



Mary Taylor, CPA
Auditor of State

**CITY OF CELINA
MERCER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – December 31, 2009	11
Statement of Activities – For the Year Ended December 31, 2009	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds – December 31, 2009	14
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities – December 31, 2009.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds – For the Year Ended December 31, 2009	16
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, 2009.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual - General Fund – For the Year Ended December 31, 2009.....	18
Statement of Fund Net Assets - Proprietary Funds – December 31, 2009	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds – For the Year Ended December 31, 2009	20
Statement of Cash Flows - Proprietary Funds – For the Year Ended December 31, 2009	21
Statement of Assets and Liabilities - Agency Funds – December 31, 2009.....	23
Notes to the Basic Financial Statements	25
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Status of Prior Audit Findings.....	61

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Celina
Mercer County
PO Box 297
202 North Main Street
Celina, Ohio 45822

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celina, Mercer County, (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celina, Mercer County, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3B, the City restated its Governmental Activities Net Assets as of January 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

August 31, 2010

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The discussion and analysis of the City of Celina's financial performance provides an overview of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Celina's financial position.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Tax Increment Financing, Electric, Water, Sewer, and Stormwater funds.

Reporting The City As A Whole

The Statement of Net Assets and the Statement of Activities reflect how the City did financially during 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; electric, water, sewer, and stormwater lines). These factors must be considered when assessing the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, basic utility services, transportation, general government, and intergovernmental activities. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's electric, water, sewer, and stormwater services are reported here.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Reporting The City's Most Significant Funds

Fund financial statements provide detailed information about the City's major funds, the General, Tax Increment Financing, Electric, Water, Sewer, and Stormwater funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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

Proprietary Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

Government-Wide Financial Analysis

Table 1 provides a summary of the City's net assets for 2009 and 2008.

**Table 1
Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and Other Assets	\$ 6,625,588	\$ 6,543,916	\$11,339,375	\$11,087,553	\$17,964,963	\$17,631,469
Capital Assets, Net	16,892,740	17,082,188	32,848,062	31,125,910	49,740,802	48,208,098
Total Assets	<u>23,518,328</u>	<u>23,626,104</u>	<u>44,187,437</u>	<u>42,213,463</u>	<u>67,705,765</u>	<u>65,839,567</u>
Liabilities:						
Current and Other Liabilities	5,802,942	3,154,004	2,504,952	2,644,557	8,307,894	5,798,561
Long-Term Liabilities	2,121,563	2,062,912	11,946,309	12,861,468	14,067,872	14,924,380
Total Liabilities	<u>7,924,505</u>	<u>5,216,916</u>	<u>14,451,261</u>	<u>15,506,025</u>	<u>22,375,766</u>	<u>20,722,941</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

**Table 1
Net Assets
(Continued)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Net Assets:						
Invested in Capital Assets, Net of Related Debt	13,139,117	14,201,179	20,726,369	17,985,843	33,865,486	32,187,022
Restricted	1,480,595	2,456,248	859,299	1,016,670	2,339,894	3,471,918
Unrestricted	974,111	1,751,761	8,150,508	7,704,925	9,124,619	9,456,686
Total Net Assets	\$15,593,823	\$18,409,188	\$29,736,176	\$26,707,438	\$45,329,999	\$45,116,626

For governmental activities, total assets did not change significantly. Current and other liabilities increased from the issuance of additional bond anticipation notes for several projects, along with increases in contracts and retainage payable on the same projects. Invested in capital assets, net of related debt decreased from the transfer of stormwater infrastructure assets to business-type activities. Restricted net assets decreased significantly from spending note proceeds for various capital projects. Unrestricted net assets decreased significantly due to cash carryover spending and covering deficits in restricted funds.

For business-type activities, net capital assets increased from the capital assets contributed by governmental activities for the new stormwater utility. Restricted net assets were used to construct capital assets.

Table 2 reflects the change in net assets for 2009 and 2008.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,109,422	\$ 1,243,174	\$22,160,648	\$20,503,349	\$23,270,070	\$21,746,523
Operating Grants, Contributions and Interest	721,566	1,147,087			721,566	1,147,087
Capital Grants, Contributions And Interest	639,486	474,361		721,700	639,486	1,196,061
Total Program Revenues	2,470,474	2,864,622	22,160,648	21,225,049	24,631,122	24,089,671
General Revenues:						
Property Taxes	386,172	381,829			386,172	381,829
Municipal Income Taxes	2,500,572	2,789,496			2,500,572	2,789,496
Payment in Lieu of Taxes	519,802	452,006			519,802	452,006
Other Local Taxes	536,329	572,183			536,329	572,183
Franchise Fees	95,429	99,275			95,429	99,275
Grants and Entitlements not Restricted to Specific Programs	569,554	657,246			569,554	657,246
Interest	119,205	246,884	14,209	62,294	133,414	309,178
Other	76,070	82,607	355,173	114,017	431,243	196,624
Total General Revenues	4,803,133	5,281,526	369,382	176,311	5,172,515	5,457,837
Total Revenues	7,273,607	8,146,148	22,530,030	21,301,360	29,803,637	29,547,508

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Expenses:						
Security of Persons and Property	3,317,834	3,110,879			3,317,834	3,110,879
Public Health	79,768	74,268			79,768	74,268
Leisure Time Activities	664,218	714,364			664,218	714,364
Community Environment	149,668	57,437			149,668	57,437
Basic Utility Services	210,787	197,265			210,787	197,265
Transportation	1,694,554	1,550,564			1,694,554	1,550,564
General Government	1,456,036	2,023,651			1,456,036	2,023,651
Intergovernmental	134,597	1,094,573			134,597	1,094,573
Interest and Fiscal Charges	190,556	110,749			190,556	110,749
Electric			16,734,514	16,803,059	16,734,514	16,803,059
Water			3,049,993	1,648,999	3,049,993	1,648,999
Sewer			1,797,880	1,831,014	1,797,880	1,831,014
Stormwater			109,859		109,859	
Total Expenses	7,898,018	8,933,750	21,692,246	20,283,072	29,590,264	29,216,822
Excess of Revenues Over (Under)						
Expenses Before Transfers	(624,411)	(787,602)	837,784	1,118,288	213,373	330,686
Transfers	(2,190,954)	1,362	2,190,954	(1,362)		
Increase (Decrease) in Net Assets	(2,815,365)	(786,240)	3,028,738	1,116,926	213,373	330,686
Net Assets Beginning of Year	18,409,188	19,195,428	26,707,438	25,590,512	45,116,626	44,785,940
Net Assets End of Year	<u>\$15,593,823</u>	<u>\$18,409,188</u>	<u>\$29,736,176</u>	<u>\$26,707,438</u>	<u>\$45,329,999</u>	<u>\$45,116,626</u>

Operating grants, contributions, and interest decreased for governmental activities. In 2008, the City received the final reimbursements for the Mersman property clean up (with a corresponding increase in general government expenses relating to the project). Capital grants, contributions, and interest increased in 2009 as grants were received for the construction of boat docks and road improvements. General revenues for municipal income taxes, kilowatt hour taxes, cable franchise fees, and local government revenues all decreased from the effects of the national economic decline. Interest revenues decreased due to lower interest rates. The City did have an increase in payment in lieu of tax revenues from improvements made to those properties.

The major program expense for governmental activities is security of persons and property, which includes the police and fire departments, and accounts for approximately 42 percent of all governmental activities expenses. Maintenance of the City's streets also represents a significant amount of the City's governmental expenses, along with the general business of running the City's government. The programs for security of persons and property and general government represent 60 percent of all of the expenses of the City of Celina and are funded almost entirely from property taxes, municipal income taxes, and State shared revenues. Transportation expenses were largely financed with capital grants and State shared revenues. The leisure time activity program decreased from the City not providing financing to the program. Intergovernmental expense decreased in 2009. In 2008, the City donated the first phase of the West Bank walkway to the Ohio Department of Natural Resources.

For business-type activities, City Council approved rate increases that went into effect mid-2008 for the Electric and Water funds resulting in the increase in charges for services. Also in 2008, the City received an EPA grant for the construction of the water granular-activated carbon processing plant.

The City's electric operations account for 77 percent of the expenses of the City's business-type activities and are funded almost entirely from charges for services. Costs associated with the use of carbon for filtrating water are higher than the chemical costs associated with the old filtration system and resulted in the increase in expenses in the water fund. The City started operations of a stormwater utility in 2009.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Security of Persons and Property	\$3,317,834	\$3,110,879	\$2,776,578	\$2,635,190
Public Health	79,768	74,268	79,768	74,268
Leisure Time Activities	664,218	714,364	429,527	251,049
Community Environment	149,668	57,437	46,818	50,605
Basic Utility Services	210,787	197,265	210,787	195,765
Transportation	1,694,554	1,550,564	655,111	849,726
General Government	1,456,036	2,023,651	903,802	807,203
Intergovernmental	134,597	1,094,573	134,597	1,094,573
Interest and Fiscal Charges	190,556	110,749	190,556	110,749
Total Expenses	\$7,898,018	\$8,933,750	\$5,427,544	\$6,069,128

A large portion of the leisure time activities program is funded by charges for activities, donations from the Bryson Trust, and capital grants. Expenses relating to the community environment program are usually funded through general revenues; however, in 2009, the City had capital grants for the renovation of Main Street businesses. Transportation expenses received a significant amount of operating and capital grants for the reconstruction of Johnson Avenue. General government expenses received substantial funding in 2008 from a grant received for the cleanup of the old Mersman Furniture property.

