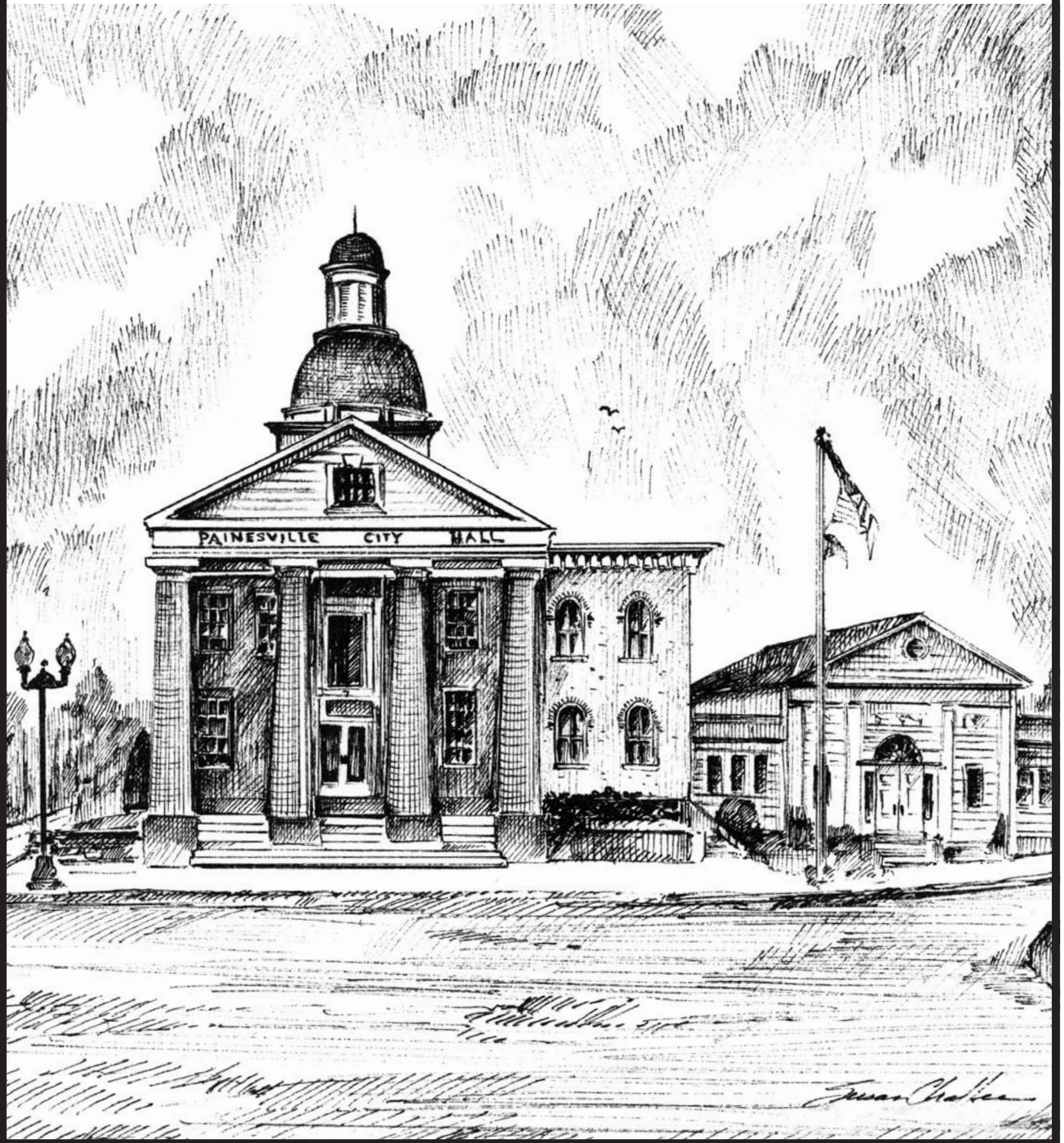


The City of Painesville, Ohio

*Comprehensive Annual Financial Report
for the Year Ended December 31, 2006*





Mary Taylor, CPA
Auditor of State

Honorable Mayor and City Council
City of Painesville
7 Richmond Street
Painesville, Ohio 44077

We have reviewed the *Independent Auditors' Report* of the City of Painesville, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

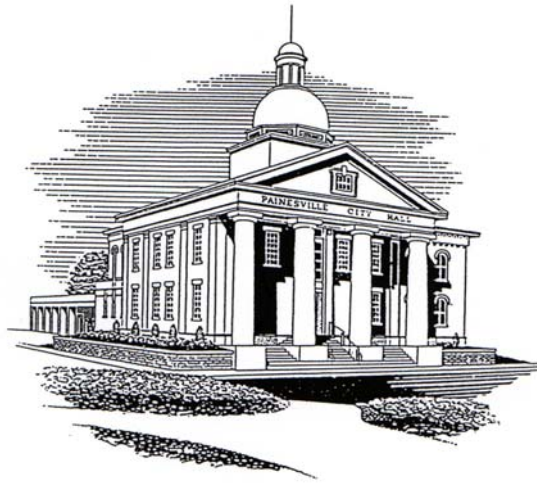
Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Painesville is responsible for compliance with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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 1, 2007

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Lake County, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

Prepared by the Finance Department

Timothy M. Petric
Director

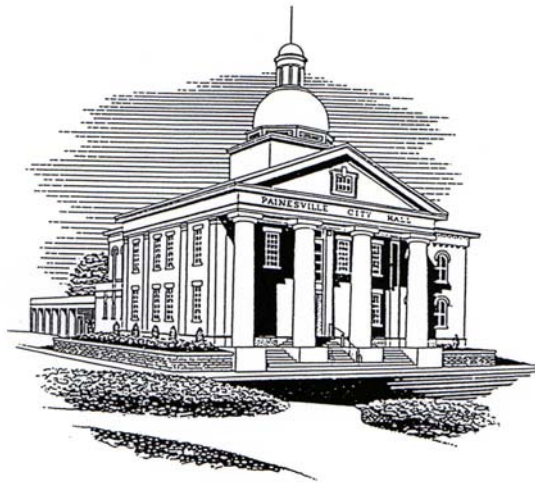


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LAKE COUNTY, OHIO

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Introductory Section





7 Richmond Street • P.O. Box 601 • Painesville, Ohio 44077 • 440.352.9301 • www.painesville.com

June 22, 2007

Honorable Members of Painesville City Council and
The Citizens of the City of Painesville, Ohio:

We are pleased to present this Comprehensive Annual Financial Report for the City of Painesville, Ohio for the fiscal year ended December 31, 2006. The report has been prepared in conformity with Generally Accepted Accounting Principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

While there is no legal requirement for the preparation of this report, it represents a commitment by the City of Painesville to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data, as presented, is accurate in all material respects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and includes all disclosures necessary to enable the reader to gain an understanding of the City's financial activity.

The Report

This Comprehensive Annual Financial Report (CAFR) is designed to assist and guide the reader in understanding its contents. The report is comprised of the following three major sections:

1. *The Introductory Section* includes this letter of transmittal which presents the City's organization, operational structure and accomplishments; an organizational chart; a list of principal elected officials; and a list of principal administrative personnel.
2. *The Financial Section* contains the City's General Purpose Financial Statements and explanatory notes thereto, the combining and individual fund financial statements and schedules, the Independent Auditor's Report and management's discussion and analysis.
3. *The Statistical Section* presents social, economic and historical data in a multi-year format which can be used to identify financial trends and data relative to the fiscal capacity of the City.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The City of Painesville's MD&A can be found immediately following the report of the independent auditors.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14 "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide financial benefit to or impose a financial burden on the City.

Based on the foregoing, the reporting entity of the City has no component unit but includes the following services as authorized by its charter: public safety (police and fire), health (health department), culture and recreation (parks and recreation), community environment (planning, zoning and community development), basic utility (water, electric, sanitation, public parking, wastewater pollution control and storm water), highways and streets (street and highway maintenance), and general government.

Certain organizations, although sharing some degree of name similarity with the City, are separate and distinct entities, not only from the City, but also from each other. The City is not financially accountable for these entities. Due to their independent nature, the following organizations are not part of the City of Painesville's reporting entity and are excluded from the City's financial statements:

The Painesville City Local School District and Painesville Township School District (the "Districts") are distinct governmental entities, independent of the City and one another. The members of boards of the Districts are elected by the voters. The Districts each represent a body both political and corporate and the City is not financially accountable for the Districts.

Painesville Township is a separate and distinct political subdivision governed by a Board of Trustees elected by the residents of the township. The City is not financially accountable for this legally separate organization.

The History of the City

The City of Painesville was incorporated as a town on February 11, 1832, reclassified as an incorporated village in 1852 and became a city in 1903. The City became a home rule municipal corporation operating under the laws of the State of Ohio in 1962. The City's current Charter has been amended four times since its original adoption. The State Constitution prevails when conflicts exist between the Charter and the Constitution and in matters where the Charter is silent. The City's Charter can only be amended by a majority of the City's voters.

