to 2005.

***Sewer Fund***

The sewer fund, a major proprietary fund, had operating revenues of \$1,469,252 in 2005, an increase of \$59,750 or 4.24% from 2004 revenues. The sewer fund had operating expenses of \$1,196,190 in 2005, a decrease of \$43,161 or 3.48% from 2004. The decrease in operating expenses and the increase in revenues contributed to the sewer fund balance increase of \$355,581 from 2004 to 2005.

**CITY OF GREENVILLE, OHIO**

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

**Capital Assets and Debt Administration**

*Capital Assets*

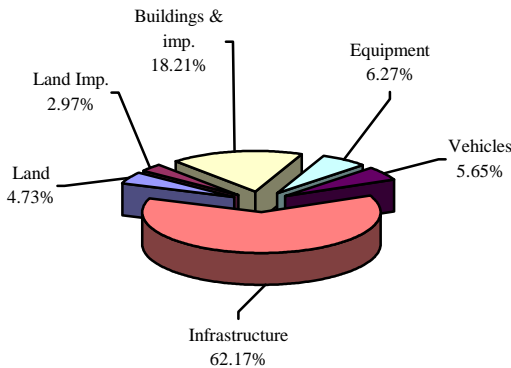
At the end of fiscal 2005, the City had \$26,288,984 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, and infrastructure. Of this total, \$14,159,592 was reported in governmental activities and \$12,129,392 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

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

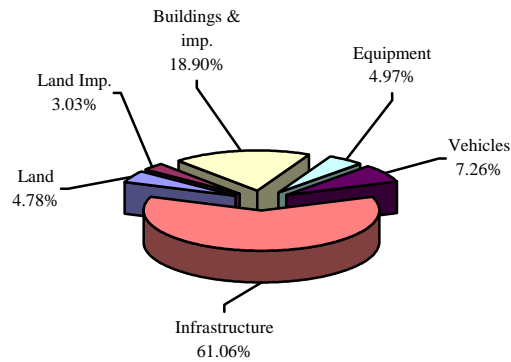
|                            | Governmental Activities |                      | Business-Type Activities |                     | Total               |                     |
|----------------------------|-------------------------|----------------------|--------------------------|---------------------|---------------------|---------------------|
|                            | 2005                    | 2004                 | 2005                     | 2004                | 2005                | 2004                |
| Land                       | \$ 669,967              | \$ 669,967           | \$ 868,075               | \$ 868,075          | \$ 1,538,042        | \$ 1,538,042        |
| Land improvements          | 420,127                 | 424,807              | 35,185                   | 43,004              | 455,312             | 467,811             |
| Buildings and improvements | 2,578,123               | 2,647,055            | 5,079,824                | 5,255,095           | 7,657,947           | 7,902,150           |
| Equipment                  | 887,872                 | 695,530              | 915,210                  | 1,065,657           | 1,803,082           | 1,761,187           |
| Vehicles                   | 799,650                 | 1,015,934            | 23,280                   | 29,331              | 822,930             | 1,045,265           |
| Infrastructure             | 8,803,853               | 8,548,625            | 5,207,818                | 5,324,194           | 14,011,671          | 13,872,819          |
| <b>Totals</b>              | <b>\$ 14,159,592</b>    | <b>\$ 14,001,918</b> | <b>\$12,129,392</b>      | <b>\$12,585,356</b> | <b>\$26,288,984</b> | <b>\$26,587,274</b> |

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

**Capital Assets - Governmental Activities 2005**



**Capital Assets - Governmental Activities 2004**

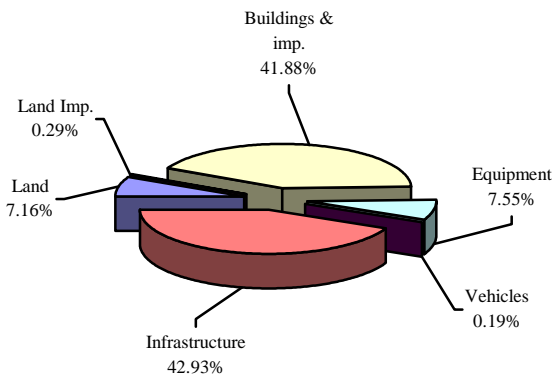


The City's largest capital asset category is infrastructure which includes streets, bridges and storm sewer lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 62.17% of the City's total governmental capital assets.

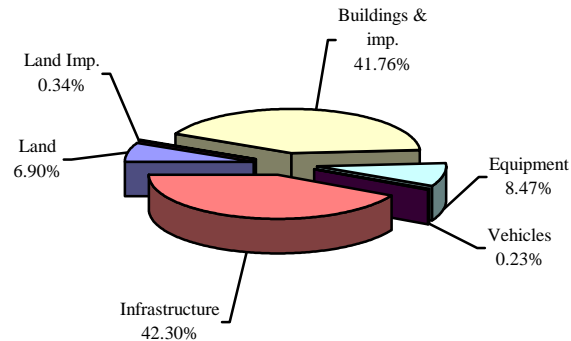
**CITY OF GREENVILLE, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**UNAUDITED**

The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.

**Capital Assets - Business-Type Activities 2005**



**Capital Assets - Business-Type Activities 2004**



The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 42.93% of the City's total business-type capital assets.

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

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

|                                    | Governmental Activities   |                           |
|------------------------------------|---------------------------|---------------------------|
|                                    | <u>2005</u>               | <u>2004</u>               |
| General obligation bonds           | \$2,600,000               | \$2,750,000               |
| OPWC loan                          | 365,989                   | 389,601                   |
| Lease purchase agreement           | 360,000                   | 373,900                   |
| Compensated absences               | <u>422,606</u>            | <u>393,227</u>            |
| <b>Total long-term obligations</b> | <b><u>\$3,748,595</u></b> | <b><u>\$3,906,728</u></b> |
|                                    | Business-Type Activities  |                           |
|                                    | <u>2005</u>               | <u>2004</u>               |
| Revenue bonds                      | \$2,385,000               | \$2,535,000               |
| Compensated absences               | <u>96,910</u>             | <u>96,272</u>             |
| <b>Total long-term obligations</b> | <b><u>\$2,481,910</u></b> | <b><u>\$2,631,272</u></b> |

See Note 10 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, 2005 UNAUDITED**

#### **Economic Conditions and Outlook**

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

Unlike many communities our size, our downtown is a thriving area. The occupancy rate of downtown buildings remains at approximately 90%. The downtown consists of office suites, restaurants, gift and specialty shops and is the home of KitchenAid Experience which draws visitors from all over the nation. The City participates with business owners, property owners, and Downtown Greenville, Inc. in an active pursuit to maintain a high quality downtown. The most recent addition of a beautiful water fountain, donated by local residents, is located in the heart of the downtown.

The City is excited on the recent economic development activity occurring within the City. The recently announced expansion of Spartech Plastics, Inc., a worldwide corporation, will build a new 165,000 square foot facility in the Greenville Industrial Park, while maintaining their current 80,000 square foot facility, which will retain approximately one hundred (100) jobs and will add approximately ninety (90) jobs to the community. Hughes Supply Company has also expanded their distribution center to over 200,000 square feet while maintaining an employment base in the City of Greenville. Timmerman Truss, Inc., a local truss builder, has recently purchased thirty acres in the Greenville Industrial Park which will also add to the City's employment base. The City continually works with the Darke County Economic Development Department, the State of Ohio, Greenville Community Improvement Corporation and local business people to increase and diversify our employment base.

Retail business continues to expand within the City. Various developments will include Wal-Greens Pharmacy, Quiznos Sub, Heidenreich Motors, Great Clips and others.

The City continues to actively pursue state and federal grants for a variety of programs. The City currently is participating in the Community Development Block Grant Formula Program, Clean Ohio Revitalization Fund and others.

#### **Contacting the City's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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**CITY OF GREENVILLE, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

|   | <u>Governmental</u><br><u>Activities</u> | <u>Business-Type</u><br><u>Activities</u> | <u>Total</u>         |
|---|--|---|----------------------|
| <b>Assets:</b>  |  |   |                      |
| Equity in pooled cash and cash equivalents. . . . .       | \$ 3,815,657                             | \$ 8,066,083                              | \$ 11,881,740        |
| Cash in segregated accounts . . . . .                     | 39,902                                   | -   | 39,902               |
| Receivables (net of allowances for uncollectibles):       |  |   |                      |
| Income taxes . . . . .                                    | 1,107,909                                | -   | 1,107,909            |
| Real and other taxes . . . . .                            | 1,388,169                                | -   | 1,388,169            |
| Accounts . . . . .  | 87,092                                   | 576,739                                   | 663,831              |
| Accrued interest . . . . .                                | 22,776                                   | 71,699                                    | 94,475               |
| Special assessments . . . . .                             | 323                                      | -   | 323                  |
| Intergovernmental . . . . .                               | 1,048,432                                | -   | 1,048,432            |
| Internal balances . . . . .                               | (15,046)                                 | 15,046                                    | -                    |
| Prepayments . . . . .                                     | 149,491                                  | 49,130                                    | 198,621              |
| Materials and supplies inventory. . . . .                 | 81,981                                   | 102,029                                   | 184,010              |
| Unamortized bond issue costs . . . . .                    | 44,466                                   | -   | 44,466               |
| Restricted assets:  |  |   |                      |
| Cash with fiscal and escrow agent. . . . .                | -  | 295,385                                   | 295,385              |
| Capital assets:   |  |   |                      |
| Land . . . . .  | 669,967                                  | 868,075                                   | 1,538,042            |
| Depreciable capital assets, net. . . . .                  | 13,489,625                               | 11,261,317                                | 24,750,942           |
| Total capital assets. . . . .                             | <u>14,159,592</u>                        | <u>12,129,392</u>                         | <u>26,288,984</u>    |
| Total assets. . . . .                                     | <u>21,930,744</u>                        | <u>21,305,503</u>                         | <u>43,236,247</u>    |
| <b>Liabilities:</b>                                       |  |   |                      |
| Accounts payable. . . . .                                 | 187,287                                  | 17,875                                    | 205,162              |
| Retainage payable . . . . .                               | 39,902                                   | -   | 39,902               |
| Accrued wages and benefits . . . . .                      | 196,496                                  | 16,876                                    | 213,372              |
| Due to other governments . . . . .                        | 12,898                                   | -   | 12,898               |
| Pension obligation payable. . . . .                       | 141,674                                  | 10,497                                    | 152,171              |
| Deferred revenue . . . . .                                | 1,351,440                                | -   | 1,351,440            |
| Accrued interest payable . . . . .                        | 11,981                                   | 41,441                                    | 53,422               |
| Claims payable. . . . .                                   | 110,924                                  | -   | 110,924              |
| Long-term liabilities:                                    |  |   |                      |
| Due within one year . . . . .                             | 242,704                                  | 163,228                                   | 405,932              |
| Due in more than one year . . . . .                       | 3,412,030                                | 2,318,682                                 | 5,730,712            |
| Total liabilities . . . . .                               | <u>5,707,336</u>                         | <u>2,568,599</u>                          | <u>8,275,935</u>     |
| <b>Net assets:</b>  |  |   |                      |
| Invested in capital assets, net of related debt . . . . . | 10,853,603                               | 9,744,392                                 | 20,597,995           |
| Restricted for:   |  |   |                      |
| Debt service . . . . .                                    | 235,213                                  | 295,385                                   | 530,598              |
| Transportation projects. . . . .                          | 755,345                                  | -   | 755,345              |
| Other purposes . . . . .                                  | 626,295                                  | -   | 626,295              |
| Unrestricted. . . . .                                     | <u>3,752,952</u>                         | <u>8,697,127</u>                          | <u>12,450,079</u>    |
| Total net assets . . . . .                                | <u>\$ 16,223,408</u>                     | <u>\$ 18,736,904</u>                      | <u>\$ 34,960,312</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