Governmental Funds Financial Analysis

The City's major governmental funds are the General Fund and Tax Increment Financing capital projects fund. The General Fund's fund balance decreased by 43 percent. Income tax revenues decreased by 14 percent in 2009 from the increase of unemployed workers. Total revenues decreased approximately 15 percent. Although expenditures decreased almost 6 percent, this decrease was not enough to compensate for the loss of revenue.

Fund balance in the Tax Increment Financing capital projects fund decreased by 178 percent and had a negative fund balance as of December 31, 2009. Expenditures increased by 286 percent as several projects were started in 2009.

Business-Type Activities Financial Analysis

The City's enterprise funds are the Electric, Water, Sewer, and Stormwater funds. Operating revenues exceeded operating expenses in all of the enterprise funds. The change in net assets was not significant for any of these funds with the exception of the stormwater utility which was started in 2009.

Budgetary Highlights

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the General Fund. Modifications from the original budget to the final budget have been minimal due to the continued financial difficulties in the City. Changes from the final budget to actual revenues also were not significant. Changes occurred from the final budget to actual expenditures due to budgeting for higher fringe benefits in all programs.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Capital Assets And Debt Administration

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2009, was \$13,139,117 and \$20,726,369, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land; land improvements; construction in progress; buildings; improvements other than buildings; streets; furniture and equipment; vehicles; and electric, water, sewer, and stormwater lines. The most significant additions for governmental assets was construction in progress related to streets and water, sewer, and stormwater lines. In the business-type activities, the biggest change was related to the improvements to the water intake system and the contribution of water, sewer, and stormwater infrastructure from the governmental funds. Note 11 to the basic financial statements provides further information on the capital asset activity during 2009.

Debt - At December 31, 2009, the City had \$3,050,000 in outstanding bond anticipation notes and \$1,200,000 in revenue anticipation notes payable from governmental activities and \$540,000 in bond anticipation notes payable from business-type activities.

The City had a number of long-term obligations outstanding as of December 31, 2009. These obligations included \$3,323,422 in general obligation bonds, \$37,371 in equipment loans, \$2,196,870 in mortgage revenue bonds, \$374,513 in OPWC loans, and \$6,292,956 in OWDA loans. Of this amount, \$11,731,649 will be repaid from business-type activities.

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

Current Issues

On February 9, 2010, the City issued revenue anticipation notes, in the amount of \$1,150,000, to retire notes previously issued to construct a walkway within the Grand Lake tax incremental financing district. The notes have an interest rate of 4.5 percent and mature on February 8, 2011.

On May 27, 2010, the City issued bond anticipation notes, in the amount of \$1,350,000, for the City's share of the Main Street reconstruction project that is being performed by the State of Ohio. The notes have an interest rate of 3.06 percent and mature on May 27, 2011.

Several projects from 2008 were not finalized by the end of 2009. Phase II of the West Bank Walkway project was started and will extend the walkway along Grand Lake and has an estimated completion date of July 2010. The Buckeye Street reconstruction project has an estimated completion date of October 2010. The Main Street reconstruction project has an estimated completion date of July 2011. The projects for the Eastview Park restrooms and fire department exhaust removal systems were started in 2009 and finalized in 2010.

On July 14, 2010, the City issued layoff notices to three full-time police officers, two full-time dispatchers, two part-time dispatchers, three full-time firemen, and eight auxiliary firemen for an estimated savings of \$150,250 through December 31, 2010. Unless the departments can present a viable cost savings to the General Fund by July 31, 2010, to generate the same amount of savings, the layoffs will go into effect on July 31, 2010. City Council will place a .5 percent income tax levy on the ballot to be used to offset costs of operations and capital costs of the police and fire departments to go into effect January 1, 2011. The estimated income tax would generate approximately \$1.5 million annually.

**CITY OF CELINA
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Request For Information

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Emily Stewart, Celina City Auditor, P. O. Box 297, Celina, Ohio 45822-0297.

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**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,926,734	\$6,443,639	\$10,370,373
Cash and Cash Equivalents with Fiscal Agent		486,730	486,730
Accounts Receivable	95,897	2,032,057	2,127,954
Due from Other Governments	809,156	4,758	813,914
Accrued Interest Receivable	43,264	2,348	45,612
Municipal Income Taxes Receivable	463,440		463,440
Internal Balances	(231,445)	231,445	
Prepaid Items	10,777	32,330	43,107
Materials and Supplies Inventory	65,086	1,946,184	2,011,270
Property Taxes Receivable	365,225		365,225
Payment in Lieu of Taxes Receivable	996,836		996,836
Notes Receivable	51,867		51,867
Special Assessments Receivable	28,751		28,751
Unamortized Bond Issuance Costs		149,956	149,956
Investment in Joint Venture		9,928	9,928
Non-depreciable Capital Assets	11,617,133	405,850	12,022,983
Depreciable Capital Assets, Net	<u>5,275,607</u>	<u>32,442,212</u>	<u>37,717,819</u>
Total Assets	<u>23,518,328</u>	<u>44,187,437</u>	<u>67,705,765</u>
Liabilities:			
Accrued Wages Payable	116,999	76,632	193,631
Accounts Payable	179,925	124,653	304,578
Contracts Payable	626,177	1,233,955	1,860,132
Due to Other Governments	219,344	122,899	342,243
Retainage Payable	55,946	27,371	83,317
Accrued Interest Payable	70,678	30,445	101,123
Notes Payable	3,050,000	540,000	3,590,000
Deferred Revenue	1,360,048		1,360,048
Claims Payable	123,825		123,825
Deposits Held and Due to Others		348,997	348,997
Long-Term Liabilities:			
Due Within One Year	214,850	1,260,965	1,475,815
Due in More Than One Year	<u>1,906,713</u>	<u>10,685,344</u>	<u>12,592,057</u>
Total Liabilities	<u>7,924,505</u>	<u>14,451,261</u>	<u>22,375,766</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	13,139,117	20,726,369	33,865,486
Restricted for:			
Debt Service	32,607	486,730	519,337
Capital Projects	631,960		631,960
Other Purposes	816,028		816,028
Revenue Bond Operations and Maintenance		47,206	47,206
Revenue Bond Renewal and Replacement		325,363	325,363
Unrestricted	<u>974,111</u>	<u>8,150,508</u>	<u>9,124,619</u>
Total Net Assets	<u>\$15,593,823</u>	<u>\$29,736,176</u>	<u>\$45,329,999</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants, Contributions, and Interest</u>
Governmental Activities:				
Security of Persons and Property	\$3,317,834	\$386,516	\$151,398	\$3,342
Public Health	79,768			
Leisure Time Activities	664,218	152,344	1,723	80,624
Community Environment	149,668		2,913	99,937
Basic Utility Services	210,787			
Transportation	1,694,554	18,328	565,532	455,583
General Government	1,456,036	552,234		
Intergovernmental	134,597			
Interest and Fiscal Charges	190,556			
Total Governmental Activities	<u>7,898,018</u>	<u>1,109,422</u>	<u>721,566</u>	<u>639,486</u>
Business-Type Activities:				
Electric	16,734,514	17,084,959		
Water	3,049,993	2,992,548		
Sewer	1,797,880	1,839,673		
Stormwater	109,859	243,468		
Total Business-Type Activities	<u>21,692,246</u>	<u>22,160,648</u>		
Total	<u>\$29,590,264</u>	<u>\$23,270,070</u>	<u>\$721,566</u>	<u>\$639,486</u>

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated (Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Governmental Activities	Business-Type Activities	Total
(\$2,776,578)		(\$2,776,578)
(79,768)		(79,768)
(429,527)		(429,527)
(46,818)		(46,818)
(210,787)		(210,787)
(655,111)		(655,111)
(903,802)		(903,802)
(134,597)		(134,597)
(190,556)		(190,556)
<u>(5,427,544)</u>		<u>(5,427,544)</u>
	\$350,445	350,445
	(57,445)	(57,445)
	41,793	41,793
	<u>133,609</u>	<u>133,609</u>
	<u>468,402</u>	<u>468,402</u>
<u>(5,427,544)</u>	<u>468,402</u>	<u>(4,959,142)</u>
297,054		297,054
44,559		44,559
44,559		44,559
2,500,572		2,500,572
519,802		519,802
536,329		536,329
95,429		95,429
569,554		569,554
119,205	14,209	133,414
76,070	<u>355,173</u>	<u>431,243</u>
<u>4,803,133</u>	<u>369,382</u>	<u>5,172,515</u>
<u>(2,190,954)</u>	<u>2,190,954</u>	
<u>2,612,179</u>	<u>2,560,336</u>	<u>5,172,515</u>
(2,815,365)	3,028,738	213,373
<u>18,409,188</u>	<u>26,707,438</u>	<u>45,116,626</u>
<u>\$15,593,823</u>	<u>\$29,736,176</u>	<u>\$45,329,999</u>