Painesville is located approximately 35 miles east of the City of Cleveland in northeastern Ohio. It is the county seat for Lake County and is the fourth largest city, based upon population, within the County. According to the 2000 Census, Painesville is the 97th largest city in the State. Some of the City's major transportation arteries include State Routes 2, 44, 84 and 86, U. S. Highway 20 and Interstate Highway I-90. Lake Erie College, a private four-year college with an enrollment of approximately 900, is located near the center of the City.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The Management

The Council-Manager form of government is established by the Charter. The legislative power of the City is vested in a Council of seven members who are elected on a non-partisan basis for a term of four years. Four of the members are elected from wards and their current terms expire on December 31, 2007; the remaining members are elected At-Large and their current terms expire on December 31, 2009. The chief executive power of the City is vested in the City Manager who is appointed by the City Council. The Director of Finance and Law Director, as well as other administrative directors, are appointed by the City Manager, with the affirmation of City Council.

The Painesville Municipal Court provides judicial services for the City of Painesville. The jurisdiction of the court, as established by the Ohio Revised Code, encompasses the east side of Lake County. The Court serves the following communities: Concord Township, Fairport Harbor Village, Grand River Village, Leroy Township, Madison Township, Madison Village, North Perry Village, Painesville Township, Perry Township and Perry Village.

Services Provided

As authorized by its Charter and codified ordinances, the City provides a full range of municipal services that include police and fire protection, emergency medical service, street construction, maintenance and repair, recreation and cultural activities, cemeteries, municipal court, community development, economic development, public improvements, planning and general administrative services. The City does not operate hospitals or schools, nor is it responsible for public assistance programs.

The City also operates seven enterprise activities: a water system, sanitary sewer system, storm water system, electric system, refuse, off-street parking facilities and a community program activity. These activities are accounted for in separate enterprise funds. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City's enterprise activities are not subject to rate review or determination by the Public Utilities Commission of Ohio or any similar regulatory body. The City's Council has the necessary authority to establish and amend appropriate user rates as required. The rates are monitored on an on-going basis to insure their adequacy. Responsibility for the frequency and amount of rate change lies solely with the City Council.

The Organization

The municipal government consists of four chartered departments and one office. Four departments were created at the direction of City Council. A director who is appointed by and reports directly to the City Manager heads each department. All directors work closely with the City Manager in providing the citizens of Painesville with the highest quality of services while maintaining efficiency and cost effectiveness.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The Department of Public Safety consists of two divisions: Police Division and Fire Division. The Police Division enforces local, state, and federal laws in addition to protecting citizens and their property. Most recently, the division has taken a more community oriented policing approach that has met with great success. Numerous programs are offered to citizens. The division is headed by the Police Chief. The Police Division is located in a separate section of City Hall. The Fire Division provides fire protection and emergency medical services to citizens, as well as placing strong emphasis on community involvement and education. The Fire Chief heads the division. A Fire Prevention unit focuses on the reduction of potential fires and loss of property within the City. The fire station is a separate section of City Hall.

The Department of Public Service is comprised of three divisions and two enterprise activities administered by a director. The Public Works Division is responsible for the maintenance of all City vehicles, all non-contractual street repairs, snow and ice removal, leaf and yard waste pick-up and maintenance of storm and sanitary sewers. The Parking Division is in charge of installation, removal, maintenance of the City parking meters including collection and deposit of all monies from the meters. This division is also responsible for striping, cleaning and plowing snow from off-street parking areas. The Traffic Division consists of the fabrication and installation of regulatory, warning and informational signage within the City. This division is also responsible for the striping of traffic lanes, edge lines and parking stalls on the City streets. The enterprise functions within the Department of Public Service consists of the general operational maintenance of the parking garage (Off-Street Parking) and a storm water utility. The Off-Street Parking operation is sustained through a user-fee for hourly and monthly parkers as well as merchant validations for surrounding businesses. The Storm Water Division is responsible for the management and monitoring of the general maintenance of the storm water system of the City. This division is also responsible for providing long-range planning for the infrastructure improvements for the overall system. The operation of the Storm Water Utility is a part of the Public Works Division.

The Department of Finance is responsible for the accurate recording of all receipts and disbursements. The department also maintains the fixed asset system. The department compiles the Annual Budget, and prepares the Comprehensive Annual Financial Report for residents, and assists the City Manager in all financial decisions.

The Department of Law advises Council, the City Manager, and all departments on legal matters concerning the City. The department prepares or reviews all contracts, legislation, and legal documents.

The City Manager's Office was established to ensure that the policies of City Council are followed and implemented by all of the City employees. There are several functions managed and maintained under the umbrella of this office. Community and public relations is managed through this office for the entire City. The retention, expansion and attraction of businesses to the City of Painesville are coordinated through the Economic Development activities in this office. The information technology management and maintenance is coordinated through this department.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The four departments created by City Council are the Recreation and Public Lands Department, the Human Resources Department, the Community Development Department, and the Department of Utilities. These departments are outlined below:

The Recreation and Public Lands Department provides numerous courses and programs throughout the year. This department provides a diverse range of leisure activities and services to improve the quality of life within the community. The Division of Parks within this department maintains the publicly owned parks and facilities of the City. The Cemetery Division is a non-profit enterprise activity that provides for the daily operation and maintenance of eighty-four acres of cemetery properties and their amenities.

The Human Resources Department furnishes consistent and timely guidance to management and employees in all human resource functions including retirement, employee enhancement, employee orientation, development and training and labor relations. This department ensures compliance with established policies and procedures, labor contracts and employment laws. The department also handles all personnel matters, including health insurance.

The Community Development Department is responsible for implementing plans and programs that promote the comprehensive and orderly development of the City. The department works in conjunction with the Planning Commission and the Board of Zoning. This department is responsible for interpreting and enforcing all building codes in the City. The department issues permits and citations, conducts site inspections, and licenses all contractors. This department was reorganized in 2006 to include the engineering function. The engineering division must insure that all contractors working in Painesville meet the general engineering requirements of the City. Engineering controls the review and implementation of plans and programs relating to the City's infrastructure.

The Department of Utilities consists of three divisions that are individually operated utility systems—Water, Water Pollution Control, and Electric. The Water Division consists of the plant and a water distribution system. The Water Division provides the highest quality service in a timely, safe and reliable manner to its customers. The Water Pollution Control Division consists of the wastewater treatment plant. The collection and transmission is maintained by the Department of Public Services as noted above. The goal of this division is to efficiently operate and maintain the wastewater treatment facility. The Electric Division consists of the plant and an electric distribution system. The Electric Division provides adequate, reliable and economical power to its customers in an efficient and professional manner.

Basis of Accounting

The basis of accounting used by the City are in conformity with GAAP as applicable to governmental units and are consistent with GASB Section 1600, "Basis of Accounting," except for accounting used for budgetary purposes. All governmental funds are accounted for using a flow of current financial resources measurement focus. The modified accrual basis of accounting is utilized for the governmental funds. Revenues are recognized when they are susceptible to accrual, both measurable and available. Expenditures are recognized when the related liability is incurred, except for the interest on long-term debt which is recorded when due.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The measurement focus for the City’s proprietary and private-foundation trust funds is on “economic resources.” All assets and all liabilities associated with the operation of these funds are included on the balance sheet. The accrual basis of accounting is used for the proprietary and private-foundation trust funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses when they are incurred.

The City’s basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual, and encumbrances are recorded as expenditures rather than as reservations of fund balances. A reconciliation of the results of these two methods appears in Note 1.

ECONOMIC CONDITION AND OUTLOOK

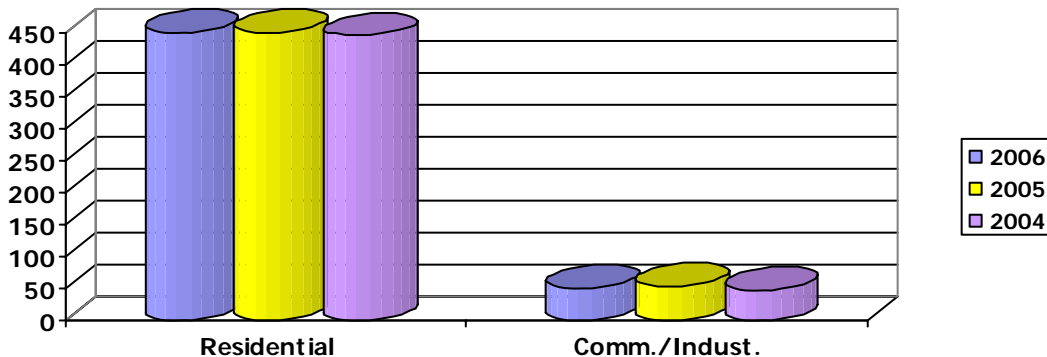
Local Economy

Residential, industrial and commercial economy has grown considerably over the past years resulting in several new subdivisions, offices and retail spaces in the City of Painesville. At present, the City’s has hundreds of acres of land available for development.