|   |                      | <b>Program Revenues</b>         |  |
|---|----------------------|---------------------------------|--|
|   | <b>Expenses</b>      | <b>Charges for<br/>Services</b> | <b>Operating<br/>and<br/>Contributions</b> |
| <b>Governmental Activities:</b>           |                      |                                 |  |
| General government . . . . .              | \$ 2,013,824         | \$ 235,807                      | \$ 289                                     |
| Security of persons and property. . . . . | 3,875,628            | 217,911                         | -  |
| Public health and welfare . . . . .       | 48,848               | 8,932                           | 94,602                                     |
| Transportation . . . . .                  | 2,953,049            | 332,294                         | 2,111,270                                  |
| Community environment. . . . .            | 457,477              | 25,507                          | 334,493                                    |
| Leisure time activity. . . . .            | 772,438              | 78,513                          | -  |
| Utility services . . . . .                | 186,481              | -                               | -  |
| Interest and fiscal charges. . . . .      | 141,606              | -                               | -  |
|   | <u>10,449,351</u>    | <u>898,964</u>                  | <u>2,540,654</u>                           |
| <b>Business-Type Activities:</b>          |                      |                                 |  |
| Water . . . . .                           | 1,358,027            | 1,110,792                       | -  |
| Sewer . . . . .                           | 1,290,850            | 1,465,371                       | -  |
| Nonmajor:                                 |                      |                                 |  |
| Parking . . . . .                         | -                    | 3,242                           | -  |
| Special park . . . . .                    | 1,543                | 1,350                           | -  |
| Swimming pool . . . . .                   | 99,344               | 60,818                          | -  |
|   | <u>2,749,764</u>     | <u>2,641,573</u>                | <u>-</u>                                   |
| Total business-type activities . . . . .  | <u>2,749,764</u>     | <u>2,641,573</u>                | <u>-</u>                                   |
| Total primary government. . . . .         | <u>\$ 13,199,115</u> | <u>\$ 3,540,537</u>             | <u>\$ 2,540,654</u>                        |

**General Revenues:**

|   |  |
|---|--|
| Property taxes levied for:  |  |
| General purposes. . . . .   |  |
| Police and Fire pension . . . . .                                   |  |
| Income taxes levied for:  |  |
| General purposes. . . . .   |  |
| Grants and entitlements not restricted to specific programs . . . . |  |
| Investment earnings . . . . .                                       |  |
| Miscellaneous . . . . .   |  |
| Total general revenues . . . . .                                    |  |
| Transfers . . . . .   |  |
| Change in net assets. . . . .                                       |  |
| <b>Net assets at beginning of year . . . . .</b>                    |  |
| <b>Net assets at end of year . . . . .</b>                          |  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,777,728)                     | \$ -                                | \$ (1,777,728)       |
| (3,657,717)                        | -                                   | (3,657,717)          |
| 54,686                             | -                                   | 54,686               |
| (509,485)                          | -                                   | (509,485)            |
| (97,477)                           | -                                   | (97,477)             |
| (693,925)                          | -                                   | (693,925)            |
| (186,481)                          | -                                   | (186,481)            |
| (141,606)                          | -                                   | (141,606)            |
| <u>(7,009,733)</u>                 | <u>-</u>                            | <u>(7,009,733)</u>   |
| -                                  | (247,235)                           | (247,235)            |
| -                                  | 174,521                             | 174,521              |
| -                                  | 3,242                               | 3,242                |
| -                                  | (193)                               | (193)                |
| -                                  | (38,526)                            | (38,526)             |
| <u>-</u>                           | <u>(108,191)</u>                    | <u>(108,191)</u>     |
| <u>(7,009,733)</u>                 | <u>(108,191)</u>                    | <u>(7,117,924)</u>   |
| 1,221,924                          | -                                   | 1,221,924            |
| 137,332                            | -                                   | 137,332              |
| 5,570,069                          | -                                   | 5,570,069            |
| 998,872                            | -                                   | 998,872              |
| 95,902                             | 285,902                             | 381,804              |
| 63,640                             | 21,229                              | 84,869               |
| <u>8,087,739</u>                   | <u>307,131</u>                      | <u>8,394,870</u>     |
| <u>(26,500)</u>                    | <u>26,500</u>                       | <u>-</u>             |
| 1,051,506                          | 225,440                             | 1,276,946            |
| <u>15,171,902</u>                  | <u>18,511,464</u>                   | <u>33,683,366</u>    |
| <u>\$ 16,223,408</u>               | <u>\$ 18,736,904</u>                | <u>\$ 34,960,312</u> |

**CITY OF GREENVILLE, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005

|   | <u>General</u>      | <u>Street</u>     | <u>Public<br/>Transportation</u> | <u>Other<br/>Governmental<br/>Funds</u> |
|---|---------------------|-------------------|----------------------------------|---|
| <b>Assets:</b>  |                     |                   |                                  |   |
| Equity in pooled cash and cash equivalents . . . . .    | \$ 1,647,722        | \$ 427,050        | \$ 172,481                       | \$ 918,133                              |
| Cash in segregated accounts. . . . .                    | 39,902              | -                 | -                                | -                                       |
| Receivables (net of allowance for uncollectibles):      |                     |                   |                                  |   |
| Income taxes. . . . .                                   | 1,107,909           | -                 | -                                | -                                       |
| Real and other taxes. . . . .                           | 1,232,089           | -                 | -                                | 156,080                                 |
| Accounts . . . . .                                      | 77,525              | -                 | 9,567                            | -                                       |
| Intergovernmental. . . . .                              | 407,772             | 375,676           | 107,254                          | 157,730                                 |
| Accrued interest . . . . .                              | 12,676              | 4,111             | -                                | 1,557                                   |
| Special assessments. . . . .                            | 323                 | -                 | -                                | -                                       |
| Interfund loans . . . . .                               | 405,000             | -                 | -                                | -                                       |
| Prepayments. . . . .                                    | 134,733             | 14,758            | -                                | -                                       |
| Materials and supplies inventory . . . . .              | 18,973              | 63,008            | -                                | -                                       |
| Total assets . . . . .                                  | <u>\$ 5,084,624</u> | <u>\$ 884,603</u> | <u>\$ 289,302</u>                | <u>\$ 1,233,500</u>                     |
| <b>Liabilities:</b>                                     |                     |                   |                                  |   |
| Accounts payable . . . . .                              | \$ 162,497          | \$ 24,790         | \$ -                             | \$ -                                    |
| Retainage payable. . . . .                              | 39,902              | -                 | -                                | -                                       |
| Accrued wages and benefits. . . . .                     | 170,650             | 24,107            | 1,739                            | -                                       |
| Interfund loans payable . . . . .                       | -                   | -                 | -                                | 405,000                                 |
| Due to other governments. . . . .                       | 12,898              | -                 | -                                | -                                       |
| Pension obligation payable . . . . .                    | 22,494              | 8,385             | 581                              | 110,214                                 |
| Deferred revenue . . . . .                              | 1,739,604           | 278,843           | -                                | 182,596                                 |
| Total liabilities . . . . .                             | <u>2,148,045</u>    | <u>336,125</u>    | <u>2,320</u>                     | <u>697,810</u>                          |
| <b>Fund Balances:</b>                                   |                     |                   |                                  |   |
| Reserved for encumbrances. . . . .                      | 145,086             | 1,812             | 512,302                          | 197,679                                 |
| Reserved for prepayments . . . . .                      | 134,733             | 14,758            | -                                | -                                       |
| Reserved for materials and supplies inventory . . . . . | 18,973              | 63,008            | -                                | -                                       |
| Reserved for principal endowment . . . . .              | -                   | -                 | -                                | 83,005                                  |
| Reserved for debt service. . . . .                      | -                   | -                 | -                                | 247,194                                 |
| Unreserved, undesignated, reported in:                  |                     |                   |                                  |   |
| General fund. . . . .                                   | 2,637,787           | -                 | -                                | -                                       |
| Special revenue funds . . . . .                         | -                   | 468,900           | (225,320)                        | 7,812                                   |
| Total fund balances . . . . .                           | <u>2,936,579</u>    | <u>548,478</u>    | <u>286,982</u>                   | <u>535,690</u>                          |
| Total liabilities and fund balances. . . . .            | <u>\$ 5,084,624</u> | <u>\$ 884,603</u> | <u>\$ 289,302</u>                | <u>\$ 1,233,500</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total  
Governmental  
Funds**