**CITY OF CELINA
MERCER COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$669,859	\$1,515,341	\$1,241,771	\$3,426,971
Accounts Receivable	35,630		60,261	95,891
Due from Other Governments	331,084		478,072	809,156
Accrued Interest Receivable	43,264			43,264
Municipal Income Taxes Receivable	463,440			463,440
Interfund Receivable	128,132			128,132
Prepaid Items	10,777			10,777
Materials and Supplies Inventory	24,310		40,776	65,086
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	9,771			9,771
Property Taxes Receivable	268,251		96,974	365,225
Payment in Lieu of Taxes Receivable		996,836		996,836
Notes Receivable			51,867	51,867
Special Assessments Receivable			28,751	28,751
Total Assets	<u>1,984,518</u>	<u>2,512,177</u>	<u>1,998,472</u>	<u>6,495,167</u>
Liabilities and Fund Balance:				
Liabilities:				
Accrued Wages Payable	97,803		19,196	116,999
Accounts Payable	103,127	2,846	73,952	179,925
Contracts Payable	42,612	388,646	194,919	626,177
Due to Other Governments	114,076		105,268	219,344
Retainage Payable		37,533	18,413	55,946
Interfund Payable	80,924		141,418	222,342
Accrued Interest Payable		3,337	5,902	9,239
Notes Payable		1,450,000	1,650,000	3,100,000
Deferred Revenue	833,796	996,836	580,577	2,411,209
Total Liabilities	<u>1,272,338</u>	<u>2,879,198</u>	<u>2,789,645</u>	<u>6,941,181</u>
Fund Balance:				
Reserved for Encumbrances	136,125	415,751	552,496	1,104,372
Reserved for Unclaimed Moneys	9,771			9,771
Reserved for Notes Receivable			48,443	48,443
Unreserved, Reported in:				
General Fund	566,284			566,284
Special Revenue Funds			237,982	237,982
Debt Service Fund			32,607	32,607
Capital Projects Funds (Deficit)		(782,772)	(1,662,701)	(2,445,473)
Total Fund Balance (Deficit)	<u>712,180</u>	<u>(367,021)</u>	<u>(791,173)</u>	<u>(446,014)</u>
Total Liabilities and Fund Balance	<u>\$1,984,518</u>	<u>\$2,512,177</u>	<u>\$1,998,472</u>	<u>\$6,495,167</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Total Governmental Fund Balance	(\$446,014)
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,892,740
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$93,605	
Due from Other Governments	627,411	
Accrued Interest Receivable	35,419	
Municipal Income Taxes Receivable	264,362	
Property Taxes Receivable	2,013	
Special Assessments Receivable	28,351	
		1,051,161

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.	(137,235)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(61,439)	
Notes Payable	(1,150,000)	
General Obligation Bonds Payable	(456,112)	
Loans Payable	(37,371)	
Compensated Absences Payable	(428,080)	
		(2,133,002)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.	366,173

Net Assets of Governmental Activities	<u><u>\$15,593,823</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COIUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Tax Increment Financing	Other Governmental	Total Governmental Funds
Revenues:				
Property Taxes	\$299,395		\$89,820	\$389,215
Municipal Income Taxes	2,464,920			2,464,920
Payment in Lieu of Taxes		\$519,802		519,802
Other Local Taxes	536,329			536,329
Special Assessments			14,928	14,928
Charges for Services	220,689		155,416	376,105
Fees, Licenses, and Permits	99,562			99,562
Fines and Forfeitures	321,679		85,293	406,972
Intergovernmental	906,504		1,141,242	2,047,746
Interest	123,520	191	5,267	128,978
Gifts and Donations	6,760		20,550	27,310
Other	36,820	8,306	29,695	74,821
Total Revenues	5,016,178	528,299	1,542,211	7,086,688
Expenditures:				
Current:				
Security of Persons and Property	2,710,028		516,712	3,226,740
Public Health	79,768			79,768
Leisure Time Activities	89,822	26,454	677,014	793,290
Community Environment	48,105		99,938	148,043
Basic Utility Services	204,342	523,647		727,989
Transportation	173,994	478,521	2,358,614	3,011,129
General Government	1,356,890		44,367	1,401,257
Intergovernmental		134,597		134,597
Debt Service:				
Principal Retirement			30,018	30,018
Current Refunding			524,508	524,508
Interest and Fiscal Charges		22,601	151,409	174,010
Total Expenditures	4,662,949	1,185,820	4,402,580	10,251,349
Excess of Revenues Over (Under) Expenditures	353,229	(657,521)	(2,860,369)	(3,164,661)
Other Financing Sources (Uses):				
Notes Issued			1,150,000	1,150,000
Bonds Issued			467,000	467,000
Current Refunding			(1,150,000)	(1,150,000)
Transfers In	26,895		1,133,705	1,160,600
Transfers Out	(920,304)	(177,354)	(32,395)	(1,130,053)
Total Other Financing Sources (Uses)	(893,409)	(177,354)	1,568,310	497,547
Changes in Fund Balance	(540,180)	(834,875)	(1,292,059)	(2,667,114)
Fund Balance Beginning of Year	1,252,360	467,854	500,886	2,221,100
Fund Balance (Deficit) End of Year	\$712,180	(\$367,021)	(\$791,173)	(\$446,014)

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Changes in Fund Balance - Total Governmental Funds (\$2,667,114)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Assets Transferred from Business-Type Activities	\$325,390	
Capital Outlay - Nondepreciable Capital Assets	2,611,738	
Capital Outlay - Depreciable Capital Assets	157,418	
Depreciation	<u>(564,974)</u>	
		2,529,572

The cost of the capital assets is removed from the capital asset account on the statement of net assets when sold or otherwise disposed of. The cost and accumulated depreciation of assets transferred to business-type activities is also removed from the statement of activities.

Loss on Disposal of Capital Assets	(172,129)	
Gross Value of Assets Transferred to Business-Type Activities	(4,012,496)	
Accumulated Depreciation of Assets Transferred to Business-Type Activities	<u>1,465,605</u>	
		(2,719,020)

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

Property Taxes	(3,043)	
Municipal Income Taxes	35,652	
Fees, Licenses, and Permits	232	
Fines and Forfeitures	(1,182)	
Special Assessments	573	
Charges for Services	22,050	
Intergovernmental	75,629	
Interest	(4,315)	
Donations and Contributions	60,074	
Other	<u>1,249</u>	
		186,919

Note and bond proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (1,617,000)

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

Notes Payable	1,200,000	
Rural Development Bonds Payable	474,508	
General Obligation Bonds Payable	10,888	
Loans Payable	<u>19,130</u>	
		1,704,526

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. (16,546)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (146,177)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (70,525)

Change in Net Assets of Governmental Activities (\$2,815,365)

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
Property Taxes	\$314,852	\$314,852	\$299,395	(\$15,457)
Municipal Income Taxes	2,700,000	2,700,000	2,530,179	(169,821)
Other Local Taxes	580,000	580,000	541,181	(38,819)
Charges for Services	212,800	211,300	240,614	29,314
Fees, Licenses, and Permits	102,300	100,800	99,622	(1,178)
Fines and Forfeitures	320,000	320,000	320,541	541
Intergovernmental	888,850	888,850	929,023	40,173
Interest	320,448	320,448	233,905	(86,543)
Gifts and Donations			6,760	6,760
Other	150,391	121,200	27,987	(93,213)
Total Revenues	<u>5,589,641</u>	<u>5,557,450</u>	<u>5,229,207</u>	<u>(328,243)</u>
Expenditures:				
Current:				
Security of Persons and Property	2,972,200	2,936,848	2,748,150	188,698
Public Health	79,768	79,768	79,768	
Leisure Time Activities	101,825	101,825	92,809	9,016
Community Environment	78,168	79,168	50,059	29,109
Basic Utility Services	327,410	329,910	225,909	104,001
Transportation	261,556	269,556	177,135	92,421
General Government	1,427,914	1,284,356	1,260,629	23,727
Other	104,880	385,716	383,361	2,355
Total Expenditures	<u>5,353,721</u>	<u>5,467,147</u>	<u>5,017,820</u>	<u>449,327</u>
Excess of Revenues Over Expenditures	<u>235,920</u>	<u>90,303</u>	<u>211,387</u>	<u>121,084</u>
Other Financing Sources (Uses):				
Advances Out	(32,673)	(42,673)	(42,673)	
Transfers In			26,895	26,895
Transfers Out	(844,008)	(1,057,749)	(920,304)	137,445
Total Other Financing Sources (Uses)	<u>(876,681)</u>	<u>(1,100,422)</u>	<u>(936,082)</u>	<u>164,340</u>
Changes in Fund Balance	(640,761)	(1,010,119)	(724,695)	285,424
Fund Balance Beginning of Year	1,242,254	1,242,254	1,242,254	
Prior Year Encumbrances Appropriated	<u>121,675</u>	<u>121,675</u>	<u>121,675</u>	
Fund Balance End of Year	<u>\$723,168</u>	<u>\$353,810</u>	<u>\$639,234</u>	<u>\$285,424</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009**