The City of Painesville began in 2003 to reap the benefits of its hard work in economic and community development. The City experienced substantial residential growth from the ten new subdivisions under construction or completed during 2004; In 2006 nine subdivisions were continuing development and expansion of the City. The chart below provides a summary and comparison of the number of permits issued for the last three years. Multi-family and single-family residential building permits increased from the previous year as noted in the chart below. The City anticipates continued growth in the level of activity in commercial, industrial, and residential construction. The City is expecting continual interest in economic and community development in the years to come. Building permit valuations increased as the first two of five new City schools began construction in 2006.

Comparison of Permits Issued

Category	2006	2005	2004
Residential	520	451	444
Commercial/Industrial	51	54	47



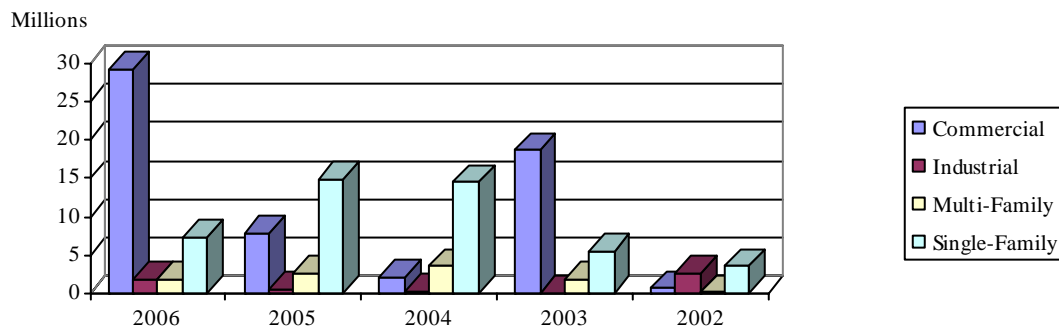
CITY OF PAINESVILLE, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2006**

Building Permit Valuations

Category	2006	2005	2004	2003	2002
Commercial	\$29,260,700	\$7,937,450	\$2,169,286	\$18,639,766	\$677,450
Industrial	1,802,084	551,000	315,700	122,836	2,577,000
Multi-Family	1,800,000	2,700,000	3,515,000	1,890,000	150,000
Single-Family	<u>7,253,027</u>	<u>14,839,553</u>	<u>14,445,603</u>	<u>5,553,151</u>	<u>3,537,296</u>
Totals	<u>\$40,115,811</u>	<u>\$26,028,003</u>	<u>\$20,445,589</u>	<u>\$26,205,753</u>	<u>\$6,941,746</u>

Comparison of Building Permits



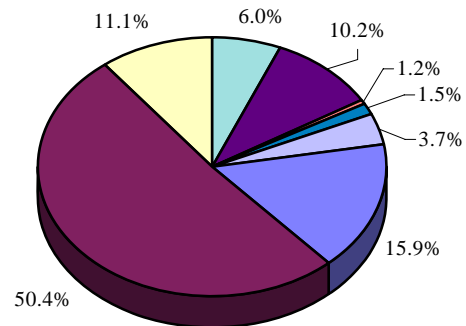
Unemployment in Lake County was lower than the state and slightly higher than national levels during 2006. The unemployment rate for Lake County decreased by .5% below the 2004 rate of 5.2%. Listed below are the respective unemployment rates for the county, state and nation as of December 31, 2006:

Lake County	4.7%
Ohio	5.6%
United States	4.5%

Local Business

The City of Painesville has 596 businesses which employ approximately 6,529 workers in all sectors of the economy. The percentage of businesses by sector breakdown is as follows:

Sector	Businesses	Percentage of Total
Retail	95	15.9%
Service	300	50.4%
Manufacturing	66	11.1%
Construction	36	6.0%
Finance, Insurance and Real Estate	61	10.2%
Other	7	1.2%
Wholesale	9	1.5%
Government	22	3.7%
Total	596	100.00%



***Letter of Transmittal
For the Year Ended December 31, 2006***

The largest business sector of the City is the service sector at 50.4% of all businesses in the City of Painesville. The remainder of the business composite is retail at 15.9%, Manufacturing at 11.1%, Finance, Insurance and Real Estate at 10.2%, Construction at 6.0 %, Government at 3.7% and Wholesale and Others at 2.8%.

The Economic Development Department has been aggressively working on business retention and expansion this past year. Through a business retention and expansion survey on our largest employers and largest energy users we have identified over the next three years substantial growth in our largest industries. The projected investment from our Key Account businesses is over \$8 million in capital investment, more than 192 new jobs and more than 124,000 sq. ft in expansions.

This past year our business retention and expansion efforts resulted in 79 new jobs, over \$2.5 million in capital investment and an additional 20,080 sq. ft in facility expansions.

Listed below are new businesses, which have opened in or relocated to the City of Painesville during 2006. The City of Painesville has taken a very aggressive approach with its economic development programs and is making a concerted effort to acquaint new businesses with the advantages of locating in the City of Painesville.

- Mike Brown Customs
- Weekend Pass
- Lakeview Industries
- Excalibur Coatings
- Jay Custom Detailing
- Jeanne Dillon Tax Service
- Allstate Insurance
- The Roller Palace
- Flying V Enterprise
- Hendershot Consulting Group
- North Shore
- The Original Taco
- Capital Choice Financial
- Kayzie Inc.
- Painesville Flooring
- Janco Industries
- Jackson Hewitt Tax Services
- Pizza Pan
- McGroarty Enterprises

The business growth in the City of Painesville is a direct result of the Economic Development Offices focus on business retention, expansion and attraction. The office is aggressively working to attract commercial, retail and manufacturing companies into various city wide developments including a business center and a business parkway. In addition to marketing those developments the City is focusing on the Ohio Main Street Approach to economic restructuring for the downtown retail and commercial district.

Business connections and communication are also very important to the City of Painesville. This past year we have been working on new marketing initiatives for each of our events that focus on collaboration between business and residents of the area. These efforts have been placed on the Business Networking Breakfasts, Art in the Park, Taste of Painesville, Painesville Holiday Open Houses, and the Annual Business Appreciation After-Hours. In addition, we publish a quarterly "Work For Business" newsletter which is sent to each city business. This newsletter details new projects, new businesses and other on-going community events that are focused around the Painesville Business Community. New this past year a monthly e-mail news update has also been distributed to a majority of business owners; this is another effort to keep ongoing communication with the City business community.

***Letter of Transmittal
For the Year Ended December 31, 2006***

MAJOR INITIATIVES

Current Year Projects

The City Wide goals are the primary factor used in making determinations of the appropriateness of increased expenditures in any given budget year. The mission of the City of Painesville, City Council and City employees is to enhance and improve the quality of life and growth in the community by providing the highest level of service in an efficient and cost effective manner. In 2006, amidst the challenge of having to deal with a nationally noted flood, the City continued to uphold that mission by expanding and improving services, upgrading and constructing infrastructure, and enhancing public grounds and facilities.

During the year, vehicles were acquired by the Department of Public Works, Community Development, Utilities and Water Department to enhance the overall operational effectiveness and readiness of the City. To maintain the public safety, the Police Department also replaced three patrol cars.

The Department of Public Works acquired several items of equipment including an asphalt compactor, vibration drum and a pneumatic compactor in helping to maintain its goal of placing six tons of asphalt daily.

To ensure operational efficiency and to maintain public safety, the Fire Department upgraded and replaced six desktop computers and acquired two laptop computers for the rescue squads. The City also acquired backup server equipment for the Information Technology Department.

The Department of Public Works played a major role in cleanup operations as a result of the flood previously mentioned. In addition to assisting in the removal of residents from flooded areas, they also assisted Water Distribution and Water Pollution Control personnel in pumping out basements throughout the affected areas including the hard-hit Millstone/Gristmill areas. Furthermore, Public Works also took charge of debris cleanup and accomplished this formidable task in record time. Public Works also instituted a 3rd shift which enabled them to respond more quickly to snow emergencies while incurring less overtime costs. Public Works also entered into its second year of intensive sanitary sewer maintenance program. In 2006, Public Works along with the Department of Recreation began a program to maintain most City vehicles (with basic maintenance) resulting in substantial savings to the City.

The Department of Recreation and Public Lands aided in the evacuation and established a shelter at Harvey High School while operating and managing shuttle bus service for the victims of the July 28 flood. The Department also took part in the flood cleanup, repairs and rebuilding which included the roadway improvements at Riverside Cemetery, the replacement of tennis courts and improvements to infields at Kiwanis Recreation Park.