---

\$ 3,165,386  
39,902

1,107,909

1,388,169

87,092

1,048,432

18,344

323

405,000

149,491

81,981

---

\$ 7,492,029

\$ 187,287

39,902

196,496

405,000

12,898

141,674

2,201,043

---

3,184,300

---

856,879

149,491

81,981

83,005

247,194

2,637,787

251,392

---

4,307,729

---

\$ 7,492,029

**CITY OF GREENVILLE, OHIO**

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

|   |                    |                             |
|---|--------------------|-----------------------------|
| <b>Total governmental fund balances</b>   |                    | \$ 4,307,729                |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>   |                    |                             |
| Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.   |                    | 14,159,592                  |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.  |                    |                             |
| Property taxes  | \$ 33,534          |                             |
| Income taxes  | 300,856            |                             |
| Special assessments   | 323                |                             |
| Intergovernmental revenues  | 503,886            |                             |
| Accrued interest  | <u>11,004</u>      |                             |
| Total   |                    | 849,603                     |
| Unamortized premiums on bond issuances are not recorded in the funds.   |                    | (11,274)                    |
| Unamortized deferred charges on refundings not recorded in the funds.   |                    | 105,135                     |
| Unamortized bond issuance costs are not recognized in the funds.  |                    | 44,466                      |
| An internal service fund is used by management to charge the cost of the health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net assets of the internal service fund, including an internal balance of \$15,046, are: |                    | 528,733                     |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:  |                    |                             |
| Compensated absences  | (422,606)          |                             |
| Accrued interest payable  | (11,981)           |                             |
| Lease purchase agreement  | (360,000)          |                             |
| OPWC loan payable   | (365,989)          |                             |
| General obligation bonds  | <u>(2,600,000)</u> |                             |
|   |                    | <u>(3,760,576)</u>          |
| <b>Net assets of governmental activities</b>  |                    | <u><u>\$ 16,223,408</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF GREENVILLE, OHIO**

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

|  | <u>General</u>      | <u>Street</u>     | <u>Public<br/>Transportation</u> | <u>Other<br/>Governmental<br/>Funds</u> |
|--|---------------------|-------------------|----------------------------------|---|
| <b>Revenues:</b>   |                     |                   |                                  |   |
| Municipal income taxes . . . . .                                       | \$ 5,499,460        | \$ -              | \$ -                             | \$ -                                    |
| Property and other taxes . . . . .                                     | 1,302,653           | -                 | -                                | 144,408                                 |
| Charges for services . . . . .   | 160,343             | 157,565           | 174,729                          | 66,192                                  |
| Licenses and permits . . . . .   | 194,140             | -                 | -                                | -                                       |
| Fines and forfeitures . . . . .  | 87,924              | -                 | -                                | 4,954                                   |
| Intergovernmental . . . . .  | 1,049,953           | 539,792           | 1,440,845                        | 487,130                                 |
| Special assessments . . . . .  | 6,911               | -                 | -                                | -                                       |
| Investment income . . . . .  | 71,302              | 14,654            | -                                | 5,049                                   |
| Donations . . . . .  | 46,780              | -                 | -                                | -                                       |
| Other . . . . .  | 31,698              | 1,855             | 17,493                           | -                                       |
| <b>Total revenues . . . . .</b>  | <u>8,451,164</u>    | <u>713,866</u>    | <u>1,633,067</u>                 | <u>707,733</u>                          |
| <b>Expenditures:</b>   |                     |                   |                                  |   |
| Current:   |                     |                   |                                  |   |
| General government . . . . .   | 1,919,857           | -                 | -                                | -                                       |
| Security of persons and property . . . . .                             | 3,322,591           | -                 | -                                | 467,990                                 |
| Public health and welfare . . . . .                                    | 11,064              | -                 | -                                | 37,784                                  |
| Transportation . . . . .   | 154,655             | 1,039,403         | 679,603                          | 81,152                                  |
| Community environment . . . . .  | 5,217               | -                 | -                                | 452,260                                 |
| Leisure time activity . . . . .  | 723,692             | -                 | -                                | -                                       |
| Utility services . . . . .   | 186,481             | -                 | -                                | -                                       |
| Capital outlay . . . . .   | 412,601             | -                 | 902,328                          | 83,970                                  |
| Debt service:  |                     |                   |                                  |   |
| Principal retirement . . . . .   | 37,512              | -                 | -                                | 150,000                                 |
| Interest and fiscal charges . . . . .                                  | -                   | -                 | -                                | 130,275                                 |
| <b>Total expenditures . . . . .</b>                                    | <u>6,773,670</u>    | <u>1,039,403</u>  | <u>1,581,931</u>                 | <u>1,403,431</u>                        |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | <u>1,677,494</u>    | <u>(325,537)</u>  | <u>51,136</u>                    | <u>(695,698)</u>                        |
| <b>Other financing sources (uses):</b>                                 |                     |                   |                                  |   |
| Transfers in . . . . .   | 45,000              | 494,000           | 61,282                           | 564,375                                 |
| Transfers out . . . . .  | <u>(1,146,157)</u>  | <u>(45,000)</u>   | -                                | -                                       |
| <b>Total other financing sources (uses) . . . . .</b>                  | <u>(1,101,157)</u>  | <u>449,000</u>    | <u>61,282</u>                    | <u>564,375</u>                          |
| Net change in fund balances . . . . .                                  | 576,337             | 123,463           | 112,418                          | (131,323)                               |
| <b>Fund balances at beginning of year . . . . .</b>                    | 2,360,242           | 425,015           | 174,564                          | 667,013                                 |
| <b>Fund balances at end of year . . . . .</b>                          | <u>\$ 2,936,579</u> | <u>\$ 548,478</u> | <u>\$ 286,982</u>                | <u>\$ 535,690</u>                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**Total  
Governmental  
Funds**

|    |                   |
|----|-------------------|
| \$ | 5,499,460         |
|    | 1,447,061         |
|    | 558,829           |
|    | 194,140           |
|    | 92,878            |
|    | 3,517,720         |
|    | 6,911             |
|    | 91,005            |
|    | 46,780            |
|    | 51,046            |
|    | <u>11,505,830</u> |

|           |
|-----------|
| 1,919,857 |
| 3,790,581 |
| 48,848    |
| 1,954,813 |
| 457,477   |
| 723,692   |
| 186,481   |
| 1,398,899 |

|                   |
|-------------------|
| 187,512           |
| 130,275           |
| <u>10,798,435</u> |

707,395

|                    |
|--------------------|
| 1,164,657          |
| <u>(1,191,157)</u> |
| <u>(26,500)</u>    |

680,895

3,626,834

\$ 4,307,729

**CITY OF GREENVILLE, OHIO**

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

|   |                  |                     |
|---|------------------|---------------------|
| <b>Net change in fund balances - total governmental funds</b>   |                  | \$ 680,895          |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>   |                  |                     |
| Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.  |                  |                     |
| Capital outlays   | 1,231,351        |                     |
| Depreciation expense  | <u>(822,913)</u> | 408,438             |
| The effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net assets.  |                  |                     |
|   |                  | (250,764)           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  |                     |
| Income taxes  | 70,609           |                     |
| Property and other taxes  | (87,805)         |                     |
| Interest Income   | 6,972            |                     |
| Intergovernmental   | 19,731           |                     |
| Special assessments   | <u>(574)</u>     | 8,933               |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported on the statement of activities:   |                  |                     |
| statement of activities:  |                  |                     |
| Decrease in accrued interest payable  | 277              |                     |
| Amortization of bond premiums   | 946              |                     |
| Amortization of deferred charges on refundings  | (8,823)          |                     |
| Amortization of bond issue costs  | <u>(3,731)</u>   | (11,331)            |
| Repayment of bonds, capital lease obligations and loans are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets. Principal payments during the year were:  |                  |                     |
| Principal payments during the year were:  |                  |                     |
| General obligation bonds  | 150,000          |                     |
| OPWC loans  | 23,612           |                     |
| Capital lease obligation  | <u>13,900</u>    | 187,512             |
| 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 governmental funds.  |                  |                     |
|   |                  | (29,379)            |
| An internal service fund is used by management to charge the costs of self-insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity, is allocated among the governmental activities. |                  |                     |
|   |                  | <u>57,202</u>       |
| <b>Change in net assets of governmental activities</b>  |                  | <u>\$ 1,051,506</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO**