	Enterprise Funds				Total Enterprise Funds	Governmental Activity Self Insurance Internal Service Fund
	Electric	Water	Sewer	Stormwater		
Assets:						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,560,990	\$603,990	\$434,913	\$122,180	\$5,722,073	\$489,992
Accounts Receivable	1,558,350	291,780	165,515	16,412	2,032,057	6
Due from Other Governments	2,236	1,686	836		4,758	
Accrued Interest Receivable			2,348		2,348	
Interfund Receivable	225,564	39			225,603	
Prepaid Items	21,554	5,388	5,388		32,330	
Materials and Supplies Inventory	1,302,033	618,582	25,569		1,946,184	
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	348,997		372,569		721,566	
Cash and Cash Equivalents with Fiscal Agent			486,730		486,730	
Total Current Assets	8,019,724	1,521,465	1,493,868	138,592	11,173,649	489,998
Non-Current Assets:						
Unamortized Bond Issuance Costs	30,906	14,090	104,960		149,956	
Investment in Joint Venture	9,928				9,928	
Non-depreciable Capital Assets	293,245	45,425	67,180		405,850	
Depreciable Capital Assets, Net	12,814,778	12,719,427	4,697,304	2,210,703	32,442,212	
Total Non-Current Assets	13,148,857	12,778,942	4,869,444	2,210,703	33,007,946	
Total Assets	21,168,581	14,300,407	6,363,312	2,349,295	44,181,595	489,998
Liabilities:						
Current Liabilities:						
Accrued Wages Payable	33,793	27,160	15,679		76,632	
Accounts Payable	30,192	76,557	17,904		124,653	
Contracts Payable	1,186,969	19	46,967		1,233,955	
Compensated Absences Payable	30,537	25,840	13,944		70,321	
Due to Other Governments	67,590	33,702	21,607		122,899	
Retainage Payable			27,371		27,371	
Interfund Payable	41,661	35,986	53,746		131,393	
Accrued Interest Payable	3,805	3,246	23,394		30,445	
Notes Payable		540,000			540,000	
Claims Payable						123,825
General Obligation Bonds Payable	400,000	115,000	105,000		620,000	
Mortgage Revenue Bonds Payable			300,000		300,000	
OPWC Loans Payable		24,162			24,162	
OWDA Loans Payable		246,482			246,482	
Total Current Liabilities	1,794,547	1,128,154	625,612		3,548,313	123,825
Non-Current Liabilities:						
Deposits Held and Due to Others	348,997				348,997	
General Obligation Bonds Payable	877,341	449,687	920,282		2,247,310	
Mortgage Revenue Bonds Payable			1,896,870		1,896,870	
OPWC Loans Payable		350,351			350,351	
OWDA Loans Payable		6,046,474			6,046,474	
Compensated Absences Payable	65,774	55,357	23,208		144,339	
Total Non-Current Liabilities	1,292,112	6,901,869	2,840,360		11,034,341	
Total Liabilities	3,086,659	8,030,023	3,465,972		14,582,654	123,825
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$11,861,588	\$5,006,786	\$1,647,292	\$2,210,703	\$20,726,369	
Restricted for:						
Revenue Bond Operations and Maintenance			47,206		47,206	
Revenue Bond Renewal and Replacement			325,363		325,363	
Revenue Bond Future Debt Service			486,730		486,730	
Unrestricted	6,220,334	1,263,598	390,749	138,592	8,013,273	366,173
Total Net Assets	\$18,081,922	\$6,270,384	\$2,897,340	\$2,349,295	29,598,941	\$366,173

Net assets reported for business-type activities on the statement of net assets is different because it includes a proportionate share of the net assets of the internal service fund. 137,235

Net assets of business-type activities \$29,736,176

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Operating Revenues:						
Charges for Services	\$16,790,937	\$2,992,548		\$243,468	\$20,026,953	\$1,329,621
Charges for Services Pledged as Security on Mortgage Revenue Bonds			\$1,839,673		1,839,673	
Other	328,474	22,932	3,767		355,173	6
Total Operating Revenues	<u>17,119,411</u>	<u>3,015,480</u>	<u>1,843,440</u>	<u>243,468</u>	<u>22,221,799</u>	<u>1,329,627</u>
Operating Expenses:						
Personal Services	1,331,126	1,009,543	595,189	682	2,936,540	286,333
Materials and Supplies	14,102,356	1,260,797	545,177	3,343	15,911,673	242,408
Claims						913,686
Bad Debt		2,285		3,264	5,549	
Other	304,586	110,523	99,348	45,194	559,651	
Depreciation	880,773	378,571	326,067	55,632	1,641,043	
Total Operating Expenses	<u>16,618,841</u>	<u>2,761,719</u>	<u>1,565,781</u>	<u>108,115</u>	<u>21,054,456</u>	<u>1,442,427</u>
Operating Income (Loss)	<u>500,570</u>	<u>253,761</u>	<u>277,659</u>	<u>135,353</u>	<u>1,167,343</u>	<u>(112,800)</u>
Non-Operating Revenues (Expenses):						
Excise Taxes	294,022				294,022	
Loss on Disposal of Capital Assets	(119,289)	(54,113)	(187,699)		(361,101)	
Change in Joint Venture	(86)				(86)	
Interest Revenue		12	14,197		14,209	
Interest Expense	(60,518)	(274,387)	(223,069)	(1,744)	(559,718)	
Total Non-Operating Revenues (Expenses)	<u>114,129</u>	<u>(328,488)</u>	<u>(396,571)</u>	<u>(1,744)</u>	<u>(612,674)</u>	
Income (Loss) before Contributions and Transfers	614,699	(74,727)	(118,912)	133,609	554,669	(112,800)
Capital Contributions		223,435	57,121	2,266,335	2,546,891	
Transfers In		20,102			20,102	
Transfers Out				(50,649)	(50,649)	
Changes in Net Assets	614,699	168,810	(61,791)	2,349,295	3,071,013	(112,800)
Net Assets Beginning of Year	<u>17,467,223</u>	<u>6,101,574</u>	<u>2,959,131</u>			<u>478,973</u>
Net Assets End of Year	<u>\$18,081,922</u>	<u>\$6,270,384</u>	<u>\$2,897,340</u>	<u>\$2,349,295</u>		<u>\$366,173</u>

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.

(42,275)

Change in net assets of business-type activities

\$3,028,738

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Increases (Decreases) in Cash and Cash Equivalents						
Cash Flows from Operating Activities:						
Cash Received from Customers	\$16,369,372	\$2,954,874	\$1,838,206	\$223,792	\$21,386,244	\$186,621
Cash Received from Transactions with Other Funds	308,273				308,273	1,143,000
Cash Payments for Personal Services	(1,070,202)	(817,744)	(482,089)	(442)	(2,370,477)	(286,333)
Cash Payments for Materials and Supplies	(14,037,800)	(1,215,334)	(333,481)	(3,343)	(15,589,958)	(242,408)
Cash Payments for Claims						(1,118,982)
Cash Payments for Other Expenses	(304,586)	(147,030)	(128,746)	(45,194)	(625,556)	
Cash Payments for Transactions with Other Funds	(226,526)	(304,062)	(253,232)	(240)	(784,060)	
Cash Received from Other Revenues	566,685	22,168	3,924		592,777	482,942
Cash Received from Deposits	118,400				118,400	
Cash Payments for Deposits Refunded	(120,161)				(120,161)	
Net Cash Provided by Operating Activities	<u>1,603,455</u>	<u>492,872</u>	<u>644,582</u>	<u>174,573</u>	<u>2,915,482</u>	<u>164,840</u>
Cash Flows from Non-capital Financing Activities:						
Cash Received from Excise Taxes	294,022				294,022	
Interest Paid on Advance Out			(2,400)		(2,400)	
Advances In	77,346	10,000			87,346	
Advances Out			(20,000)		(20,000)	
Transfers In		20,102			20,102	
Transfers Out				(50,649)	(50,649)	
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>371,368</u>	<u>30,102</u>	<u>(22,400)</u>	<u>(50,649)</u>	<u>328,421</u>	
Cash Flows from Capital and Related Financing Activities:						
Principal Paid on Bond Anticipation Notes		(580,000)			(580,000)	
Principal Paid on General Obligation Bonds	(400,000)	(110,000)	(95,000)		(605,000)	
Principal Paid on Mortgage Revenue Bonds			(285,000)		(285,000)	
Principal Paid on OPWC Loans		(24,163)			(24,163)	
Principal Paid on OWDA Loans		(238,662)			(238,662)	
Interest Paid on Bond Anticipation Notes		(21,979)			(21,979)	
Interest Paid on General Obligation Bonds	(57,100)	(29,535)	(52,233)		(138,868)	
Interest Paid on Mortgage Revenue Bonds			(129,590)		(129,590)	
Interest Paid on OWDA Loans		(212,457)			(212,457)	
Proceeds of Bond Anticipation Notes		540,000			540,000	
Proceeds of OWDA Loans		118,785			118,785	
Issuance Costs Paid on Bond Anticipation Notes		(2,698)		(1,744)	(4,442)	
Personal Services for Capital Assets	(82,851)	(1,112)			(83,963)	
Acquisition of Capital Assets	(678,510)	(205,486)	(209,446)		(1,093,442)	
Net Cash Used for Capital and Related Financing Activities	<u>(1,218,461)</u>	<u>(767,307)</u>	<u>(771,269)</u>	<u>(1,744)</u>	<u>(2,758,781)</u>	
Cash Flows from Investing Activities:						
Interest		12	16,509		16,521	
Net Increase (Decrease) in Cash and Cash Equivalents	<u>756,362</u>	<u>(244,321)</u>	<u>(132,578)</u>	<u>122,180</u>	<u>501,643</u>	<u>164,840</u>
Cash and Cash Equivalents Beginning of Year	<u>4,153,625</u>	<u>848,311</u>	<u>1,426,790</u>		<u>6,428,726</u>	<u>325,152</u>
Cash and Cash Equivalents End of Year	<u>4,909,987</u>	<u>603,990</u>	<u>1,294,212</u>	<u>122,180</u>	<u>6,930,369</u>	<u>489,992</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activity Self Insurance Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating Income (Loss)	500,570	253,761	277,659	135,353	1,167,343	(112,800)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	880,773	378,571	326,067	55,632	1,641,043	
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(103,141)	(35,412)	(1,426)	(16,412)	(156,391)	310,193
(Increase) Decrease in Due from Other Governments	1,570	(735)	116		951	
(Increase) Decrease in Interfund Receivable	231,342	(6)			231,336	
(Increase) Decrease in Prepaid Items	(491)	805	(162)		152	
(Increase) Decrease in Materials and Supplies Inventory	98,647	6,262	(1,981)		102,928	
Increase in Accrued Wages Payable	3,804	3,825	3,433		11,062	
Decrease in Accounts Payable	(60,031)	(85,836)	(7,492)		(153,359)	(585)
Increase (Decrease) in Contracts Payable	26,835	(16,719)	42,667		52,783	
Decrease in Due to Other Governments	(9,058)	(10,491)	(9,078)		(28,627)	
Increase (Decrease) in Retainage Payable		(1,455)	27,371		25,916	
Decrease in Interfund Payable	(4,852)	(28,710)	(31,466)		(65,028)	
Decrease in Claims Payable						(31,968)
Decrease in Deposits Held and Due to Others	(1,761)				(1,761)	
Increase in Compensated Absences Payable	39,248	29,012	18,874		87,134	
Net Cash Provided by Operating Activities	<u>\$1,603,455</u>	<u>\$492,872</u>	<u>\$644,582</u>	<u>\$174,573</u>	<u>\$2,915,482</u>	<u>\$164,840</u>

Non-Cash Capital Financing Activities:

The Electric, Water, and Sewer enterprise funds purchased capital assets and transferred them to governmental activities, in the amount of \$84,225, \$54,113, and \$187,052, respectively.