The Building Maintenance Division contracted the installation of an overall Energy Conservation Project at the City Hall Complex which included the installation of a new HVAC System at the City Hall Complex as well as various repairs and the exterior painting at City Hall.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The Department of Utilities undertook several projects. The Water Division, under the direction of a new director as the result of a retirement, replaced a four inch and a six inch water main on Argonne Dr. and Owego Street respectively with eight inch water mains. In addition, the Department also performed lead and copper sample monitoring as required by Ohio E.P.A. Other projects included painting the interior of the Chestnut Street water tower and all fire hydrants within Corporation limits. At the Water Treatment Plant, new turbidity meters were installed and the entrance drive was resurfaced. The Electric Plant completely rebuilt #1 and #2 Cooling Towers after their collapse. The Electric Department also installed underground infrastructure in Liberty Greens (energizing phases 2 and 3), completed installation of underground infrastructure in Heisley Park (phases 6, 7 and 8), energized the first three buildings in Cobblestone Apartments, completed construction of underground facilities in phase 2 of the River's Edge subdivision and installed and energized underground facilities in the first phase of the new Azalea Ridge allotment in Perry. Additionally, work at the Electric Plant included the replacement of tubes in the #5 turbine condenser and major repairs to the #4Boiler and Air Heater.

The July flooding required a massive effort by Water Pollution Control Plant personnel to maintain sewerage system and plant operations. Flooding of the Recreation Park Pump Station halted pumping operations for nearly two days. Despite this setback, various projects were undertaken at the Water Pollution Control Plant. The greenhouse construction for the removal of trapped water from the belt pressed biosolids was nearly completed. The replacement of existing aeration diffuser stones was completed and placed into operation while the engineering and bidding of the replacement of the Sodium Hypo chlorination equipment was also completed

Various improvements to the infrastructure took place throughout 2006. The fifth year of an annual paving program was completed. The 2006 program included resurfacing the following streets: Fairlawn Avenue, Forest Drive, Owego Street, High Street, Wickland Street, Tinker Avenue, West South Street and Miller Court. In addition, storm sewer work was also completed on Chester Street and Miller Court. Community Development Block Grants (CDBG) helped fund the repairs and replacing of sidewalks on West Eagle Street and the cleaning and repairing of approximately 2,400 lineal feet of existing sanitary sewer pipe at select locations along Mentor Avenue and Jackson Street. The City, in cooperation with the Ohio Department of Transportation continued to resurface SR 84/86 within City. In cooperation with The Ohio Public Works Commission, the City resurfaced Chester Street from Fairlawn Avenue to North State Street in late fall 2006. Also, in 2006 engineering work was begun on the replacement of the Elm Street water line.

Future Projects

Numerous projects are planned for 2007. General Fund operations are projected to have limited expenditures focusing on needed improvements to enhance operations. Three new Police cars will replace retired vehicles while the Fire Departments will purchase a new specialty rescue vehicle to replace an existing until as well as a Class 2 fill station for oxygen cylinders.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The Public Works Division will continue the street asphalt overlay program and several major street resurfacings in 2007. The City will resurface St. Clair south of Walnut, Parkview Drive, N. State from Hein to Elm Lawnview, Chardon and Crescent. Parking lot improvements will be done at the Water Pollution Control Plant. New Traffic Signals will be installed at Chestnut and Cedarbrook along with Liberty and Kensington. The storm water fund will support several projects in both construction and engineering this year including storm sewer installation on Steele Avenue and Grand River Avenue with pavement improvements. Ninety feet of sanitary sewer will be repaired on Nelson Street. The engineering and design on the Jackson/44 interchange upgrade will continue to be funded by ODOT. The Public Works Division will proceed with a traffic signalization project at Cedarbrook and Chestnut, and Liberty and Kensington and will also replace 2 trucks as part of their truck replacement program, a trailer for departmental use and will replace the Service Director's automobile with a 4 wheel drive type vehicle.

As part of the City's overall emphasis on energy efficiency, substantial investments in capital are planned at the Water Plant and Water Pollution Control Facility totaling over \$7 million over a two year period. In addition to the purchase of two pickup trucks, equipment purchases and plant upgrades for energy efficiency at the Water Plant totaling approximately \$4 million will be made in 2007 and 2008 while the Water Pollution Control Facility will spend funds to asphalt the parking lot at the plant with the \$3 million expenditure being made in 2008.

The Public Lands Department will purchase a plow truck and pickup truck as replacements.

Also planned is the teardown and rebuild of the #3 Cooling Tower and expenditures for MACT Compliance to meet new air pollution standards to meet E.P.A regulations. The Electric Division will replace a derrick digger line truck.

Major improvements and projects in the Electric Division are focusing on the distribution system to maintain reliability they include: upgrading the backup transformer at the substation to a 60 MVA, land acquisition for a second substation, purchase of additional equipment for the underground electric in the new developments, replacement of a forestry bucket truck in distribution and several continued improvements to the Electric Plant's operating components including the insurance inspection of the turbine generator #3.

MANAGEMENT PRACTICES

Internal Control

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The Finance Department is committed to strengthening internal controls to assure the safeguarding of assets and to provide reasonable assurance that all financial transactions are properly recorded. A capital asset software system allows for detailed reporting and analysis. Individual departments performing an annual inventory and working with the Finance Department to assure accuracy and accountability as well as an independent appraisal done periodically to value and insure the existence of capital asset within the City.

Budgetary System

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and in the City Charter. With the assistance of the Finance Director, the City Manager may submit to Council, a temporary appropriation ordinance to control expenditures for passage on or about January 1 of each year for the period January 1 through March 31. By charter, the City Manager must submit an annual appropriation ordinance, for the period January 1 through December 31, to City Council by March 31 of each year. The appropriation ordinance establishes spending controls at the fund, program and object level. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds.

The City maintains budgetary control on a cash basis by department for personal services, materials and supplies, other services and charges, utilities, other operating charges, capital outlay, debt service, and other financing uses. Estimated expenditure amounts must be encumbered prior to release of purchase orders to vendors or finalization of other contracts. Encumbrances which would exceed the available appropriation level are identified on an ongoing basis and are not approved or recorded until City Council authorizes additional appropriations or transfers. Unencumbered appropriations lapse at the end of each calendar year. As an additional control over expenditures, the City's Purchasing Policy requires that all contracts in excess of \$25,000 (changed \$15,000 to \$25,000 beginning in October 2006) shall be authorized and directed by ordinance of City Council.

The City compiles its Annual Budget in document form. The budget presents anticipated revenues and expenditures by fund and department by category with additional supporting documentation that explains the budgetary process and individual departmental goals. The budget is submitted to the Government Finance Officers Association (GFOA) and has received the Distinguished Budget Presentation Award for 2002, 2003, 2004 and 2005.

Accounting System

The City uses automated governmental accounting software developed and licensed by Civica CMI, Inc. This software controls budgetary accounting, payroll, utility billing, and capital assets. In 2003 the Finance Department purchased a new mainframe computer and updated software on all modules by September 2004.

The City's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Generally accepted accounting principles determine the type of funds used. Prudent financial administration determines the number of individual funds established.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The City maintains records on a budgetary basis for all fund types. After year end closing, adjusting entries are prepared for the various funds to convert the budgetary basis records to the modified accrual basis of accounting for all governmental fund types and to the accrual basis of accounting for the proprietary fund types. The fund statements are then converted to entity-wide financial statements, and classified as either governmental or business-type activities, using the accrual basis of accounting. Modified accrual basis accounting requires that revenues be recognized when both measurable and available. Expenditures are recorded as fund liabilities when incurred, except for interest on long-term debt which is recorded when due. The accrual basis of accounting recognizes revenues when earned and expenses when incurred. A more detailed explanation of the basis of accounting for the various funds is included in the Notes to the Basic Financial Statements, located in the Financial Section of this report.

Debt Capacity

The City is well within statutory limitations for both voted and unvoted debt. The computation of the legal debt margins at December 31, 2006 is included in the Statistical Section of this report, along with other related computations and ratios relevant to the City's note and bonded debt. The City currently has no general obligation bonded debt supported by property taxes.

Cash Management

The investment and deposit of City monies is governed by the provisions of the Charter and Codified Ordinances of the City. The appropriate sections of the City Code are reviewed annually for compliance and to assure the flexibility necessary to effectively manage the City's investment portfolio.

Effective cash management is recognized as essential to good fiscal managements and is a vital component in the City of Painesville's overall financial strategy. The City's investment portfolio is designed and managed in a manner responsive to the public trust and consistent with state and local statutes.

Investments are made on the basis of the following list of objectives, which are listed in the order of importance:

1. Security of City funds and investments.
2. Preservation of capital and protection of principal.
3. Maintenance of sufficient liquidity to meet operating needs.
4. Diversification of investments to avoid unreasonable or avoidable risks.
5. Maximization of return on the portfolio within the above constraints.