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

|  | Budgeted Amounts   |                    | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|--------------------|---------------------|---|
|  | Original           | Final              |                     |   |
| <b>Revenues:</b>   |                    |                    |                     |   |
| Municipal income taxes . . . . .                                       | \$ 5,008,038       | \$ 5,160,824       | \$ 5,291,408        | \$ 130,584  |
| Property and other taxes . . . . .                                     | 1,232,999          | 1,260,201          | 1,302,766           | 42,565  |
| Charges for services . . . . .   | 182,332            | 187,895            | 192,649             | 4,754   |
| Licenses and permits . . . . .   | 99,376             | 102,408            | 104,999             | 2,591   |
| Fines and forfeitures . . . . .  | 83,121             | 85,657             | 87,824              | 2,167   |
| Intergovernmental . . . . .  | 1,083,794          | 1,127,273          | 1,145,118           | 17,845  |
| Special assessments . . . . .  | 6,541              | 6,740              | 6,911               | 171   |
| Investment income . . . . .  | 65,240             | 67,231             | 68,932              | 1,701   |
| Donations . . . . .  | 27,518             | 28,357             | 29,075              | 718   |
| Other . . . . .  | 29,014             | 29,899             | 30,656              | 757   |
| Total revenues. . . . .  | <u>7,817,973</u>   | <u>8,056,485</u>   | <u>8,260,338</u>    | <u>203,853</u>  |
| <b>Expenditures:</b>   |                    |                    |                     |   |
| Current:   |                    |                    |                     |   |
| General government . . . . .   | 2,010,744          | 2,081,970          | 1,760,165           | 321,805   |
| Security of persons and property . . . . .                             | 3,519,930          | 3,644,619          | 3,081,278           | 563,341   |
| Public health and welfare. . . . .                                     | 49,197             | 50,940             | 43,066              | 7,874   |
| Transportation . . . . .   | 179,966            | 186,341            | 157,539             | 28,802  |
| Community environment . . . . .  | 6,184              | 6,403              | 5,413               | 990   |
| Leisure time activity . . . . .  | 844,172            | 874,076            | 738,972             | 135,104   |
| Utility services . . . . .   | 172,664            | 178,781            | 151,147             | 27,634  |
| Capital outlay. . . . .  | 473,263            | 490,028            | 414,285             | 75,743  |
| Debt service:  |                    |                    |                     |   |
| Principal retirement . . . . .   | 37,512             | 37,512             | 37,512              | -   |
| Total expenditures . . . . .   | <u>7,293,632</u>   | <u>7,550,670</u>   | <u>6,389,377</u>    | <u>1,161,293</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | <u>524,341</u>     | <u>505,815</u>     | <u>1,870,961</u>    | <u>1,365,146</u>  |
| <b>Other financing sources (uses):</b>                                 |                    |                    |                     |   |
| Transfers in . . . . .   | 683,528            | 683,528            | 683,528             | -   |
| Transfers out . . . . .  | (2,499,497)        | (2,197,971)        | (2,197,971)         | -   |
| Advances in. . . . .   | -                  | 50,000             | 50,000              | -   |
| Advances out . . . . .   | -                  | (455,000)          | (455,000)           | -   |
| Total other financing sources (uses) . . . . .                         | <u>(1,815,969)</u> | <u>(1,919,443)</u> | <u>(1,919,443)</u>  | <u>-</u>  |
| Net change in fund balance . . . . .                                   | (1,291,628)        | (1,413,628)        | (48,482)            | 1,365,146   |
| <b>Fund balance at beginning of year. . . . .</b>                      | 1,315,238          | 1,315,238          | 1,315,238           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <u>174,088</u>     | <u>174,088</u>     | <u>174,088</u>      | <u>-</u>  |
| <b>Fund balance at end of year. . . . .</b>                            | <u>\$ 197,698</u>  | <u>\$ 75,698</u>   | <u>\$ 1,440,844</u> | <u>\$ 1,365,146</u>                                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO**

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

|  | Budgeted Amounts |                  | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <b>Revenues:</b>   |                  |                  |                   |   |
| Charges for services . . . . .   | \$ 132,494       | \$ 135,994       | \$ 159,113        | \$ 23,119   |
| Intergovernmental . . . . .  | 438,391          | 449,970          | 526,468           | 76,498  |
| Investment income . . . . .  | 11,577           | 11,883           | 13,903            | 2,020   |
| Other . . . . .  | 2,371            | 2,433            | 2,847             | 414   |
| Total revenues. . . . .  | <u>584,833</u>   | <u>600,280</u>   | <u>702,331</u>    | <u>102,051</u>  |
| <b>Expenditures:</b>   |                  |                  |                   |   |
| Current:   |                  |                  |                   |   |
| Transportation . . . . .   | <u>1,198,514</u> | <u>1,223,009</u> | <u>1,029,894</u>  | <u>193,115</u>  |
| Total expenditures . . . . .   | <u>1,198,514</u> | <u>1,223,009</u> | <u>1,029,894</u>  | <u>193,115</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | <u>(613,681)</u> | <u>(622,729)</u> | <u>(327,563)</u>  | <u>295,166</u>  |
| <b>Other financing sources (uses):</b>                                 |                  |                  |                   |   |
| Transfers in . . . . .   | 458,667          | 470,782          | 550,818           | 80,036  |
| Transfers out . . . . .  | <u>(150,077)</u> | <u>(153,144)</u> | <u>(128,963)</u>  | <u>24,181</u>   |
| Total other financing sources (uses) . . . . .                         | <u>308,590</u>   | <u>317,638</u>   | <u>421,855</u>    | <u>104,217</u>  |
| Net change in fund balance . . . . .                                   | (305,091)        | (305,091)        | 94,292            | 399,383   |
| <b>Fund balance at beginning of year . . . . .</b>                     | 284,366          | 284,366          | 284,366           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <u>26,391</u>    | <u>26,391</u>    | <u>26,391</u>     | <u>-</u>  |
| <b>Fund balance at end of year. . . . .</b>                            | <u>\$ 5,666</u>  | <u>\$ 5,666</u>  | <u>\$ 405,049</u> | <u>\$ 399,383</u>                                       |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO**

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

|  | Budgeted Amounts |                  | Actual              | Variance with<br>Final Budget<br>Over<br>(Under) |
|--|------------------|------------------|---------------------|--|
|  | Original         | Final            |                     |  |
| <b>Revenues:</b>   |                  |                  |                     |  |
| Charges for services . . . . .   | \$ 207,872       | \$ 210,383       | \$ 166,040          | \$ (44,343)                                      |
| Intergovernmental . . . . .  | 1,721,127        | 1,741,911        | 1,374,766           | (367,145)  |
| Other . . . . .  | 29,118           | 29,469           | 23,258              | (6,211)  |
| Total revenues. . . . .  | <u>1,958,117</u> | <u>1,981,763</u> | <u>1,564,064</u>    | <u>(417,699)</u>                                 |
| <b>Expenditures:</b>   |                  |                  |                     |  |
| Current:   |                  |                  |                     |  |
| Transportation . . . . .   | 903,866          | 913,821          | 882,257             | 31,564   |
| Capital outlay. . . . .  | 1,282,130        | 1,296,249        | 1,251,477           | 44,772   |
| Total expenditures . . . . .   | <u>2,185,996</u> | <u>2,210,070</u> | <u>2,133,734</u>    | <u>76,336</u>                                    |
| Excess (deficiency) of revenues<br>over (under) expenditures . . . . . | <u>(227,879)</u> | <u>(228,307)</u> | <u>(569,670)</u>    | <u>(341,363)</u>                                 |
| <b>Other financing sources (uses):</b>                                 |                  |                  |                     |  |
| Transfers in . . . . .   | 77,132           | 77,648           | 61,282              | (16,366)   |
| Transfers out . . . . .  | (7,976)          | (8,064)          | (7,785)             | 279  |
| Total other financing sources (uses) . . . . .                         | <u>69,156</u>    | <u>69,584</u>    | <u>53,497</u>       | <u>(16,087)</u>                                  |
| Net change in fund balance . . . . .                                   | (158,723)        | (158,723)        | (516,173)           | (357,450)  |
| <b>Fund balance at beginning of year . . . . .</b>                     | 17,629           | 17,629           | 17,629              | -  |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | <u>158,723</u>   | <u>158,723</u>   | <u>158,723</u>      | <u>-</u>   |
| <b>Fund balance at end of year. . . . .</b>                            | <u>\$ 17,629</u> | <u>\$ 17,629</u> | <u>\$ (339,821)</u> | <u>\$ (357,450)</u>                              |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2005

|   | Business-type Activities -Enterprise Funds |                     |                     |                      | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|--|---------------------|---------------------|----------------------|--|
|   | Water                                      | Sewer               | Other<br>Enterprise | Total                |  |
| <b>Assets:</b>  |  |                     |                     |                      |  |
| Current assets:   |  |                     |                     |                      |  |
| Equity in pooled cash and cash equivalents . . . .  | \$ 2,591,973                               | \$ 5,429,433        | \$ 44,677           | \$ 8,066,083         | \$ 650,271   |
| Receivables (net of allowance for uncollectibles):  |  |                     |                     |                      |  |
| Accounts . . . . .  | 264,523                                    | 312,216             | -                   | 576,739              | -  |
| Accrued interest. . . . .   | 23,131                                     | 48,568              | -                   | 71,699               | 4,432  |
| Prepayments. . . . .  | 31,834                                     | 15,413              | 1,883               | 49,130               | -  |
| Materials and supplies inventory . . . . .  | 66,107                                     | 35,922              | -                   | 102,029              | -  |
| Restricted assets:  |  |                     |                     |                      |  |
| Cash with fiscal and escrow agent . . . . .   | -  | 295,385             | -                   | 295,385              | -  |
| Total current assets. . . . .   | <u>2,977,568</u>                           | <u>6,136,937</u>    | <u>46,560</u>       | <u>9,161,065</u>     | <u>654,703</u>   |
| Noncurrent assets:  |  |                     |                     |                      |  |
| Capital assets:   |  |                     |                     |                      |  |
| Land and construction in progress . . . . .   | 291,262                                    | 50,700              | 526,113             | 868,075              | -  |
| Depreciable capital assets, net . . . . .   | 7,129,946                                  | 4,067,124           | 64,247              | 11,261,317           | -  |
| Total capital assets . . . . .  | <u>7,421,208</u>                           | <u>4,117,824</u>    | <u>590,360</u>      | <u>12,129,392</u>    | <u>-</u>   |
| Total assets . . . . .  | <u>10,398,776</u>                          | <u>10,254,761</u>   | <u>636,920</u>      | <u>21,290,457</u>    | <u>654,703</u>   |
| <b>Liabilities:</b>   |  |                     |                     |                      |  |
| Current liabilities:  |  |                     |                     |                      |  |
| Accounts payable. . . . .   | 2,576                                      | 15,299              | -                   | 17,875               | -  |
| Accrued wages and benefits . . . . .  | 9,747                                      | 6,691               | 438                 | 16,876               | -  |
| Compensated absences . . . . .  | 5,501                                      | 2,727               | -                   | 8,228                | -  |
| Pension obligation payable. . . . .   | 6,720                                      | 3,777               | -                   | 10,497               | -  |
| Claims payable . . . . .  | -  | -                   | -                   | -                    | 110,924  |
| Current portion of revenue bonds . . . . .  | -  | 155,000             | -                   | 155,000              | -  |
| Accrued interest payable. . . . .   | -  | 41,441              | -                   | 41,441               | -  |
| Total current liabilities . . . . .   | <u>24,544</u>                              | <u>224,935</u>      | <u>438</u>          | <u>249,917</u>       | <u>110,924</u>   |
| Long-term liabilities:  |  |                     |                     |                      |  |
| Revenue bonds . . . . .   | -  | 2,230,000           | -                   | 2,230,000            | -  |
| Compensated absences . . . . .  | 54,894                                     | 33,788              | -                   | 88,682               | -  |
| Total long-term liabilities . . . . .   | <u>54,894</u>                              | <u>2,263,788</u>    | <u>-</u>            | <u>2,318,682</u>     | <u>-</u>   |
| Total liabilities . . . . .   | <u>79,438</u>                              | <u>2,488,723</u>    | <u>438</u>          | <u>2,568,599</u>     | <u>110,924</u>   |
| <b>Net assets:</b>  |  |                     |                     |                      |  |
| Invested in capital assets, net of related debt. . . .  | 7,421,208                                  | 1,732,824           | 590,360             | 9,744,392            | -  |
| Unrestricted . . . . .  | 2,898,130                                  | 6,033,214           | 46,122              | 8,977,466            | 543,779  |
| Total net assets . . . . .  | <u>\$ 10,319,338</u>                       | <u>\$ 7,766,038</u> | <u>\$ 636,482</u>   | <u>18,721,858</u>    | <u>\$ 543,779</u>  |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds. |  |                     |                     | 15,046               |  |
| Net assets of business-type activities  |  |                     |                     | <u>\$ 18,736,904</u> |  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO**