Governmental funds contributed capital assets to the Water, Sewer, and Stormwater enterprise funds, in the gross amount of \$223,435, \$57,121, and \$3,731,940, respectively, net of accumulated depreciation in the Stormwater enterprise fund, in the amount of \$1,465,605.

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CELINA
MERCER COUNTY**

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2009**

Assets:

Equity in Pooled Cash and Cash Equivalents	\$7,236
Cash and Cash Equivalents in Segregated Accounts	<u>37,325</u>
Total Assets	<u>44,561</u>

Liabilities:

Due to Other Governments	1,110
Payroll Withholdings	800
Deposits Held and Due to Others	<u>42,651</u>
Total Liabilities	<u>\$44,561</u>

See Accompanying Notes to the Basic Financial Statements.

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**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. DESCRIPTION OF THE CITY OF CELINA AND THE REPORTING ENTITY

A. The City

The City of Celina is a statutory municipal corporation operating under the laws of the State of Ohio. The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to four-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Service-Safety Director, are elected positions. The Service-Safety Director is appointed by the Mayor.

The City of Celina is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, parks and recreation, street maintenance and repair, and electric, water, sewer, and stormwater services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

The primary government of the City of Celina consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City, this includes all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. There were no component units of the City of Celina in 2009.

The City of Celina participates in the Grand Lake/Mercer County Development Corporation, a joint venture; the Mercer County Community Improvement Corporation, the Grand Lake/Mercer County Research Corporation, and the Mercer County Planning Commission, jointly governed organizations; and the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program and the Ohio Government Risk Management Plan, insurance purchasing pools. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Celina have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

General Fund - The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

The other governmental funds of the City account for grants and other resources whose use is restricted for a particular purpose.

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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

Electric Fund - This fund accounts for the provision of electric distribution to residential and commercial users within the City.

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

Sewer Fund - This fund accounts for the provision of wastewater treatment service to residential and commercial users within the City.

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The City's internal service fund accounts for the activities of the self insurance program for employee health care benefits.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2009. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for insurance proceeds to secure proper handling of fire damaged structures, the activity of the municipal court due to third-parties, and employee deductions not yet remitted to their specific vendors.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

2. Fund Financial Statements

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

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

D. Basis of Accounting

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Revenues - Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), grants, and interest.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2009, but which were levied to finance 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

3. Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, except agency funds, are required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for some funds and at the fund level for other funds. Budgetary allocations at the department and object level within these funds are made by the City Auditor.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the City prior to year end.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City, except cash held by fiscal agents, is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The City utilizes financial institutions as trustees to service its mortgage revenue bonded debt as principal and interest payments come due. Money held by trustees is invested in mutual funds and is presented as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately within departments of the City, and not included in the city treasury, are recorded as "Cash and Cash Equivalents in Segregated Accounts".

During 2009, the City invested in federal agency securities, U.S. Treasury obligations, mutual funds, nonnegotiable certificates of deposit, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2009 was \$123,520, which includes \$104,269 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

Utility deposits from customers are classified as restricted assets on the statement of fund net assets because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

Restricted assets also represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

J. Notes Receivable

Notes receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. Reported notes receivable is offset by a fund balance reserve in the governmental funds for the long-term portion, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Unamortized Issuance Costs, Bond Premium, and Bond Discount

Issuance costs, bond premiums, and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction to the face amount of bonds payable.

L. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The City maintains a capitalization threshold of one thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land, some land improvements, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980. Depreciation is computed using the straight-line method over the following useful lives:

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

M. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are presented as "Internal Balances".

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on department policy and length of service.

O. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, bonds, and loans are recognized as liabilities on the fund financial statements when due.

P. Unamortized Loss on Advance Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a reduction of the face amount of the new debt.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for construction, repair, and maintenance of State highways and local streets, recreation, loans to local businesses, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances, unclaimed moneys, and notes receivable.

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for electric, water, sewer, and stormwater services, and internal service fund charges for health insurance. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

T. Capital Contributions

Capital contributions arise from contributions from other funds, outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction.

U. Interfund Activities

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

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

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

V. Estimates

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

A. Change in Accounting Principles

For 2009, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

B. Restatement of Net Assets

In the prior year, the County recorded the full receivable for payment in lieu of taxes and the related liability to the School District.

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

	Governmental Activities
Net Assets at December 31, 2008	\$23,565,594
Payment in Lieu of Taxes Receivable	(6,847,427)
Intergovernmental Payable	1,691,021
Restated Net Assets December 31, 2008	\$18,409,188

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2009, the Recreation, Police Pension, Fire Pension, and JAG Law Enforcement special revenue funds and the CDBG and Boat Docks capital projects funds had deficit fund balances, in the amount of \$80,755, \$47,110, \$55,511, \$1,970, \$82,570, and \$15,000, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At December 31, 2009, the Sidewalk/Curb capital projects fund had a deficit fund balance, in the amount of \$27,493, due to reporting special assessments as deferred revenue on the modified accrual basis. The deficit will be alleviated when the special assessments are received.

At December 31, 2009, the State Route 29 West Improvement, Wayne Street Improvement, Grand Lake Road Improvement, Tax Increment Financing, and Johnson Avenue OPWC capital projects funds had deficit fund balances, in the amount of \$777,960, \$105,235, \$663,480, \$367,021, and \$92,297, respectively, and due to reporting notes payable as a fund liability. The deficit will be alleviated when sufficient revenues are received to retire the notes.

5. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund are as follows:

Change in Fund Balance	
GAAP Basis	(\$540,180)
Increases (Decreases) Due To Revenue Accruals:	
Accrued 2008, Received in Cash 2009	456,862
Accrued 2009, Not Yet Received in Cash	(349,769)
Expenditure Accruals:	
Accrued 2008, Paid in Cash 2009	(496,798)
Accrued 2009, Not Yet Paid in Cash	357,652
Cash Adjustments:	
Unrecorded Activity 2008	16,682
Unrecorded Activity 2009	89,537
Prepaid Items	(163)
Materials and Supplies Inventory	(9,676)
Advances Out	(42,673)
Encumbrances Outstanding at Year End (Budget Basis)	(206,169)
Budget Basis	(\$724,695)

6. DEPOSITS AND INVESTMENTS

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

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

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

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Investments

As of December 31, 2009, the City had the following investments:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	Total	Less Than Six Months	Six Months To One Year	One Year To Two Years
Federal Home Loan Mortgage Corporation Notes	\$1,820,740	\$ 202,632	\$1,161,858	\$456,250
Federal National Mortgage Association Notes	1,065,828	786,239	174,816	104,773
Federal Home Loan Bank Bonds	693,635	231,142	462,493	
Federal Home Loan Bank Notes	674,580	549,807	124,773	
Federal Farm Credit Bank Bonds	669,392		490,320	179,072
Federal Farm Credit Bank Notes	427,292		427,292	
U.S. Treasury Bills	1,352,840	584,501	768,339	
Mutual Funds	486,730	486,730		
STAR Ohio	438,037	438,037		
Total	\$7,629,074	\$3,279,088	\$3,609,891	\$740,095

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code. All investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, Federal Farm Credit Bank Bonds, Federal Farm Credit Bank Notes, and the mutual funds carry a rating of Aaa by Moodys. The U.S. Treasury Bills are fully guaranteed by the U.S. government. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy for credit risk beyond the requirements of State statutes. Ohio law requires that mutual funds consist exclusively of obligations described in division 1 or 2 on page 38 and must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim moneys it may invest in a particular security. The following table indicates the percentage of each investment to the City's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Mortgage Corporation	\$1,820,740	23.87%
Federal National Mortgage Association	1,065,828	13.97
Federal Home Loan Bank	1,368,215	17.93
Federal Farm Credit Bank	1,096,684	14.38

7. RECEIVABLES

Receivables at December 31, 2009, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; accrued interest, municipal income taxes; interfund; property taxes; payment in lieu of taxes; notes; and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, property taxes, notes, special assessments, and the allowance for un-collectibles related to utility services. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments, in the amount of \$13,664, will not be received within one year. Delinquent special assessments were \$639 at December 31, 2009.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

7. RECEIVABLES (Continued)

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant program. The loans have an annual interest rate of 5 percent and are to be repaid over twenty years. Principal, in the amount of \$3,257, was repaid during 2009. Notes outstanding at December 31, 2009, were \$51,867. Notes receivable, in the amount of \$48,443, will not be received within one year.