The City is generally restricted (after quotations are obtained) to investing in certificates of deposit, savings accounts, money market accounts, the State Treasury Asset Reserve (STAR Ohio), obligations of the State of Ohio and obligations of the United States government or certain agencies thereof.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Risk Management

The City has taken a very proactive approach in addressing the daily operations of the municipality, which is reflected in its insurance protection package and the favorable loss experience. Deductible levels for the various policies have been selected so as not to expose the City to excessive “first dollar” loss in the case of a claim. In the property damage area, deductibles are maintained at \$5,000 per occurrence, \$1,000 for electronic data processing equipment and \$100,000 for electric plant equipment. In the professional liability areas, no deductible exceeds \$10,000. Public officials and law enforcement employees are covered under separate policies and have aggregate limits of \$5,000,000. A synopsis of insurance is presented in the Statistical Section of this report. In 1992, Painesville applied and was accepted into the States Workers’ Compensation Retrospective Rating Plan. Under the terms of the plan, the City will initially pay a minimum premium (a fraction of the premium it would pay as an experience-rated risk), while accepting responsibility for reimbursing workers’ compensation claims as they come due, up to an aggregate and specific stop/loss limit. The City expects to realize a reduction in workers’ compensation costs through this plan. In 1993, the City established a new internal service fund to account for workers’ compensation. The City continues to reenter the retrospective rating program rather than pay the standard worker’s compensation assessment which is calculated as a specified rate per \$100 of payroll. An analysis of the retrospective program versus the standard program yielded a greater benefit based on lower cost in the retrospective program. The City will continue to monitor the costs and benefits of both programs.

OTHER INFORMATION

Independent Audit

Under federal law, the City is required to have an audit performed every year. The accounting firm of Ciuni & Panichi, Inc. performed the 2006 audit. The independent auditors’ unqualified report has been included in this report. The Administration plans to continue this audit procedure as required by law as part of the preparation of its CAFR. The annual audit and management letter submitted by the independent public accounting firm provides information to the City to enable it to maintain and strengthen the City’s accounting and budgeting controls.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Painesville, Ohio for its Comprehensive Annual Financial Report for the year ended December 31, 2005. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement represents a significant accomplishment by a governmental unit.

***Letter of Transmittal
For the Year Ended December 31, 2006***

A Certificate of Achievement is valid for a period of one year. Painesville has received a Certificate of Achievement for the last nineteen consecutive years, fiscal years ended 1987 – 2005. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting the report to the GFOA to determine its eligibility for another certificate.

Public Disclosure

The publication of this Comprehensive Annual Financial Report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to its citizens. In addition to the citizens of Painesville, the recipients of this report include city, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization requesting it. The extensive effort to prepare and distribute this report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

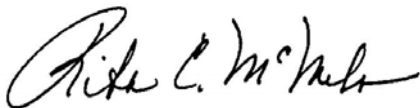
Acknowledgements

We would like to thank the staff and extend special recognition to all members of the Finance Department and related departments within the City who assisted with the preparation of the Comprehensive Annual Financial Report and annual independent audit.

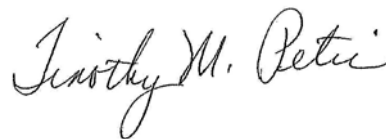
Special thanks are also due to Donald J. Schonhardt, President, Donald J. Schonhardt & Associates, Inc., Columbus, Ohio, and the members of his staff for their efforts in converting the City's budgetary basis accounting records to the generally accepted accounting principles (GAAP) basis. In addition, we would like to express appreciation to the firm of Ciuni & Panichi, Inc. as auditors, for their assistance and review during this project.

In closing, without the leadership and support of the Painesville City Council, preparation of this report would not have been possible.

Sincerely,



Rita C. McMahon
City Manager



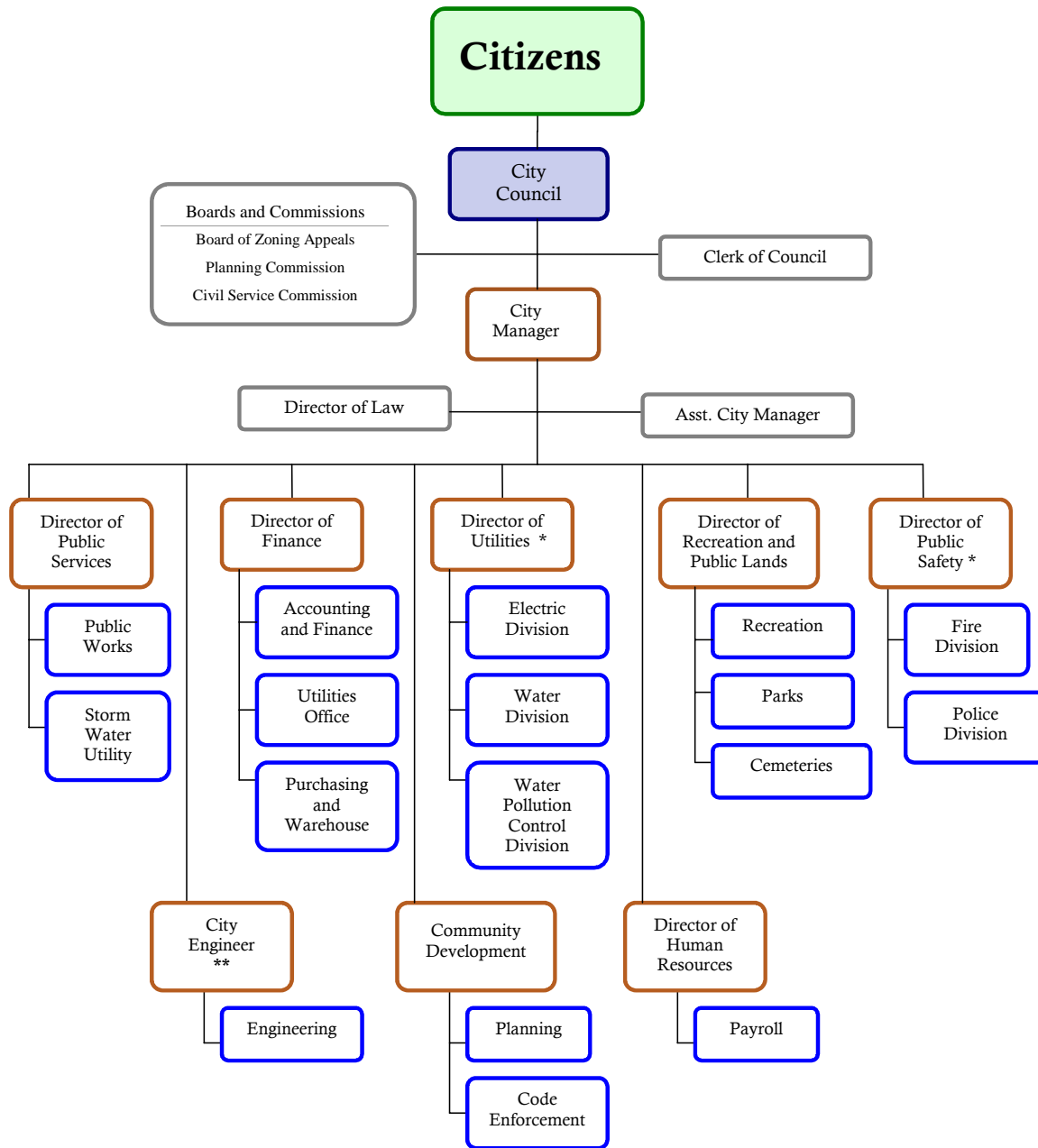
Timothy M. Petric
Director of Finance

CITY OF PAINESVILLE, OHIO

List of Principal Officials For the Year Ended December 31, 2006

Name	Title	Position	Years of Municipal/Governmental Service			
			City	Other Municipal/ Governmental Service	Total Public Service	
CITY COUNCIL						
William Horvath	President (Ward 2)		4.0	11.5	0.0	11.5
Robert Fountain	Vice President (Ward 3)		4.0	11.0	0.0	11.0
Abby DelaMotte	Council Member (at Large)		17.0	17.0	25.0	28.0
Paul W. Hach II	Council Member (Ward 4)		3.0	3.0	0.0	3.0
Andrew Flock	Council Member (Ward 1)		11.5	11.5	0.0	11.5
Joseph Hada, Jr.	Council Member (at Large)		25.0	25.0	0.0	25.0
Arlene L. Becks	Council Member (at Large)		5.0	5.0	0.0	5.0
Jennifer Bell	Clerk of Council		5.2	5.2	4.2	9.4
CITY ADMINISTRATION						
Rita C. McMahon	City Manager		9.5	14.5	9.5	24.0
Douglas R. Elliott, Jr.	Assistant City Manager		0.5	0.5	29.0	29.5
Timothy M. Petric	Director of Finance		0.6	0.6	4.0	4.6
Joseph M. Gurley	Director of Law		19.0	26.3	15.3	26.3
DEPARTMENT/DIVISION HEADS						
Kevin Lynch	Service Director		2.2	2.2	20.1	22.3
Vacant	City Engineer		0.0	0.0	0.0	0.0
Thomas A. Green, P.E.	Electric Power Superintendent		28.0	28.0	0.0	28.0
Randy Bruback	Water Pollution Control Superintendent		4.8	4.8	16.0	20.8
Mark Mlachak	Fire Chief		4.3	26.3	0.0	26.3
David R. Luhta	Chief of Police		5.6	28.2	0.0	28.2
Daniel McGannon	Water Superintendent		0.5	0.5	4.5	5.0
Robert C. Baetzel	Human Resources Director		8.5	8.5	0.0	8.5
Lee Homyoock	Director of Recreation and Public Lands		2.7	2.7	20.0	22.7
Brian Frantz	City Planner		3.5	3.5	5.0	8.5

**City Organizational Chart
For the Year Ended December 31, 2006**



* Filled by City Manager
** Vacant

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Painesville
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Financial Section



Independent Auditors' Report

Members of the City Council
Painesville, Ohio

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 Painesville, Ohio as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Painesville, Ohio'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Ohio, as of December 31, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Street Construction, Maintenance and Repair Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended December 31, 2006, the City of Painesville, Ohio implemented GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47 "Accounting for Termination Benefits".