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

|  | <b>Business-type Activities - Enterprise Funds</b> |                     |                             |                  | <b>Governmental</b>                               |
|--|--|---------------------|-----------------------------|------------------|---|
|  | <b>Water</b>                                       | <b>Sewer</b>        | <b>Other<br/>Enterprise</b> | <b>Total</b>     | <b>Activities -<br/>Internal<br/>Service Fund</b> |
| <b>Operating revenues:</b>   |  |                     |                             |                  |   |
| Charges for services . . . . .   | \$ 1,083,192                                       | \$ 1,445,371        | \$ 65,410                   | \$ 2,593,973     | \$ 813,362  |
| Tap-in fees . . . . .  | 27,600   | 20,000              | -                           | 47,600           | -   |
| Other . . . . .  | 16,341   | 3,881               | 1,007                       | 21,229           | 1,386   |
| <b>Total operating revenues . . . . .</b>  | <b>1,127,133</b>                                   | <b>1,469,252</b>    | <b>66,417</b>               | <b>2,662,802</b> | <b>814,748</b>                                    |
| <b>Operating expenses:</b>   |  |                     |                             |                  |   |
| Personal services . . . . .  | 718,515  | 402,545             | 54,379                      | 1,175,439        | -   |
| Contract services . . . . .  | 93,745   | 204,811             | 13,880                      | 312,436          | -   |
| Materials and supplies . . . . .   | 199,018  | 197,255             | 16,526                      | 412,799          | -   |
| Utilities . . . . .  | 107,762  | 136,621             | 6,574                       | 250,957          | -   |
| Depreciation . . . . .   | 259,046  | 254,958             | 9,528                       | 523,532          | -   |
| Claims . . . . .   | -  | -                   | -                           | -                | 738,286   |
| <b>Total operating expenses . . . . .</b>  | <b>1,378,086</b>                                   | <b>1,196,190</b>    | <b>100,887</b>              | <b>2,675,163</b> | <b>738,286</b>                                    |
| <b>Operating income (loss) . . . . .</b>   | <b>(250,953)</b>                                   | <b>273,062</b>      | <b>(34,470)</b>             | <b>(12,361)</b>  | <b>76,462</b>                                     |
| <b>Nonoperating revenues (expenses):</b>   |  |                     |                             |                  |   |
| Interest revenue . . . . .   | 92,496   | 193,406             | -                           | 285,902          | 17,026  |
| Interest expense and fiscal charges . . . . .  | -  | (110,887)           | -                           | (110,887)        | -   |
| <b>Total nonoperating revenues (expenses) . . . . .</b>  | <b>92,496</b>                                      | <b>82,519</b>       | <b>-</b>                    | <b>175,015</b>   | <b>17,026</b>                                     |
| <b>Income (loss) before transfers . . . . .</b>  | <b>(158,457)</b>                                   | <b>355,581</b>      | <b>(34,470)</b>             | <b>162,654</b>   | <b>93,488</b>                                     |
| Transfers in . . . . .   | -  | -                   | 26,500                      | 26,500           | -   |
| <b>Changes in net assets . . . . .</b>   | <b>(158,457)</b>                                   | <b>355,581</b>      | <b>(7,970)</b>              | <b>189,154</b>   | <b>93,488</b>                                     |
| <b>Net assets at beginning of year . . . . .</b>   | <b>10,477,795</b>                                  | <b>7,410,457</b>    | <b>644,452</b>              |                  | <b>450,291</b>                                    |
| <b>Net assets at end of year . . . . .</b>   | <b>\$ 10,319,338</b>                               | <b>\$ 7,766,038</b> | <b>\$ 636,482</b>           |                  | <b>\$ 543,779</b>                                 |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds . . . . . |  |                     |                             | 36,286           |   |
| Changes in net assets of business-type activities . . . . .  |  |                     |                             | \$ 225,440       |   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE, OHIO**

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

|  | <b>Business-type Activities - Enterprise Funds</b> |                            |                         |                            | <b>Governmental</b>                       |
|--|--|----------------------------|-------------------------|----------------------------|---|
|  | <b>Water</b>                                       | <b>Sewer</b>               | <b>Other</b>            | <b>Total</b>               | <b>Activities - Internal Service Fund</b> |
| <b>Cash flows from operating activities:</b>   |  |                            |                         |                            |   |
| Cash received from customers . . . . .   | \$ 997,726   | \$ 1,430,430               | \$ 65,410               | \$ 2,493,566               | \$ 831,965                                |
| Cash received from tap-in fees . . . . .   | 27,600   | 20,000                     | -                       | 47,600                     | -   |
| Cash received from other operations. . . . .   | 16,444   | 4,028                      | 1,007                   | 21,479                     | 1,386                                     |
| Cash payments for personal services . . . . .  | (722,566)  | (399,256)                  | (54,246)                | (1,176,068)                | -   |
| Cash payments for contract services . . . . .  | (97,369)   | (208,276)                  | (13,880)                | (319,525)                  | -   |
| Cash payments for materials and supplies . . . . .   | (213,805)  | (189,610)                  | (16,635)                | (420,050)                  | -   |
| Cash payments for utilities. . . . .   | (107,762)  | (136,621)                  | (6,574)                 | (250,957)                  | -   |
| Cash payments for claims . . . . .   | -  | -                          | -                       | -                          | (675,377)                                 |
| Net cash provided by (used in) operating activities.   | <u>(99,732)</u>                                    | <u>520,695</u>             | <u>(24,918)</u>         | <u>396,045</u>             | <u>157,974</u>                            |
| <b>Cash flows from noncapital financing activities:</b>  |  |                            |                         |                            |   |
| Cash received from transfers in . . . . .  | -  | -                          | 26,500                  | 26,500                     | -   |
| Net cash provided by noncapital financing activities . . . . .   | <u>-</u>   | <u>-</u>                   | <u>26,500</u>           | <u>26,500</u>              | <u>-</u>                                  |
| <b>Cash flows from capital and related financing activities:</b>   |  |                            |                         |                            |   |
| Acquisition of capital assets . . . . .  | (13,464)   | (54,104)                   | -                       | (67,568)                   | -   |
| Principal retirement on revenue bonds . . . . .  | -  | (150,000)                  | -                       | (150,000)                  | -   |
| Interest and fiscal charges. . . . .   | -  | (130,458)                  | -                       | (130,458)                  | -   |
| Net cash used in capital and related financing activities . . . . .                                      | <u>(13,464)</u>                                    | <u>(334,562)</u>           | <u>-</u>                | <u>(348,026)</u>           | <u>-</u>                                  |
| <b>Cash flows from investing activities:</b>   |  |                            |                         |                            |   |
| Interest received. . . . .   | 80,593   | 166,713                    | -                       | 247,306                    | 14,354                                    |
| Net cash provided by investing activities. . . . .   | <u>80,593</u>                                      | <u>166,713</u>             | <u>-</u>                | <u>247,306</u>             | <u>14,354</u>                             |
| Net increase (decrease) in cash and cash equivalents . . . . .   | (32,603)   | 352,846                    | 1,582                   | 321,825                    | 172,328                                   |
| <b>Cash and cash equivalents at beginning of year . . . . .</b>  | <b>2,624,576</b>                                   | <b>5,076,587</b>           | <b>43,095</b>           | <b>7,744,258</b>           | <b>477,943</b>                            |
| <b>Cash and cash equivalents at end of year. . . . .</b>   | <b><u>\$ 2,591,973</u></b>                         | <b><u>\$ 5,429,433</u></b> | <b><u>\$ 44,677</u></b> | <b><u>\$ 8,066,083</u></b> | <b><u>\$ 650,271</u></b>                  |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |  |                            |                         |                            |   |
| Operating income (loss) . . . . .  | \$ (250,953)                                       | \$ 273,062                 | \$ (34,470)             | \$ (12,361)                | \$ 76,462                                 |
| Adjustments:   |  |                            |                         |                            |   |
| Depreciation . . . . .   | 259,046  | 254,958                    | 9,528                   | 523,532                    | -   |
| Changes in assets and liabilities:   |  |                            |                         |                            |   |
| Increase in materials and supplies inventory. . . . .  | (4,275)  | (992)                      | -                       | (5,267)                    | -   |
| (Increase) decrease in accounts receivable . . . . .   | (85,363)   | (14,794)                   | -                       | (100,157)                  | 18,603                                    |
| (Increase) decrease in prepayments. . . . .  | (9,060)  | (5,151)                    | (67)                    | (14,278)                   | -   |
| Increase (decrease) in accounts payable . . . . .  | (5,348)  | 10,229                     | -                       | 4,881                      | -   |
| Increase (decrease) in accrued wages and benefits . . . . .  | (1,241)  | 688                        | (42)                    | (595)                      | -   |
| Increase in claims payable . . . . .   | -  | -                          | -                       | -                          | 62,909                                    |
| Increase in due to other governments. . . . .  | 233  | -                          | 133                     | 366                        | -   |
| Increase (decrease) in compensated absences payable . . . . .  | (2,175)  | 2,813                      | -                       | 638                        | -   |
| Decrease in pension obligation payable . . . . .   | (596)  | (118)                      | -                       | (714)                      | -   |
| Net cash provided by (used in) operating activities. . . . .   | <u>\$ (99,732)</u>                                 | <u>\$ 520,695</u>          | <u>\$ (24,918)</u>      | <u>\$ 396,045</u>          | <u>\$ 157,974</u>                         |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



## CITY OF GREENVILLE, OHIO

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

#### **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, recreation, public improvements, planning and zoning, and general administrative services.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

##### **A. Reporting Entity**

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

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

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

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

## CITY OF GREENVILLE, OHIO

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

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

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

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

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

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

#### C. Fund Accounting

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

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

**CITY OF GREENVILLE, OHIO**

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

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Street Fund - The street fund accounts for all transactions relating to street maintenance and construction.