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

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Enterprise Funds</u>
Accounts Receivable	\$1,823,025	\$342,839	\$192,966	\$22,940	\$2,381,770
Less Allowance for Uncollectibles	(264,675)	(51,059)	(27,451)	(6,528)	(349,713)
Net Accounts Receivable	<u>\$1,558,350</u>	<u>\$291,780</u>	<u>\$165,515</u>	<u>\$16,412</u>	<u>\$2,032,057</u>

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Major Fund:	
General Fund:	
Property Tax Allocations	\$ 26,733
Local Government	209,026
Estate Tax	40,225
Lodging Tax	1,214
Fire Protection	27,269
Grants	18,260
Reimbursements	7,459
Mental Health Transport	776
Court Costs	122
Total General Fund	<u>331,084</u>
Non-major Funds:	
Street:	
Gasoline Tax	188,728
Motor Vehicle License Tax	65,310
Total Street	<u>254,038</u>
State Highway:	
Gasoline Tax	15,302
Motor Vehicle License Tax	5,295
Total State Highway	<u>20,597</u>
Parks and Recreation:	
Reimbursement	50
Police Pension:	
Property Tax Allocations	4,010
Fire Pension:	
Property Tax Allocations	4,010
Permissive MVL:	
Permissive MVL	2,094

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

7. RECEIVABLES (Continued)

	Amount
Indigent Special:	
Monitoring	700
Occupant Protection Reimbursement	8
Firefighters Assistance Grant	20,029
JAG Law Enforcement Grant	2,970
Community Development Block Grant	63,243
Boat Docks Grant	15,000
Johnson Avenue OPWC Grant	91,323
Total Non-major Funds	478,072
Total Governmental Activities	\$809,156
 Business-Type Activities:	
Electric	\$2,236
Water	1,686
Sewer	836
Total Business-Type Activities	\$4,758

8. MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 1 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. All income tax is credited to the General Fund.

9. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2007, were levied after October 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

9. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in 2009 (other than public utility property) represent the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Celina. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real property, public utility property, tangible personal property, and outstanding delinquent taxes which were measurable as of December 31, 2009, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue while the remainder of the receivable has been deferred.

The full tax rate for all City operations for the year ended December 31, 2009, was \$2.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category	Amount
Real Property	
Residential/Agricultural	\$129,229,750
Commercial/Industrial	38,883,720
Public Utility Property	
Real	9,186,376
Personal	414,710
Tangible Personal Property	295,290
Total Assessed Value	\$178,009,846

10. PAYMENT IN LIEU OF TAXES

According to State law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 1/1/2009	Additions	Reductions	Balance 12/31/2009
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 2,050,032			\$ 2,050,032
Land Improvements	7,646,203	\$ 426,078	(\$ 37,970)	8,034,311
Construction in Progress	214,658	2,937,128	(1,618,996)	1,532,790
Total Non-depreciable Capital Assets	<u>9,910,893</u>	<u>3,363,206</u>	<u>(1,656,966)</u>	<u>11,617,133</u>
Depreciable Capital Assets:				
Land Improvements	742,038	442,958	(145,932)	1,039,064
Buildings	305,477	45,904	(13,759)	337,622
Improvements Other than Buildings	1,687,227	19,546		1,706,773
Streets	11,256,966	161,357	(3,497,746)	7,920,577
Furniture and Equipment	709,816	28,693	(67,748)	670,761
Vehicles	2,335,547	52,775	(61,135)	2,327,187
Total Depreciable Capital Assets	<u>17,037,071</u>	<u>751,233</u>	<u>(3,786,320)</u>	<u>14,001,984</u>
Less Accumulated Depreciation for:				
Land Improvements	(245,164)	(27,787)		(272,951)
Buildings	(202,797)	(15,668)	12,383	(206,082)
Improvements Other than Buildings	(863,626)	(54,148)		(917,774)
Streets	(6,712,874)	(315,237)	1,568,475	(5,459,636)
Furniture and Equipment	(426,781)	(44,938)	62,380	(409,339)
Vehicles	(1,414,534)	(107,196)	61,135	(1,460,595)
Total Accumulated Depreciation	<u>(9,865,776)</u>	<u>(564,974)</u>	<u>1,704,373</u>	<u>(8,726,377)</u>
Total Depreciable Capital Assets, Net	<u>7,171,295</u>	<u>186,259</u>	<u>(2,081,947)</u>	<u>5,275,607</u>
Governmental Activities Capital Assets, Net	<u>\$17,082,188</u>	<u>\$3,549,465</u>	<u>(\$3,738,913)</u>	<u>\$16,892,740</u>

The Electric, Water, and Sewer enterprise funds purchased capital assets, in the amount of \$84,225, \$54,113, and \$187,052, respectively, and transferred them to governmental activities.

During 2009, the City donated a portion of the West Bank Walkway to the Ohio Department of Natural Resources, in the amount of \$145,932.

	Balance 1/1/2009	Additions	Reductions	Balance 12/31/2009
Business-Type Activities:				
Non-depreciable Capital Assets:				
Land	\$ 232,017	\$ 80,229		\$ 312,246
Construction in Progress	52,614	498,931	(\$457,941)	93,604
Total Non-depreciable Capital Assets	<u>284,631</u>	<u>579,160</u>	<u>(457,941)</u>	<u>405,850</u>
Depreciable Capital Assets:				
Land Improvements	207,823			207,823
Buildings	28,192,049	153,197		28,345,246
Electric, Water, Sewer, and Stormwater Lines	27,318,528	4,415,237	(141,972)	31,591,793
Furniture and Equipment	769,465	31,513	(10,663)	790,315
Vehicles	1,993,818	143,345	(40,307)	2,096,856
Total Depreciable Capital Assets	<u>58,481,683</u>	<u>4,743,292</u>	<u>(192,942)</u>	<u>63,032,033</u>

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

11. CAPITAL ASSETS (Continued)

	<u>Balance 1/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2009</u>
Less Accumulated Depreciation for:				
Land Improvements	(7,221)	(9,895)		(17,116)
Buildings	(14,589,690)	(507,313)		(15,097,003)
Electric, Water, Sewer, and Stormwater Lines	(11,387,515)	(2,402,304)	110,139	(13,679,680)
Furniture and Equipment	(439,054)	(50,909)	6,785	(483,178)
Vehicles	(1,216,924)	(136,227)	40,307	(1,312,844)
Total Accumulated Depreciation	<u>(27,640,404)</u>	<u>(3,106,648)</u>	<u>157,231</u>	<u>(30,589,821)</u>
Total Depreciable Capital Assets, Net	<u>30,841,279</u>	<u>1,636,644</u>	<u>(35,711)</u>	<u>32,442,212</u>
Business-Type Activities Capital Assets, Net	<u>\$31,125,910</u>	<u>\$2,215,804</u>	<u>(\$493,652)</u>	<u>\$32,848,062</u>

The Water, Sewer, and Stormwater enterprise funds received capital assets from governmental activities, in the gross amount of \$223,435, \$57,121, and \$3,731,940, respectively, net of accumulated depreciation in the Stormwater enterprise fund, in the amount of \$1,465,605.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property	\$ 60,548
Leisure Time Activities	95,945
Community Environment	2,746
Basic Utility Services	8,422
Transportation	378,145
General Government	19,168
Total Depreciation Expense - Governmental Activities	<u>\$564,974</u>

12. INTERFUND RECEIVABLES/PAYABLES

At December 31, 2009, the General Fund had an interfund receivable, in the amount of \$128,132; \$76,336 from providing cash flow resources to other governmental funds, \$41,661 from the Electric enterprise fund for the City's portion of the kilowatt hour tax, \$10,000 from providing cash flow resources to the Water enterprise fund, and \$135 from providing cash flow resources to the Sewer enterprise fund.

The Electric enterprise fund had an interfund receivable, in the amount of \$225,564. Of this amount, \$39,785 was for services provided by the Electric enterprise fund, in the amount of \$34 to the General Fund, in the amount of \$154 to other governmental funds, in the amount of \$25,986 to the Water enterprise fund, and in the amount of \$13,611 to the Sewer enterprise fund. During 2009, the Electric enterprise fund also provided loans to the General Fund, other governmental funds, and the Sewer enterprise fund, in the amount of \$80,890, \$64,889, and \$40,000, respectively. Of the \$225,564, \$77,580 is expected to be repaid within one year.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

13. RISK MANAGEMENT

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2009, the City contracted with the Ohio Government Risk Management Plan, an insurance purchasing pool, for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	\$44,190,530	\$1,000
Equipment	2,185,894	1,000
Electronic Data Processing	222,075	1,000
General Liability - Aggregate	7,000,000	
Public Official Liability - Aggregate	7,000,000	5,000
Law Enforcement Liability - Aggregate	7,000,000	5,000
Employee Benefits Liability - Aggregate	7,000,000	
Automobile Liability	5,000,000	

There has been no significant reduction in insurance coverage from 2008, and no insurance settlement has exceeded insurance coverage during the last three years.

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

B. Employee Medical Benefits

In 1985, the City established a Self-Insurance fund (an internal service fund) to account for and finance its uninsured risks of loss for employee medical, vision, and dental benefits. Under this program, the Self-Insurance fund provides coverage for up to a maximum of \$50,000 per year for each individual, with a \$2,000,000 aggregate coverage over the employee's life. The City purchased commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have exceeded this fund's coverage; however, these claims have not exceeded the stop loss coverage. Excess costs have been reimbursed by the stop loss insurance coverage.