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007 on our consideration of the City of Painesville, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Painesville, Ohio

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Painesville, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cini & Paricki, Inc.

Cleveland, Ohio
June 22, 2007

The discussion and analysis of the City of Painesville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased by \$2,626,281. Net assets of governmental activities increased by \$1,357,479, which represents an 8.3% increase from 2005. Net assets of business-type activities increased by \$1,268,802, or 2.1% from 2005.
- ❑ General revenues accounted for \$12,587,954 in revenue, or 27.2% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$33,721,699, or 72.8% of total revenues of \$46,309,653.
- ❑ The City had \$15,144,798 in expenses related to governmental activities; only \$3,816,413 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,180,544 were adequate to fully provide for these programs
- ❑ Among major funds, the general fund had \$14,172,059 in revenues, including other financing sources and \$12,256,786 in expenditures, including other financing uses. The general fund's fund balance increased \$1,930,949.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole using accepting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets

The government-wide financial statements of the City are divided into two categories:

- ***Governmental Activities*** – Most of the City's programs and services are reported here including general government, public safety, highways and streets, public health and welfare, culture and recreation, community environment, interest and fiscal charges, and other expenditures.
- ***Business-Type Activities*** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, electric, refuse, off-street parking, storm water and community program services are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance governmental programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following tables provide a comparison of the City's net assets at December 31, 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$15,314,992	\$14,428,713	\$32,032,459	\$32,368,249	\$47,347,451	\$46,796,962
Capital assets, Net	13,011,501	13,623,925	44,810,677	44,722,306	57,822,178	58,346,231
Total assets	28,326,493	28,052,638	76,843,136	77,090,555	105,169,629	105,143,193
Long-term debt outstanding	5,132,427	4,820,480	10,424,292	11,959,688	15,556,719	16,780,168
Other liabilities	5,485,370	6,880,941	4,785,970	4,766,795	10,271,340	11,647,736
Total liabilities	10,617,797	11,701,421	15,210,262	16,726,483	25,828,059	28,427,904
Net assets						
Invested in capital assets, net of related debt	7,590,727	12,923,925	33,400,614	35,469,721	40,991,341	48,393,646
Restricted	2,756,163	2,082,124	792,875	896,417	3,549,038	2,978,541
Unrestricted	7,361,806	1,345,168	27,439,385	23,997,934	34,801,191	25,343,102
Total net assets	\$17,708,696	\$16,351,217	\$61,632,874	\$60,364,072	\$79,341,570	\$76,715,289

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CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for Services and Sales	\$2,249,653	\$2,173,533	\$29,494,344	\$30,854,850	\$31,743,997	\$33,028,383
Operating Grants and Contributions	831,378	1,324,588	0	587,546	831,378	1,912,134
Capital Grants and Contributions	735,382	429,980	410,942	0	1,146,324	429,980
General revenues:						
Property Taxes	801,010	725,082	0	0	801,010	725,082
Municipal Income Taxes	8,039,713	7,681,884	0	0	8,039,713	7,681,884
Other Local Taxes	31,692	5,957	0	0	31,692	5,957
Grants and Entitlements not Restricted to Specific Programs	2,007,863	1,766,542	0	0	2,007,863	1,766,542
Investment Earnings	1,189,061	378,891	407,410	568,022	1,596,471	946,913
Miscellaneous	111,205	278,499	0	0	111,205	278,499
Total revenues	15,996,957	14,764,956	30,312,696	32,010,418	46,309,653	46,775,374
Program Expenses						
General Government	2,825,835	2,790,590	0	0	2,825,835	2,790,590
Public Safety	7,585,876	6,989,395	0	0	7,585,876	6,989,395
Highways and Streets	2,870,730	2,817,057	0	0	2,870,730	2,817,057
Public Health and Welfare	531,090	668,013	0	0	531,090	668,013
Culture and Recreation	746,813	700,165	0	0	746,813	700,165
Community Environment	353,652	351,307	0	0	353,652	351,307
Interest and Fiscal Charges	230,802	67,711	0	0	230,802	67,711
Water	0	0	4,863,071	4,696,086	4,863,071	4,696,086
Sewer	0	0	3,340,241	3,550,942	3,340,241	3,550,942
Electric	0	0	19,568,938	18,650,228	19,568,938	18,650,228
Refuse	0	0	50,550	45,645	50,550	45,645
Off-Street Parking	0	0	172,401	207,561	172,401	207,561
Storm Water Utility	0	0	456,273	429,637	456,273	429,637
Community Programs	0	0	87,100	0	87,100	0
Total expenses	15,144,798	14,384,238	28,538,574	27,580,099	43,683,372	41,964,337
Excess (deficiency) before Transfers	852,159	380,718	1,774,122	4,430,319	2,626,281	4,811,037
Transfers	505,320	558,853	(505,320)	(558,853)	0	0
Total Change in Net Assets	1,357,479	939,571	1,268,802	3,871,466	2,626,281	4,811,037
Beginning Net Assets, Restated	16,351,217	15,411,646	60,364,072	56,492,606	76,715,289	71,904,252
Ending Net Assets	\$17,708,696	\$16,351,217	\$61,632,874	\$60,364,072	\$79,341,570	\$76,715,289

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

Governmental Activities

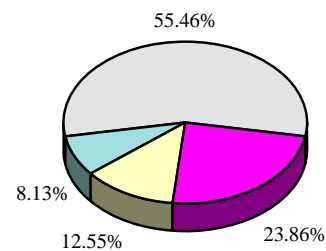
Net assets of the City's governmental activities increased by \$1,357,479. This was due to a combination of factors including an increase in investment earnings, municipal income tax receipts and grant monies.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

The City also receives an income tax, which is based on 2.0% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City and businesses operating in the City.

Taxes made up 55.46% of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2006	Percent of Total
Taxes	\$8,872,415	55.46%
Program Revenues	3,816,413	23.86%
Shared Revenues	2,007,863	12.55%
General Other	1,300,266	8.13%
Total Revenue	\$15,996,957	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$7,604,328, which is an increase from last year's balance of \$5,542,347. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$5,159,636	\$3,228,687	\$1,930,949
Street Construction, Maintenance and Repair	65,862	222,574	(156,712)
Other Governmental	2,378,830	2,091,086	287,744
Total	\$7,604,328	\$5,542,347	\$2,061,981

CITY OF PAINESVILLE, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2006 <u>Revenues</u>	2005 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$508,752	\$439,892	\$68,860
Municipal Income Taxes	7,570,129	7,681,884	(111,755)
Other Local Taxes	31,692	5,957	25,735
Intergovernmental Revenues	1,909,742	1,754,355	155,387
Charges for Services	83,290	129,445	(46,155)
Licenses, Permits and Inspection Fees	354,314	348,422	5,892
Investment Earnings	1,017,726	364,745	652,981
Fines and Forfeitures	832,925	744,462	88,463
All Other Revenue	189,382	132,640	56,742
Total	<u>\$12,497,952</u>	<u>\$11,601,802</u>	<u>\$896,150</u>

General Fund revenues in 2006 increased by 7.7% when compared to 2005 revenues. Increased investment earnings accounted for most of the increase. Increases in grant collections were offset by decreased charges for services, and payments for licenses and permits.

	2006 <u>Expenditures</u>	2005 <u>Expenditures</u>	Increase <u>(Decrease)</u>
General Government	\$2,579,763	\$2,450,460	\$129,303
Public Safety	6,439,333	6,252,768	186,565
Highways and Streets	991,194	967,782	23,412
Public Health and Welfare	140,790	110,904	29,886
Culture and Recreation	667,236	659,993	7,243
Community Environment	346,486	345,579	907
Debt Service:			
Interest and Fiscal Charges	14,912	18,463	(3,551)
Total	<u>\$11,179,714</u>	<u>\$10,805,949</u>	<u>\$373,765</u>

General Fund expenditures increased by \$373,765, or 3.5% from the prior year due to increases in salaries, pension plan payments and workers' compensation premiums.