Public Transportation Fund - The public transportation fund accounts for all transactions relating to transportation within the City. The fund also accounts for funds received from the Ohio Department of Transportation.

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

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

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

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

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

The City has three nonmajor enterprise funds that are used to account for 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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City had no fiduciary funds in 2005.

**D. Measurement Focus and Basis of Accounting**

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

**CITY OF GREENVILLE, OHIO**

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

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

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

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

**E. Basis of Accounting**

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

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

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

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

**CITY OF GREENVILLE, OHIO**

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

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**F. Budgetary Data**

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

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

*Estimated Resources* - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal 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 encumbered 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 an 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 2005.

**CITY OF GREENVILLE, OHIO**

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

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

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

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

**G. Cash and Cash Equivalents**

Cash balances of the City's funds, except cash in segregated accounts and cash with fiscal and escrow agents, are pooled and invested in investments maturing within ten years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents" financial statements.

During 2005, 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 2005 amounted to \$71,302 which includes \$24,106 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.

The City maintains cash in separate depository accounts from the City's cash management pool for retainage due on construction projects. These retainage accounts are reported as "Cash in Segregated Accounts" on the financial statements.

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

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

**H. Inventories of Materials and Supplies**

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

**CITY OF GREENVILLE, OHIO**

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

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

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

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2005, the City maintained a capitalization threshold of \$5,000. The City's governmental infrastructure consists of storm sewers, streets and bridges. The City's proprietary infrastructure consists of water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. Capitalized interest for 2005 was not material.

All reported capital assets are depreciated except for land. 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<br/>Activities<br/>Estimated Lives</u> | <u>Business-Type<br/>Activities<br/>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  |
| Vehicles                   | 8 - 16 years   | 3 - 10 years  |
| Infrastructure             | 40 years   | 40 years  |

**J. Compensated Absences**

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

**CITY OF GREENVILLE, OHIO**

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

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

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

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

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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.

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the financial statements and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with governmental activities.



**CITY OF GREENVILLE, OHIO**

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

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

**M. Interfund Activity**

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

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

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

**N. Fund Balance Reserves**

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

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

**O. Estimates**

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

**P. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. There were no contributions of capital during 2005.

**Q. Net Assets**

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

**CITY OF GREENVILLE, OHIO**

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

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

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

**R. Prepaid Items**

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid expenditures. Prepayments are accounted for using the consumption method. On governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the City has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 4 for GASB Statement No. 40.

**B. Deficit Fund Balances**

Fund balances at December 31, 2005 included the following individual fund deficits:

| <u>Nonmajor Funds</u>      | <u>Deficit</u> |
|----------------------------|----------------|
| Police Pension             | \$ 31,318      |
| Fire Pension               | 57,620         |
| CHIP                       | 108,252        |
| Clean Ohio Assistance Fund | 42,200         |

**CITY OF GREENVILLE, OHIO**

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

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

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

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

Protection of 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.

Interim monies to 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**CITY OF GREENVILLE, OHIO**

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

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

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.

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;
3. Obligations of the City.

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

**A. Cash with Fiscal and Escrow Agent**

At December 31, 2005, \$295,385 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. These amounts are not included in "deposits" below.

**B. Cash in Segregated Accounts**

At year-end, the City had \$39,902 in retainage accounts on deposit with financial institutions. The balances in these retainage accounts are included in "deposits" below.

**CITY OF GREENVILLE, OHIO**

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

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

**C. Deposits with Financial Institutions**

At December 31, 2005, the carrying amount of all City deposits was \$11,921,642. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$11,635,191 of the City's bank balance of \$12,175,093 was exposed to custodial risk as discussed below, while \$539,902 was covered by Federal Deposit Insurance Corporation.

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.

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

|   |                      |
|---|----------------------|
| <u>Cash and Investments per footnote</u>                    |                      |
| Carrying amount of deposits                                 | \$ 11,921,642        |
| Cash with fiscal agent                                      | 295,385              |
| Total   | <u>\$ 12,217,027</u> |
| <br><u>Cash and investments per Statement of Net Assets</u> |                      |
| Governmental activities                                     | \$ 3,855,559         |
| Business type activities                                    | 8,361,468            |
| Total   | <u>\$ 12,217,027</u> |

**CITY OF GREENVILLE, OHIO**

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

**NOTE 5 - INTERFUND TRANSFERS**

- A. Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported in the fund financial statements:

| <u>Transfers to</u>   | <u>Transfers From</u> |                  |                     |
|-----------------------|-----------------------|------------------|---------------------|
|                       | <u>General</u>        | <u>Street</u>    | <u>Total</u>        |
| General               | \$ -                  | \$ 45,000        | \$ 45,000           |
| Street                | 494,000               | -                | 494,000             |
| Public Transportation | 61,282                | -                | 61,282              |
| Nonmajor governmental | 564,375               | -                | 564,375             |
| Nonmajor enterprise   | <u>26,500</u>         | <u>-</u>         | <u>26,500</u>       |
|                       | <u>\$ 1,146,157</u>   | <u>\$ 45,000</u> | <u>\$ 1,191,157</u> |

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.

- B. Interfund loans consisted of the following at December 31, 2005, as reported on the fund financial statements:

| <u>Receivable Fund</u> | <u>Payable Funds</u>           | <u>Amount</u> |
|------------------------|--------------------------------|---------------|
| General                | Nonmajor special revenue funds | \$ 405,000    |

These interfund loans are expected to be repaid in the next year. Interfund loans between governmental funds will be eliminated on the governmental activities statement of net assets.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal 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 revalued every six years. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by July 20.

**CITY OF GREENVILLE, OHIO**

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

**NOTE 6 - PROPERTY TAXES - (Continued)**

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. 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. The full tax rate for all City operations for the year ended December 31, 2005 was \$7.55 per \$1,000 of assessed value (7.55 mills). The City also receives an additional 0.6 mills to fund police and fire pension liability. The assessed values of real and tangible personal property at December 31, 2005 are as follows:

|   |                       |
|---|-----------------------|
| Real property tax                         | \$ 213,909,360        |
| Public utility tangible personal property | 6,369,730             |
| Tangible personal property                | <u>51,658,530</u>     |
| Total assessed valuation                  | <u>\$ 271,937,620</u> |

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005. Although total property tax collections for the next year are measurable, they are generally not collected during the available period. The exception to this is any advances received by the City in the first thirty-one days of the year are credited as property tax revenues with the remainder being credited to deferred revenue.

**NOTE 7 - LOCAL INCOME TAX**

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

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund and may be distributed to other funds as determined by City Council. Income tax revenue for 2005 was \$5,499,460 as reported in the fund financial statements.

**CITY OF GREENVILLE, OHIO**

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

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, internal balances and intergovernmental receivables arising from grants, entitlements, and shared revenue. Receivables have been recorded to the extent that they are measurable at December 31, 2005, as well as intended to finance fiscal 2005 operations.

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

|                      |             |
|----------------------|-------------|
| Income taxes         | \$1,107,909 |
| Real and other taxes | 1,388,169   |
| Accounts             | 87,092      |
| Accrued interest     | 22,776      |
| Special assessments  | 323         |
| Intergovernmental    | 1,048,432   |

**Business-Type Activities:**

|                  |         |
|------------------|---------|
| Accounts         | 576,739 |
| Accrued interest | 71,699  |

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.



**CITY OF GREENVILLE, OHIO**

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

**NOTE 9 - CAPITAL ASSETS**

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

| <b><u>Governmental Activities:</u></b>        | <u>Balance</u><br><u>12/31/04</u> | <u>Additions</u>  | <u>Disposals</u>    | <u>Balance</u><br><u>12/31/05</u> |
|---|-----------------------------------|-------------------|---------------------|-----------------------------------|
| <i>Capital assets, not being depreciated:</i> |                                   |                   |                     |                                   |
| Land  | \$ 669,967                        | \$ -              | \$ -                | \$ 669,967                        |
| Total capital assets, not being depreciated   | <u>669,967</u>                    | <u>-</u>          | <u>-</u>            | <u>669,967</u>                    |
| <i>Capital assets, being depreciated:</i>     |                                   |                   |                     |                                   |
| Land improvements                             | 462,139                           | -                 | -                   | 462,139                           |
| Buildings and improvements                    | 3,325,962                         | -                 | -                   | 3,325,962                         |
| Furniture and equipment                       | 1,646,783                         | 422,610           | (281,196)           | 1,788,197                         |
| Vehicles                                      | 2,418,454                         | 61,310            | (235,960)           | 2,243,804                         |
| Infrastructure                                | <u>12,747,863</u>                 | <u>747,431</u>    | <u>-</u>            | <u>13,495,294</u>                 |
| Total capital assets, being depreciated       | <u>20,601,201</u>                 | <u>1,231,351</u>  | <u>(517,156)</u>    | <u>21,315,396</u>                 |
| <i>Less: accumulated depreciation:</i>        |                                   |                   |                     |                                   |
| Land improvements                             | (37,332)                          | (4,680)           | -                   | (42,012)                          |
| Buildings and improvements                    | (678,907)                         | (68,932)          | -                   | (747,839)                         |
| Furniture and equipment                       | (951,253)                         | (83,094)          | 134,022             | (900,325)                         |
| Vehicles                                      | (1,402,520)                       | (174,004)         | 132,370             | (1,444,154)                       |
| Infrastructure                                | <u>(4,199,238)</u>                | <u>(492,203)</u>  | <u>-</u>            | <u>(4,691,441)</u>                |
| Total accumulated depreciation                | <u>(7,269,250)</u>                | <u>(822,913)</u>  | <u>266,392</u>      | <u>(7,825,771)</u>                |
| Total capital assets, being depreciated, net  | <u>13,331,951</u>                 | <u>408,438</u>    | <u>(250,764)</u>    | <u>13,489,625</u>                 |
| Governmental activities capital assets, net   | <u>\$ 14,001,918</u>              | <u>\$ 408,438</u> | <u>\$ (250,764)</u> | <u>\$ 14,159,592</u>              |