All funds of the City participate in the program and make payments to the Self-Insurance fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The liability for unpaid claims costs reported in the fund at December 31, 2009, is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability was based on a review of all claims paid after the balance sheet date. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claim liability in 2008 and 2009 were:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

13. RISK MANAGEMENT (Continued)

	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Stop-Loss Reimbursement	Claims Payments	Balance at Year End
2008	\$310,550	\$795,516	\$468,532	(\$1,418,805)	\$155,793
2009	155,793	913,686	173,328	(1,118,982)	123,825

C. Workers' Compensation

For 2009, the City participated in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The intent of the Program is to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity redistribution" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to participants that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Program.

14. SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2009:

Vendor	Outstanding Balance
PFK Associates	\$43,059
Fanning/Howey Associates, Inc.	130,013
Shinn Brothers	172,611
Heyne Construction	214,164
Pax Excavation	494,170
Bruns Building and Development	308,639
Tumbusch Construction	303,734
Wellman Brothers	28,230
Floyd Browne Associates, Inc.	621
Tom's Construction	14,238
Rossmann Enterprises	16,082
ITT Water and Wastewater	10,800

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

15. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2009 was 14 percent of covered payroll. For 2009, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment health care plan from January 1 through March 31 and 5.5 percent was allocated from April 1 through December 31. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 was \$287,281, \$231,953, and \$263,195, respectively; 89 percent has been contributed for 2009 and 100 percent for 2008 and 2007. There were no contributions to the member-directed plan for 2009.

B. Ohio Police and Fire Pension Fund

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2009, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The City's required contribution for pension obligations for police and firefighters for the year ended December 31, 2009, was \$110,425 and \$151,049, for the year ended December 31, 2008, was \$107,673 and \$150,956, and for the year ended December 31, 2007, was \$100,937 and \$140,444. For 2009, 76 percent has been contributed for police and 77 percent for firefighters. The full amount has been contributed for 2008 and 2007.

16. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 7 percent of covered payroll from January 1 through March 31, 2009, and 5.5 percent of covered payroll for the remainder of the year.

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

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

16. POSTEMPLOYMENT BENEFITS (Continued)

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2009, 2008, and 2007 was \$207,726, \$231,953, and \$176,717, respectively; 89 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

B. Ohio Police and Fire Pension Fund

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

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

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

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

Funding policy - OPF's postemployment healthcare plan was established and is administered as an IRS Code Section 115 trust for health care benefits and an Internal Revenue Code 401(h) account for Medicare Part B reimbursements, both within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 115 trust and 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of sections 115 and 401(h).

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters for the year ended December 31, 2009, was \$58,460 and \$59,106, for the year ended December 31, 2008, was \$57,003 and \$59,070, and for the year ended December 31, 2007, was \$53,437 and \$54,956. For 2009, 76 percent has been contributed for police and 77 percent for firefighters. The full amount has been contributed for 2008 and 2007.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

17. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Upon retirement, employees are entitled to the value of their accumulated unused sick leave at varying percentages to a maximum of eighty to one hundred twenty days based on City policy and union contracts.

B. Health Care Benefits

Medical, vision, and dental insurance are provided to most employees through the City's self insurance program. The employees share the cost of the monthly premium with the City. The premium varies with employee depending on the terms of the union agreements or City policy.

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

18. SHORT-TERM OBLIGATIONS

The City's note activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance January 1, 2009	Additions	Reductions	Balance December 31, 2009
Governmental Activities:					
State Route 29 West Improvement					
November 5, 2009	3.8%	\$ 220,000		\$ 220,000	
November 3, 2010	1.5		\$ 208,000		\$ 208,000
Wayne Street Improvements					
November 5, 2009	3.8	110,000		110,000	
November 3, 2010	1.5		105,000		105,000
Grand Lake Road Improvement					
November 5, 2009	3.8	770,000		770,000	
November 3, 2010	1.5		662,000		662,000
Johnson Avenue Stormwater					
November 5, 2009	3.125		400,000	400,000	
November 3, 2010	1.5		350,000		350,000
SR 29 Stormwater					
November 5, 2009	3.125		660,000	660,000	
November 3, 2010	1.5		625,000		625,000
Eastview Park Restrooms					
November 5, 2009	3.125		350,000	350,000	
November 3, 2010	1.5		100,000		100,000
Main Street Reconstruction					
November 3, 2010	1.5		500,000		500,000
Buckeye Street Reconstruction					
November 3, 2010	1.5		500,000		500,000
Total Governmental Activities		\$1,100,000	\$4,460,000	\$2,510,000	\$3,050,000

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

18. SHORT-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>
Business-Type Activities:					
Water Tower					
November 5, 2009	3.8%	\$370,000		\$370,000	
November 3, 2010	1.5		\$350,000		\$350,000
Livingston Water Line					
November 5, 2009	3.8	210,000		210,000	
November 3, 2010	1.5		190,000		190,000
Total Business-Type Activities		<u>\$580,000</u>	<u>\$540,000</u>	<u>\$580,000</u>	<u>\$540,000</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies, or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds. All of the City's bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year.

The State Route 29 West Improvement, Wayne Street Improvements, Grand Lake Road Improvement, Johnson Avenue Stormwater, SR 29 Stormwater, Main Street Reconstruction, and Buckeye Street Reconciliation notes were issued for the replacement of infrastructure. The Eastview Park Restroom notes were issued to construct new restrooms within the park. The Water Tower and Livingston Water Line notes were issued for the construction of capital assets in the Water enterprise fund.

As of December 31, 2009, all of the note proceeds have been spent on the State Route 29 West Improvement, Wayne Street Improvements, Grand Lake Road Improvement, Johnson Avenue Stormwater, Water Tower, and Livingston Water Line notes. Note proceeds, in the amount of \$568,099, for the SR 29 Stormwater project, in the amount of \$26,278, for the Eastview Park Restroom project and, in the amount of \$140,763, for the Main Street Reconstruction project had been spent as of year end. None of the proceeds for the Buckeye Street Reconstruction project had been spent at year end.

19. LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2009, was as follows:

	<u>Interest Rate</u>	<u>Balance 1/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2009</u>	<u>Due Within One Year</u>
Governmental Activities:						
Revenue Anticipation Notes						
West Bank Walkway	5%	\$ 1,250,000	\$1,200,000	\$1,250,000	\$1,200,000	\$ 50,000
Rural Development Bonds						
2000 Rural Development	4.75	474,508		474,508		
General Obligation Bonds						
2009 Rural Development						
Refunding			467,000	10,888	456,112	22,378
Equipment Loan	4.63%	56,501		19,130	37,371	18,254
Compensated Absences Payable		281,903	188,569	42,392	428,080	124,218
Total Governmental Activities		<u>2,062,912</u>	<u>1,855,569</u>	<u>1,796,918</u>	<u>2,121,563</u>	<u>214,850</u>

(Continued)

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	<u>Interest Rate</u>	<u>Balance 1/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2009</u>	<u>Due Within One Year</u>
Business-Type Activities:						
General Obligation Bonds:						
2004 Electric Improvement	2-4.25%	1,660,000		400,000	\$1,260,000	400,000
Bond Premium		22,846		5,505	17,341	
2005 Waterworks Refunding	3 - 5	715,000		110,000	605,000	115,000
Bond Premium		19,346		2,976	16,370	
Accounting Loss		(66,989)		(10,306)	(56,683)	
2005 Wastewater Refunding	3 - 5	1,155,000		95,000	1,060,000	105,000
Bond Premium		49,069		4,036	45,033	
Accounting Loss		(86,898)		(7,147)	(79,751)	
Total General Obligation Bonds		<u>3,467,374</u>		<u>600,064</u>	<u>2,867,310</u>	<u>620,000</u>
Mortgage Revenue Bonds:						
1999 Wastewater Refunding	3.25-4.95	2,710,000		285,000	2,425,000	300,000
Bond Discount		(3,059)		(322)	(2,737)	
Accounting Loss		(251,882)		(26,489)	(225,393)	
Total Mortgage Revenue Bonds		<u>2,455,059</u>		<u>258,189</u>	<u>2,196,870</u>	<u>300,000</u>
Other Long-Term Obligations:						
OPWC Loans Payable		398,676		24,163	374,513	24,162
OWDA Loans Payable	3.25-4.99	6,412,833	118,785	238,662	6,292,956	246,482
Compensated Absences Payable		127,526	88,374	1,240	214,660	70,321
Total Other Long-Term Obligations		<u>6,939,035</u>	<u>207,159</u>	<u>264,065</u>	<u>6,882,129</u>	<u>340,965</u>
Total Business-Type Activities		<u>\$12,861,468</u>	<u>\$ 207,159</u>	<u>\$1,122,318</u>	<u>\$11,946,309</u>	<u>\$1,260,965</u>

A. Revenue Anticipation Notes

The City issued revenue anticipation notes in 2009, in the amount of \$1,200,000, to partially retire notes previously issued to provide funds for the acquisition of property and the construction and installation of the West Bank Walkway. The notes are payable from the revenues of the Grand Lake tax incremental financing district. As of December 31, 2009, all proceeds were spent. The notes matured on February 9, 2010.

B. Rural Development Bonds

The City issued rural development bonds in 2000, in the amount of \$580,000 and \$51,000, to provide funds for the acquisition of property for the development of an industrial park. These bonds are general obligations of the City for which its full faith and credit are pledged for repayment. The rural development bonds, in the original amount of \$51,000, were fully retired in 2006. The remaining rural development bonds were fully retired in 2009.

C. Governmental Activities General Obligation Bonds

On January 29, 2009, the City issued current refunding general obligation bonds, in the amount of \$467,000 to refund the remaining balance of the rural development bonds. The refunding general obligation bonds will fully mature in 2024. The bonds will be paid with transfers from the General Fund.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

D. Equipment Loan

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

E. Business-Type Activities General Obligation Bonds

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

In 2004, the City issued \$3,160,000 in general obligation bonds in the Electric enterprise fund. The bonds provided funds to construct and improve substations and electric lines within the City's electric system. These bonds will fully mature in 2012. The bonds will be paid from the Electric enterprise fund.