Street Construction, Maintenance and Repair Fund – The fund balance decreased by \$156,712 due to large expenditures related to street resurfacings and repairs.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2006 the City amended its General Fund budget several times, none significant.

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

For the General Fund, final budget basis revenue of \$11.8 million did not change over the original budget estimates of \$ 11.8 million. Actual results varied significantly from the budget. Actual revenues exceeded final budgeted revenues by \$1.1 million. Increased wages in the City provided for higher income tax collections, and increased interest rates provided for a higher than expected investment earnings. The City also curtailed expenditures keeping costs about \$1.2 million below appropriations. The City controlled costs in all areas to achieve such a variance, the most notable savings came in salaries and benefits of City employees. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 the City had \$57,822,178 net of accumulated depreciation invested in land, construction in progress, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure. Of this total, \$13,011,501 was related to governmental activities and \$44,810,677 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$4,662,785	\$4,430,567	\$232,218
Construction in Progress	756,782	1,886,926	(1,130,144)
Buildings and Improvements	4,287,360	4,410,799	(123,439)
Improvements other than Buildings	2,265,603	1,309,484	956,119
Machinery and Equipment	5,513,885	5,604,217	(90,332)
Infrastructure	1,367,297	1,367,297	0
Less: Accumulated Depreciation	(5,842,211)	(5,385,365)	(456,846)
Totals	<u>\$13,011,501</u>	<u>\$13,623,925</u>	<u>(\$612,424)</u>

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$1,397,784	\$1,419,614	(\$21,830)
Construction in Progress	4,087,516	5,046,396	(958,880)
Buildings and Improvements	27,368,807	26,018,979	1,349,828
Improvements other than Buildings	38,951,578	38,004,905	946,673
Machinery and Equipment	21,199,563	20,550,230	649,333
Less: Accumulated Depreciation	(48,194,571)	(46,317,818)	(1,876,753)
Totals	<u>\$44,810,677</u>	<u>\$44,722,306</u>	<u>\$88,371</u>

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

The primary increases in governmental activities' capital assets occurred in improvements other than buildings. The increase in land resulted from the City's acquisition of land for several new projects within the City. The extension of existing electric infrastructure caused an increase in improvements other than buildings in the business-type activities' capital assets. Additional information on the City's capital assets can be found in Note 12.

As of December 31, 2006, the City had contractual commitments of \$1,627,621 related to various projects throughout the City. Additional information on the City's construction commitments can be found in Note 18.

Debt

At December 31, 2006, the City had \$4,520,000 in general obligation bonds outstanding, \$485,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Governmental Activities:		
General Obligation Notes	\$0	\$100,000
Construction Loan	587,645	0
Special Assessment Bonds	500,000	555,000
Ohio Public Works Commission Loan	35,000	45,000
Compensated Absences	1,451,170	1,352,545
Capital Leases	1,096,129	1,178,895
Workers' Compensation Liability	659,242	771,469
Police and Firemen's Accrued Pension	803,241	817,571
Total Governmental Activities	<u>5,132,427</u>	<u>4,820,480</u>
Business-Type Activities:		
General Obligation Bonds	\$4,520,000	\$5,005,000
Mortgage Revenue Bonds	2,225,244	3,088,297
Ohio Water Development Authority Loan	1,150,870	1,214,400
Ohio Public Works Commission Loan	732,117	833,474
Compensated Absences	1,456,330	1,449,914
Capital Leases	339,731	368,603
Total Business-Type Activities	<u>10,424,292</u>	<u>11,959,688</u>
Totals	<u>\$15,556,719</u>	<u>\$16,780,168</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

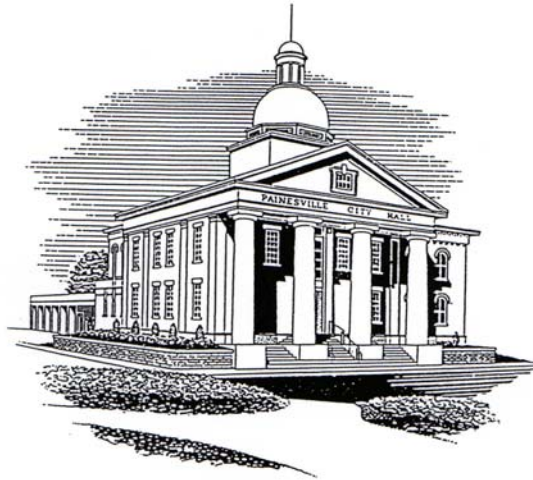
ECONOMIC FACTORS

The City's original 2006 budget included very conservative revenue estimates, which resulted in less than a 1.5% increase across all funds. The General Fund receipts were projected to decline by almost 3%, while intergovernmental revenue, the result of grants and transfers, and utility user fees were expected to increase. City Council determined that we could no longer do business as usual and requested 6% decrease in expenditures. This resulted in leaving unfilled a number of vacant positions with particular emphasis on the General Fund. Total City wide expenditures were originally budgeted at 5% less than the previous year but slightly more than anticipated revenues across all funds. Estimated General Fund expenditures decreased by 6.17% but were still relying on utilizing reserve fund balances. No additional personnel were added in the final approved budget. Department requests were reduced from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

City Council pursued an additional new revenue source in 2006 to support the largest component of the General Fund budget, the Safety Forces. In August, a Safety Levy was placed on the ballot to support operational and capital improvements for both the Police and Fire Departments. The electorate defeated this issue. City Council further identified the need to focus on only the critical and core programs that are required to provide the needed services to the community, thus further reducing expenditures. The result was only critical expenditures were authorized. The focus was to end the year within the revenue estimate for 2006 and hopefully increase the reserve fund. An aggressive economic development program was implemented to increase tax base to provide continual growth in the more traditional revenue sources for the General Fund operations. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-392-5796 or writing to City of Painesville Finance Department, 7 Richmond Street, Painesville, Ohio 44077.



CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
December 31, 2006**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,081,320	\$ 6,049,206	\$ 11,130,526
Investments	3,414,681	18,048,519	21,463,200
Receivables:			
Taxes	2,229,478	0	2,229,478
Accounts	92,047	3,448,834	3,540,881
Intergovernmental	1,542,162	0	1,542,162
Interest	109,008	0	109,008
Special Assessments	250,566	0	250,566
Internal Balances	220,490	(220,490)	0
Inventory of Supplies at Cost	195,083	986,099	1,181,182
Land Held for Resale	785,000	0	785,000
Prepaid Items	49,448	88,247	137,695
Investment in Joint Venture	0	2,187,265	2,187,265
Deferred Charge	0	234,205	234,205
Restricted Assets:			
Cash and Cash Equivalents	1,345,709	417,699	1,763,408
Investments	0	792,875	792,875
Capital Assets:			
Capital Assets Not Being Depreciated	5,419,567	5,485,300	10,904,867
Capital Assets Being Depreciated, Net	7,591,934	39,325,377	46,917,311
Total Assets	28,326,493	76,843,136	105,169,629
Liabilities:			
Accounts Payable	547,336	1,204,325	1,751,661
Accrued Wages and Benefits	653,898	423,359	1,077,257
Intergovernmental Payable	772	13,166	13,938
Claims Payable	108,041	0	108,041
Refundable Deposits	0	417,699	417,699
Unearned Revenue	900,422	0	900,422
Accrued Interest Payable	72,901	98,321	171,222
General Obligation Notes Payable	3,202,000	2,629,100	5,831,100
Noncurrent liabilities:			
Due within one year	813,113	998,575	1,811,688
Due in more than one year	4,319,314	9,425,717	13,745,031
Total Liabilities	10,617,797	15,210,262	25,828,059
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,590,727	33,400,614	40,991,341
Restricted For:			
Capital Projects	92,103	0	92,103
Debt Service	454,798	0	454,798
Cemetery Operations:			
Nonexpendable	984,940	0	984,940
Expendable	129,713	0	129,713
Other Purposes	1,094,609	792,875	1,887,484
Unrestricted	7,361,806	27,439,385	34,801,191
Total Net Assets	\$ 17,708,696	\$ 61,632,874	\$ 79,341,570

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Activities
For the Year Ended December 31, 2006**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$ 2,825,835	\$ 1,328,425	\$ 842	\$ 0
Public Safety	7,585,876	436,247	365,900	0
Highways and Streets	2,870,730	67,586	464,636	735,382
Public Health and Welfare	531,090	131,527	0	0
Culture and Recreation	746,813	21,688	0	0
Community Environment	353,652	264,180	0	0
Interest and Fiscal Charges	230,802	0	0	0
Total Governmental Activities	15,144,798	2,249,653	831,378	735,382
Business-Type Activities:				
Water	4,863,071	4,654,394	0	0
Sewer	3,340,241	3,215,491	0	410,942
Electric	19,568,938	21,014,180	0	0
Other Enterprise Funds	766,324	610,279	0	0
Total Business-Type Activities	28,538,574	29,494,344	0	410,942
Totals	\$ 43,683,372	\$ 31,743,997	\$ 831,378	\$ 1,146,324