**CITY OF GREENVILLE, OHIO**

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

**NOTE 9 - CAPITAL ASSETS - (Continued)**

|   | Balance<br>12/31/04 | Additions    | Disposals | Balance<br>12/31/05 |
|---|---------------------|--------------|-----------|---------------------|
| <b><u>Business-Type Activities:</u></b>       |                     |              |           |                     |
| <i>Capital assets, not being depreciated:</i> |                     |              |           |                     |
| Land  | \$ 868,075          | \$ -         | \$ -      | \$ 868,075          |
| Total capital assets, not being depreciated   | 868,075             | -            | -         | 868,075             |
| <i>Capital assets, being depreciated:</i>     |                     |              |           |                     |
| Land improvements                             | 117,283             | -            | -         | 117,283             |
| Buildings and improvements                    | 7,454,947           | -            | -         | 7,454,947           |
| Furniture and equipment                       | 6,195,557           | -            | -         | 6,195,557           |
| Vehicles                                      | 130,785             | -            | -         | 130,785             |
| Infrastructure                                | 7,187,944           | 67,568       | -         | 7,255,512           |
| Total capital assets, being depreciated       | 21,086,516          | 67,568       | -         | 21,154,084          |
| <i>Less: accumulated depreciation:</i>        |                     |              |           |                     |
| Land improvements                             | (74,279)            | (7,819)      | -         | (82,098)            |
| Buildings and improvements                    | (2,199,852)         | (175,271)    | -         | (2,375,123)         |
| Furniture and equipment                       | (5,129,900)         | (150,447)    | -         | (5,280,347)         |
| Vehicles                                      | (101,454)           | (6,051)      | -         | (107,505)           |
| Infrastructure                                | (1,863,750)         | (183,944)    | -         | (2,047,694)         |
| Total accumulated depreciation                | (9,369,235)         | (523,532)    | -         | (9,892,767)         |
| Total capital assets, being depreciated, net  | 11,717,281          | (455,964)    | -         | 11,261,317          |
| Business-type activities capital assets, net  | \$ 12,585,356       | \$ (455,964) | \$ -      | \$ 12,129,392       |

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental activities:**

|  |            |
|--|------------|
| General government                                   | \$ 71,154  |
| Security of persons and property                     | 72,016     |
| Transportation                                       | 636,040    |
| Leisure time activity                                | 43,703     |
| Total depreciation expense - governmental activities | \$ 822,913 |

**CITY OF GREENVILLE, OHIO**

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

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

During the fiscal year 2005, the following changes occurred in the City's long-term obligations:

| <u>Governmental Activities:</u>                  | <u>Interest</u> | <u>Maturity</u> | <u>Balance</u>      |                   |                     | <u>Balance</u>      | <u>Amounts</u>    |
|--|-----------------|-----------------|---------------------|-------------------|---------------------|---------------------|-------------------|
|  | <u>Rate</u>     | <u>Date</u>     | <u>12/31/04</u>     | <u>Additions</u>  | <u>Reductions</u>   | <u>12/31/05</u>     | <u>Due in</u>     |
|  |                 |                 |                     |                   |                     |                     | <u>One Year</u>   |
| <u>General Obligation Bonds:</u>                 |                 |                 |                     |                   |                     |                     |                   |
| Landfill Closure                                 | 5.23%           | 2007            | \$ 30,000           | \$ -              | \$ (10,000)         | \$ 20,000           | \$ 10,000         |
| Street Improvement                               | 5.23%           | 2007            | 30,000              | -                 | (10,000)            | 20,000              | 10,000            |
| Storm Water Drainage                             | 5.23%           | 2007            | 20,000              | -                 | (5,000)             | 15,000              | 5,000             |
| Infrastructure                                   | 5.23%           | 2007            | 60,000              | -                 | (20,000)            | 40,000              | 20,000            |
| Whirlpool Project                                | 5.23%           | 2007            | 170,000             | -                 | (60,000)            | 110,000             | 55,000            |
| Wagner Ave. Improvements                         | 5.23%           | 2007            | 60,000              | -                 | (20,000)            | 40,000              | 20,000            |
| Series 2004 Various Purpose Bonds                | 2-4%            | 2017            | <u>2,380,000</u>    | <u>-</u>          | <u>(25,000)</u>     | <u>2,355,000</u>    | <u>30,000</u>     |
| Total G.O. Bonds                                 |                 |                 | <u>2,750,000</u>    | <u>-</u>          | <u>(150,000)</u>    | <u>2,600,000</u>    | <u>150,000</u>    |
| <u>Other Long-Term Obligations:</u>              |                 |                 |                     |                   |                     |                     |                   |
| Compensated absences                             |                 |                 | 393,227             | 480,893           | (451,514)           | 422,606             | 54,592            |
| OPWC Loan Payable                                | 0%              | 2021            | 389,601             | -                 | (23,612)            | 365,989             | 23,612            |
| Lease Purchase Agreement                         | 4.50%           | 2022            | <u>373,900</u>      | <u>-</u>          | <u>(13,900)</u>     | <u>360,000</u>      | <u>14,500</u>     |
| Total Other Long-Term Obligations                |                 |                 | <u>1,156,728</u>    | <u>480,893</u>    | <u>(489,026)</u>    | <u>1,148,595</u>    | <u>92,704</u>     |
| Total Governmental Activities                    |                 |                 |                     |                   |                     |                     |                   |
| Long-Term Obligations                            |                 |                 | 3,906,728           | <u>\$ 480,893</u> | <u>\$ (639,026)</u> | 3,748,595           | <u>\$ 242,704</u> |
| Add: Unamortized premium on bond issuance        |                 |                 | 12,220              |                   |                     | 11,274              |                   |
| Less: Unamortized deferred charges on refundings |                 |                 | <u>(113,958)</u>    |                   |                     | <u>(105,135)</u>    |                   |
| Total reported on the Statement of Net Assets    |                 |                 | <u>\$ 3,804,990</u> |                   |                     | <u>\$ 3,654,734</u> |                   |

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 2005. The loan is interest free and principal payments are made from the general fund.

On December 2, 2002, the City entered into a lease purchase agreement with a financial institution to assist in financing the fire station building improvements. The City is leasing the "building improvements" from the financial institution. The City made principal payments on the lease purchase agreement of \$13,900 in 2005. Interest payments are not due until the end of the lease term. Principal payments are made from the general fund.

**CITY OF GREENVILLE, OHIO**

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

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The initial term of the lease agreement ends on December 1, 2003, and 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.

Series 2004 Various Purpose Bonds

On September 1, 2004, the City issued \$2,415,000 in various purpose general obligation bonds to fund various projects. The proceeds were used to advance refund the callable portion of the Series 1997 Various Purpose Bonds (principal \$2,260,000, average interest rate 5.23%). The issuance proceeds were used to repay the callable portion of the 1997 bonds on the call date which was September 1, 2004. This refunded debt is considered defeased and accordingly, has been removed from the statement of net assets. The actual amount of principal paid toward this general obligation bond from nonmajor governmental funds totaled \$25,000 for 2005.

The refunding issue is comprised of advance refunding bonds, par value \$2,415,000.

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 reacquisition price exceeded the net carrying amount of the old debt by \$155,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next fourteen years by \$42,614 and resulted in an economic gain of \$43,278.

The assets held in trust as a result of the advance refunding described above are not included in the accompanying BFS.

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2005 are as follows:

| Year        | General Obligation Bonds |                   |                     | OPWC Loans        |                   |
|-------------|--------------------------|-------------------|---------------------|-------------------|-------------------|
|             | Principal                | Interest          | Total               | Principal         | Total             |
| 2006        | \$ 150,000               | \$ 127,575        | \$ 277,575          | \$ 23,612         | \$ 23,612         |
| 2007        | 155,000                  | 119,805           | 274,805             | 23,612            | 23,612            |
| 2008        | 195,000                  | 81,538            | 276,538             | 23,612            | 23,612            |
| 2009        | 200,000                  | 76,175            | 276,175             | 23,612            | 23,612            |
| 2010        | 210,000                  | 70,175            | 280,175             | 23,612            | 23,612            |
| 2011 - 2015 | 1,155,000                | 238,675           | 1,393,675           | 118,060           | 118,060           |
| 2016 - 2020 | 535,000                  | 32,075            | 567,075             | 118,060           | 118,060           |
| 2021        | -                        | -                 | -                   | 11,809            | 11,809            |
| Total       | <u>\$ 2,600,000</u>      | <u>\$ 746,018</u> | <u>\$ 3,346,018</u> | <u>\$ 365,989</u> | <u>\$ 365,989</u> |

**CITY OF GREENVILLE, OHIO**

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

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

| <u>Year</u> | <u>Lease Purchase Agreement</u> |                   |                   |
|-------------|---------------------------------|-------------------|-------------------|
|             | <u>Principal</u>                | <u>Interest</u>   | <u>Total</u>      |
| 2006        | \$ 14,500                       | \$ -              | \$ 14,500         |
| 2007        | 15,200                          | -                 | 15,200            |
| 2008        | 15,900                          | -                 | 15,900            |
| 2009        | 16,600                          | -                 | 16,600            |
| 2010        | 17,400                          | -                 | 17,400            |
| 2011 - 2015 | 99,100                          | -                 | 99,100            |
| 2016 - 2020 | 123,600                         | -                 | 123,600           |
| 2021 - 2022 | <u>57,700</u>                   | <u>215,159</u>    | <u>272,859</u>    |
| Total       | <u>\$ 360,000</u>               | <u>\$ 215,159</u> | <u>\$ 575,159</u> |

The City's legal voted and unvoted debt margin were \$26,201,364 and \$12,604,483, respectively, at December 31, 2005.