On April 1, 2005, the City issued general obligation refunding bonds in the Water enterprise fund, in the amount of \$1,145,000, to refund \$1,340,000 of 1994 Waterworks Mortgage Revenue bonds. These bonds will fully mature in 2014. The bonds will be paid from the Water enterprise fund. The refunded bonds were fully retired.

On April 1, 2005, the City issued general obligation refunding bonds in the Sewer enterprise fund, in the amount of \$1,530,000, to refund \$1,755,000 of 1993 Wastewater Mortgage Revenue bonds. These bonds will fully mature in 2018. The bonds will be paid from the Sewer enterprise fund. The refunded bonds were fully retired.

F. Mortgage Revenue Bonds

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

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

The bond indentures have certain restrictive covenants and principally require that bond reserves be maintained and charges for services to customers be sufficient to satisfy the obligations under the indenture agreements. In addition, special provisions exist regarding covenant violations, redemption of principal, and maintenance of properties.

Fund assets, whose use are restricted under the bond indenture to improvement and replacement and debt service requirements are presented as restricted assets on the statement of fund net assets. These assets are further segregated between those held by the City and those held by the trustee. Restricted assets relating to the mortgage revenue bond issue were as follows as of December 31, 2009:

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

	Restricted Assets
	Wastewater Refunding
Restricted Assets held by the City for:	
Revenue Bond Operations and Maintenance	\$47,206
Revenue Bond Renewal and Replacement	325,363
 Restricted Assets held by Fiscal Agent for:	
Revenue Bond Future Debt Service	486,730

The mortgage revenue bond issue contains optional redemption provisions that may be exercised by the City. The bonds may be called either in whole or in part in integral multiples of \$5,000. The date each bond issue may be called and the redemption prices, expressed as percentages of the principal amount redeemed, are set forth below:

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

The mortgage revenue bonds will be paid solely from the revenues of the Sewer enterprise fund. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the mortgage revenue bonds are \$2,425,000 and \$492,740 respectively. Principal and interest for the current year and total net revenues were \$414,590 and \$603,726, respectively.

G. OPWC Loans Payable

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

The OPWC loan will be paid solely from the net revenues of the Water enterprise fund. Annual principal payments on the loan are expected to require less than 100 percent of these net revenues in future years. The total principal remaining on the OPWC loan is \$374,513. Principal for the current year and total net revenues were \$24,163, and \$632,332, respectively.

H. OWDA Loans Payable

On April 11, 2005, the City obtained a loan from the Ohio Water Development Authority, in the amount of \$1,878,426, for the design of the granular activated carbon process. On August 13, 2007, the City increased this loan to include the construction of the granular activated carbon process system. The total loan amount was \$8,542,544.

The OWDA loans are to be repaid from the net revenues of the Water enterprise fund. Annual principal and interest payments on the loan are expected to require less than 100 percent of these net revenues in future years. The total principal remaining on the OWDA loan is \$6,292,946. Principal and interest for the current year and total net revenues were \$451,119 and \$632,332, respectively.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

I. Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds are the General Fund, the Street and the Recreation special revenue funds, and the Electric, Water, and Sewer enterprise funds.

The City's legal debt margin was \$15,152,315 at December 31, 2009.

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

Year	Governmental Activities			
	General Obligation Bonds		Equipment Loan	
	Principal	Interest	Principal	Interest
2010	\$ 22,378	\$ 21,704	\$18,254	\$1,767
2011	23,469	20,613	19,117	904
2012	24,560	19,522		
2013	25,810	18,272		
2014	27,067	17,015		
2015-2019	156,416	63,994		
2020-2024	176,412	21,857		
Total	\$456,112	\$182,977	\$37,371	\$2,671

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

Year	Business-Type Activities					
	Electric Improvement General Obligation Bonds		Waterworks Refunding General Obligation Bonds		Wastewater Refunding General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 400,000	\$46,300	\$115,000	\$24,035	\$ 105,000	\$ 47,482
2011	410,000	34,300	120,000	18,285	105,000	42,233
2012	450,000	16,875	115,000	14,085	105,000	38,557
2013			125,000	9,888	110,000	34,725
2014			130,000	5,200	115,000	30,600
2015-2018					520,000	66,250
	\$1,260,000	\$97,475	\$605,000	\$71,493	\$1,060,000	\$259,847

Year	Wastewater Refunding Mortgage Revenue Bonds		OPWC Loans	OWDA Loans	
	Principal	Interest	Principal	Principal	Interest
2010	\$300,000	\$116,623	\$ 24,162	\$ 246,482	\$ 204,637
2011	315,000	102,672	24,162	254,557	196,562
2012	330,000	87,868	24,162	262,898	188,221
2013	345,000	72,192	24,162	271,511	179,608
2014	360,000	55,633	24,162	280,407	170,712
2015-2019	775,000	57,752	120,811	1,546,015	709,582
2020-2024			120,811	1,816,432	439,164
2025-2028			12,081	1,614,654	125,112
	\$2,425,000	\$492,740	\$374,513	\$6,292,956	\$2,213,598

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

20. INTERFUND TRANSFERS

During 2009, the General Fund made transfers to other governmental funds, in the amount of \$920,304, to move receipts as debt payments became due and to subsidize various programs in other funds.

The Tax Increment Financing Fund made transfers to other governmental funds and the Water enterprise fund, in the amount of \$157,252 and \$20,102, respectively, for the repayment of debt and to provide additional funds for capital projects.

Other governmental funds made transfers to the General Fund and other governmental funds, in the amount of \$26,895 and \$5,500, respectively, to close out nonactive funds and to subsidize various programs in other funds.

The Stormwater enterprise fund made transfers to other governmental funds, in the amount of \$50,649, for the repayment of debt.

21. JOINT VENTURE

The City of Celina purchased capital stock of the Grand Lake/Mercer County Development Corporation (Corporation) in 1995. The Corporation was incorporated for purchasing land, developing land to entice new industries, and potentially constructing buildings to rent to interested industries. The Corporation is governed by a Board of Directors elected on an annual basis from the pool of current shareholders. The City does not currently sit on the Board of Directors.

The Corporation issued additional shares of capital stock in 1998 reducing the City's interest from 20 to 19 percent. The City's net investment and its share of the operating results of the Corporation are reported in the City's Electric enterprise fund. The Corporation has not accumulated significant financial resources nor is the Corporation experiencing fiscal stress that may cause an additional financial benefit to or burden on the City in the future. Complete financial statements for the Corporation can be obtained from Grand Lake/Mercer County Development Corporation, 112 West Main Street, Coldwater, Ohio 45828, or from the City Auditor's Office.

22. JOINTLY GOVERNED ORGANIZATIONS

A. Mercer County Community Improvement Corporation

The Mercer County Community Improvement Corporation (Corporation) was designated as an agency of Mercer County for industrial, commercial, distribution, and research development in Mercer County. The seventeen members of the Corporation consist of representatives from the County, the City, and villages within the county, along with additional appointments as established by the bylaws. The Corporation has not been in operation for the last few years; however, the Corporation is to receive land from the City of Celina for the benefit of a company. The Corporation adopts its own budget, authorizes expenditures, hires and fires staff, and currently relies on Mercer County to finance deficits. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS

B. Grand Lake/Mercer County Research Corporation

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

C. Mercer County Planning Commission

The City participates in the Mercer County Planning Commission (Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Mercer County, and the municipalities and townships within the County. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services within the County. Financial information can be obtained from the Mercer County Auditor, Courthouse, Celina, Ohio 45822.

23. INSURANCE PURCHASING POOLS

A. Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program

The City is a participant in the Ohio Municipal League City Equity Pooling Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

B. Ohio Government Risk Management Plan

The City participates in the Ohio Government Risk Management Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from the Ohio Government Risk Management Plan, 420 Madison Avenue, Toledo, Ohio 43204.

**CITY OF CELINA
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

24. CONTINGENT LIABILITIES

A. Litigation

The City is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2009, to December 31, 2009, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

25. SUBSEQUENT EVENTS

On February 9, 2010, the City issued revenue anticipation notes, in the amount of \$1,150,000, to retire notes previously issued to construct a walkway within the Grand Lake tax incremental financing district. The notes have an interest rate of 4.5 percent and mature on February 8, 2011.

On May 27, 2010, the City issued bond anticipation notes, in the amount of \$1,350,000, for reconstruction of Main Street from Lakeshore Drive to Fulton Street, including the removal and installation of streets, decorative sidewalks, curbs and gutters, sidewalks, underground electric lines, street lights, traffic signals, and pedestrian signals. The notes have an interest rate of 3.06 percent and mature on May 27, 2011.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Celina
Mercer County
PO Box 297
202 North Main Street
Celina, Ohio 45822

To the Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Celina, Mercer County, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 31, 2010, wherein we noted the City restated its Governmental Activities Net Assets as of January 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 31, 2010.

We intend this report solely for the information and use of the audit committee, management, and City Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

August 31, 2010

**CITY OF CELINA
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 5705.10(H) – Improper allocation of wages, fringe benefits, and other expenses to funds other than the general fund.	Yes	
2008-002	49 CFR Part 18.20(b)(2) – CFDA: 20.205 (Highway Planning and Construction Grant) – accurate accounting of receipts and expenditures.	Yes	



Mary Taylor, CPA
Auditor of State

CITY OF CELINA

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 28, 2010**