**B. Business-Type Activities Long-Term Obligations**

The following changes occurred in the City's business-type long-term obligations during fiscal 2005:

| <u>Business-Type Activities:</u>          | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance<br/>12/31/04</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance<br/>12/31/05</u> | <u>Amounts<br/>Due in<br/>One Year</u> |
|---|--------------------------|--------------------------|-----------------------------|------------------|---------------------|-----------------------------|--|
| <u>Other long-term obligations</u>        |                          |                          |                             |                  |                     |                             |  |
| Compensated absences                      |                          |                          | \$ 96,272                   | \$ 76,083        | \$ (75,445)         | \$ 96,910                   | \$ 8,228                               |
| Total other long-term obligations         |                          |                          | <u>96,272</u>               | <u>76,083</u>    | <u>(75,445)</u>     | <u>96,910</u>               | <u>8,228</u>                           |
| <u>Revenue Bonds</u>                      |                          |                          |                             |                  |                     |                             |  |
| Wastewater System Revenue Refunding Bonds | 2.0-4.75%                | 2017                     | 2,535,000                   | -                | (150,000)           | 2,385,000                   | 155,000                                |
| Total - revenue bonds                     |                          |                          | <u>2,535,000</u>            | <u>-</u>         | <u>(150,000)</u>    | <u>2,385,000</u>            | <u>155,000</u>                         |
| Total business-type long-term obligations |                          |                          | <u>\$ 2,631,272</u>         | <u>\$ 76,083</u> | <u>\$ (225,445)</u> | <u>\$ 2,481,910</u>         | <u>\$ 163,228</u>                      |

**CITY OF GREENVILLE, OHIO**

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

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

The assets and revenues of the sewer utilities are pledged as collateral for the above wastewater system revenue refunding bonds.

Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2005 were:

| <u>Year</u> | <u>Revenue Bonds</u> |                 |              |
|-------------|----------------------|-----------------|--------------|
|             | <u>Principal</u>     | <u>Interest</u> | <u>Total</u> |
| 2006        | \$ 155,000           | \$ 104,458      | \$ 259,458   |
| 2007        | 165,000              | 99,033          | 264,033      |
| 2008        | 170,000              | 92,845          | 262,845      |
| 2009        | 175,000              | 86,215          | 261,215      |
| 2010        | 185,000              | 79,127          | 264,127      |
| 2011 - 2015 | 1,045,000            | 267,545         | 1,312,545    |
| 2016 - 2017 | 490,000              | 35,150          | 525,150      |
| Total       | \$ 2,385,000         | \$ 764,373      | \$ 3,149,373 |

**NOTE 11 - 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 fiscal year 2005, the City contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverages. Coverage provided during the fiscal year is as follows:

- Building and Contents - replacement cost (\$1,000 deductible) - \$26,454,265
- Boiler and Machinery Coverage - \$26,454,265
- Inland Marine Coverage - (\$1,000 deductible) - \$1,155,926
- Automobile Liability - (\$1,000 deductible) - \$1,000,000
- Uninsured Motorists - \$1,000,000
- General Liability - (\$1,000 deductible) - \$1,000,000 Limit, \$3,000,000 Aggregate
- Public Officials - \$1,000,000 Limit, \$3,000,000 Aggregate
- Umbrella Coverage - \$6,000,000

There have been no significant reductions in insurance coverages during the fiscal year 2005. Settled claims have not exceeded commercial excess coverages in any of the past three years.

**CITY OF GREENVILLE, OHIO**

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

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**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 transferred on a monthly basis to the internal service fund from the other participating funds. Claims are paid weekly through checks written on the City's Health Care account. The claims liability of \$110,924 reported on the financial statements at December 31, 2005 is based on the requirements of GASB Statement No. 10 as amended by GASB Statement No. 30 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past four years are as follows:

|      | <u>Balance at</u><br><u>January 1</u> | <u>Current</u><br><u>Year Claims</u> | <u>Claims</u><br><u>Payments</u> | <u>Balance at</u><br><u>December 31</u> |
|------|---------------------------------------|--------------------------------------|----------------------------------|---|
| 2002 | \$ 38,920                             | \$ 526,366                           | \$ (521,271)                     | \$ 44,015                               |
| 2003 | 44,015                                | 705,624                              | (732,088)                        | 17,551                                  |
| 2004 | 17,551                                | 822,091                              | (791,627)                        | 48,015                                  |
| 2005 | 48,015                                | 738,286                              | (675,377)                        | 110,924                                 |

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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 plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

## CITY OF GREENVILLE, OHIO

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

#### NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$392,343, \$391,665, and \$477,986, respectively. The full amount has been contributed for 2004 and 2003. 92.59% has been contributed for 2005 with the remainder of \$29,080 being reported as a liability in the respective funds.

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

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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 19.5% for police officers and 24.0% for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for the years ended December 31, 2005, 2004, and 2003 were \$467,990, \$468,815, and \$452,435, respectively. The full amount has been contributed for 2004 and 2003. 76.46% for police and fire has been contributed for 2005 with the remainder of \$110,171 being reported as a liability in the respective funds.

#### NOTE 13 - POSTRETIREMENT BENEFIT PLANS

##### **A. Ohio Public Employees Retirement System**

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1.00% to 6.00% annually for the next eight years and 4.00% annually after nine years.



## CITY OF GREENVILLE, OHIO

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

#### NOTE 13 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. The number of active participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$115,821. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits for police officers and firefighters were \$84,300 and \$82,628 respectively. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 (the latest information available), was 13,812 for police and 10,528 for firefighters.

**CITY OF GREENVILLE, OHIO**

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

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and street 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 GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

**Net Change in Fund Balance**

|   | <u>General</u>    | <u>Street</u>     | <u>Public<br/>Transportation</u> |
|---|-------------------|-------------------|----------------------------------|
| Budget basis                                  | \$ (48,482)       | \$ 94,292         | \$ (516,173)                     |
| Net adjustment for revenue accruals           | 190,826           | 11,535            | 69,003                           |
| Net adjustment for expenditure accruals       | (591,171)         | (31,510)          | 39,501                           |
| Adjustment for other financing sources/(uses) | 818,286           | 27,145            | 7,785                            |
| Adjustment for encumbrances                   | <u>206,878</u>    | <u>22,001</u>     | <u>512,302</u>                   |
| GAAP basis                                    | <u>\$ 576,337</u> | <u>\$ 123,463</u> | <u>\$ 112,418</u>                |

**CITY OF GREENVILLE, OHIO**

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

**NOTE 15 - 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, 2005.

**B. Litigation**

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

## **SUPPLEMENTAL DATA**

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

| FEDERAL GRANTOR/<br>SUB GRANTOR/<br>PROGRAM TITLE  | CFDA<br>NUMBER | PASS-THROUGH<br>GRANT<br>NUMBER | CASH (A) (C)<br>DISBURSEMENTS |
|--|----------------|---------------------------------|-------------------------------|
| <b>U. S. DEPARTMENT OF HOUSING<br/>AND URBAN DEVELOPMENT<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF DEVELOPMENT</b> |                |                                 |                               |
| Community Development Block Grant  | 14.228         | A-F-04-129-1                    | \$ 73,000                     |
| Community Development Block Grant  | 14.228         | A-C-03-129-1                    | 52,124                        |
| <b>Total Community Development Block Grant</b>   |                |                                 | <b>125,124</b>                |
| (B) Home Investment Partnerships Program   | 14.239         | A-C-03-129-2                    | 239,285                       |
| <b>Total U.S. Department of Housing and Urban Development</b>  |                |                                 | <b>364,409</b>                |
| <b>U. S. DEPARTMENT OF TRANSPORTATION<br/>PASSED THROUGH THE<br/>OHIO DEPARTMENT OF TRANSPORTATION</b>                 |                |                                 |                               |
| Recreational Trails Program  | 20.219         | RPT-4019-022-031                | 50,000                        |
| Formula Grants for Other Than Urbanized Areas  | 20.509         | RPT-4019-024-052                | 122,447                       |
| Formula Grants for Other Than Urbanized Areas  | 20.509         | RPT-4019-024-053                | 618,306                       |
| <b>Total Formula Grants for Other Urbanized Areas</b>  |                |                                 | <b>740,753</b>                |
| <b>Total U.S. Department of Transportation</b>   |                |                                 | <b>790,753</b>                |
| <b>PASSED THROUGH THE<br/>U. S. DEPARTMENT OF HOMELAND SECURITY</b>  |                |                                 |                               |
| N/A  |                |                                 |                               |
| Emergency Management Performance Grants (Direct)   | 97.042         | FEMA-1580-DR-037-32340          | 83,644                        |
| <b>Total U.S. Department of Homeland Security</b>  |                |                                 | <b>83,644</b>                 |
| <b>Total Federal Financial Assistance</b>  |                |                                 | <b>\$ 1,238,806</b>           |

- (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) The City has established a revolving loan program to provide low-interest loans to businesses that are creating jobs and meet the other program requirements. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City as passed through the Ohio Department of Development (ODOD). The initial loan of money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements as imposed by HUD, but are not included as disbursements on the Schedule. The City had no loans outstanding at December 31, 2005.
- (C) 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.



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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Greenville, Darke County (the "City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated June 14, 2006.

Members of Council and Mayor  
City of Greenville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the City of Greenville, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.  
June 14, 2006



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

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

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

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

Compliance

We have audited the compliance of the City of Greenville, Darke County (the “City”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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



Members of Council and Mayor  
City of Greenville

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

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the management, the Council of the City of Greenville, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
June 14, 2006

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

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

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

**CITY OF GREENVILLE  
DARKE COUNTY, OHIO**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**CITY OF 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  
AUGUST 3, 2006**