General Revenues

- Property Taxes
- Municipal Income Taxes
- Other Local Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Transfers
- Total General Revenues and Transfers
- Change in Net Assets
- Net Assets Beginning of Year, Restated
- Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,496,568)	\$ 0	\$ (1,496,568)
(6,783,729)	0	(6,783,729)
(1,603,126)	0	(1,603,126)
(399,563)	0	(399,563)
(725,125)	0	(725,125)
(89,472)	0	(89,472)
(230,802)	0	(230,802)
<u>(11,328,385)</u>	<u>0</u>	<u>(11,328,385)</u>
0	(208,677)	(208,677)
0	286,192	286,192
0	1,445,242	1,445,242
0	(156,045)	(156,045)
<u>0</u>	<u>1,366,712</u>	<u>1,366,712</u>
<u>(11,328,385)</u>	<u>1,366,712</u>	<u>(9,961,673)</u>
801,010	0	801,010
8,039,713	0	8,039,713
31,692	0	31,692
2,007,863	0	2,007,863
1,189,061	407,410	1,596,471
111,205	0	111,205
505,320	(505,320)	0
<u>12,685,864</u>	<u>(97,910)</u>	<u>12,587,954</u>
1,357,479	1,268,802	2,626,281
<u>16,351,217</u>	<u>60,364,072</u>	<u>76,715,289</u>
<u>\$ 17,708,696</u>	<u>\$ 61,632,874</u>	<u>\$ 79,341,570</u>

CITY OF PAINESVILLE, OHIO

**Balance Sheet
Governmental Funds
December 31, 2006**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,219,473	\$ 470,460	\$ 3,064,282	\$ 4,754,215
Investments	2,463,561	951,120	0	3,414,681
Receivables:				
Taxes	1,877,118	0	352,360	2,229,478
Accounts	91,584	0	463	92,047
Intergovernmental	1,062,485	344,779	134,898	1,542,162
Interest	109,008	0	0	109,008
Special Assessments	0	0	250,566	250,566
Interfund Loans Receivables	300,000	0	0	300,000
Inventory of Supplies, at Cost	158,996	0	1,550	160,546
Land Held for Resale	785,000	0	0	785,000
Prepaid Items	48,284	0	1,164	49,448
Restricted Assets:				
Cash and Cash Equivalents	313,934	0	1,031,775	1,345,709
Total Assets	\$ 8,429,443	\$ 1,766,359	\$ 4,837,058	\$ 15,032,860
Liabilities:				
Accounts Payable	\$ 288,066	\$ 204,183	\$ 55,087	\$ 547,336
Accrued Wages and Benefits Payable	610,741	11,865	31,292	653,898
Intergovernmental Payable	772	0	0	772
Interfund Loans Payable	0	0	300,000	300,000
Deferred Revenue	1,760,228	256,387	658,877	2,675,492
Accrued Interest Payable	10,000	6,062	32,972	49,034
General Obligation Notes Payable	600,000	1,222,000	1,380,000	3,202,000
Total Liabilities	3,269,807	1,700,497	2,458,228	7,428,532
Fund Balances:				
Reserved for Encumbrances	140,924	192,145	251,031	584,100
Reserved for Prepaid Items	48,284	0	1,164	49,448
Reserved for Supplies Inventory	158,996	0	1,550	160,546
Reserved for Debt Service	0	0	222,987	222,987
Reserved for Endowments	0	0	984,940	984,940
Undesignated/Unreserved in:				
General Fund	4,811,432	0	0	4,811,432
Special Revenue Funds (Deficit)	0	(126,283)	764,209	637,926
Capital Projects Funds	0	0	23,236	23,236
Permanent Funds	0	0	129,713	129,713
Total Fund Balances	5,159,636	65,862	2,378,830	7,604,328
Total Liabilities and Fund Balances	\$ 8,429,443	\$ 1,766,359	\$ 4,837,058	\$ 15,032,860

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2006***

Total Governmental Fund Balances	\$ 7,604,328
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	13,011,501
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,775,070
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(185,151)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,497,052)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 17,708,696</u></u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 508,752	\$ 0	\$ 306,728	\$ 815,480
Municipal Income Taxes	7,570,129	0	0	7,570,129
Other Local Taxes	31,692	0	0	31,692
Intergovernmental Revenues	1,909,742	1,051,994	843,297	3,805,033
Charges for Services	83,290	0	446,105	529,395
Licenses, Permits and Inspection Fees	354,314	6	0	354,320
Investment Earnings	1,017,726	0	108,492	1,126,218
Special Assessments	0	0	56,858	56,858
Fines and Forfeitures	832,925	0	394,796	1,227,721
All Other Revenues	189,382	0	35,753	225,135
Total Revenues	12,497,952	1,052,000	2,192,029	15,741,981
Expenditures:				
Current:				
General Government	2,579,763	0	319,995	2,899,758
Public Safety	6,439,333	0	1,025,580	7,464,913
Highways and Streets	991,194	1,432,489	280,038	2,703,721
Public Health and Welfare	140,790	0	403,215	544,005
Culture and Recreation	667,236	0	0	667,236
Community Environment	346,486	0	0	346,486
Capital Outlay	0	0	298,301	298,301
Debt Service:				
Principal Retirement	0	24,089	81,689	105,778
Interest & Fiscal Charges	14,912	85,166	128,575	228,653
Total Expenditures	11,179,714	1,541,744	2,537,393	15,258,851
Excess (Deficiency) of Revenues Over Expenditures	1,318,238	(489,744)	(345,364)	483,130
Other Financing Sources (Uses):				
Sale of Capital Assets	2,555	0	0	2,555
Issuance of Construction Loans	587,645	0	0	587,645
Premiums on Debt Issuances	0	0	4,302	4,302
Transfers In	1,083,907	396,218	1,307,074	2,787,199
Transfers Out	(1,077,072)	(160,000)	(934,074)	(2,171,146)
Other Financing Sources - Capital Leases	0	96,814	256,944	353,758
Total Other Financing Sources (Uses)	597,035	333,032	634,246	1,564,313
Net Change in Fund Balances	1,915,273	(156,712)	288,882	2,047,443
Fund Balances at Beginning of Year	3,228,687	222,574	2,091,086	5,542,347
Increase (Decrease) in Inventory Reserve	15,676	0	(1,138)	14,538
Fund Balances End of Year	\$ 5,159,636	\$ 65,862	\$ 2,378,830	\$ 7,604,328

See accompanying notes to the basic financial statements

***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, 2006***

Net Change in Fund Balances - Total Governmental Funds \$ 2,047,443

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (414,425)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (197,999)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 236,136

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (325,549)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (2,149)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (84,087)

The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. 98,109

Change in Net Assets of Governmental Activities \$ 1,357,479

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 539,266	\$ 539,266	\$ 506,264	\$ (33,002)
Municipal Income Taxes	7,435,217	7,435,217	7,977,012	541,795
Other Local Taxes	6,000	6,000	31,692	25,692
Intergovernmental Revenue	1,821,568	1,821,568	1,909,465	87,897
Charges for Services	70,243	70,243	83,490	13,247
Licenses, Permits and Inspection Fees	322,200	322,200	349,114	26,914
Investment Earnings	738,734	738,734	1,010,323	271,589
Fines and Forfeitures	715,699	715,699	835,262	119,563
All Other Revenues	133,476	133,476	189,329	55,853
Total Revenues	<u>11,782,403</u>	<u>11,782,403</u>	<u>12,891,951</u>	<u>1,109,548</u>
Expenditures:				
Current:				
General Government	2,615,891	2,702,852	2,386,541	316,311
Public Safety	6,871,614	7,024,934	6,543,556	481,378
Highways and Streets	1,088,409	1,162,301	986,322	175,979
Public Health and Welfare	153,701	147,767	144,657	3,110
Culture and Recreation	759,784	771,083	650,582	120,501
Community Environment	475,848	482,005	347,826	134,179
Total Expenditures	<u>11,965,247</u>	<u>12,290,942</u>	<u>11,059,484</u>	<u>1,231,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(182,844)	(508,539)	1,832,467	2,341,006
Other Financing Sources (Uses):				
Sale of Capital Assets	4,000	4,000	2,555	(1,445)
Sale of General Obligation Notes	600,000	600,000	600,000	0
Transfers In	850,000	1,095,753	1,083,907	(11,846)
Transfers Out	(700,250)	(1,127,072)	(1,077,072)	50,000
Advances Out	(668,100)	(668,100)	(668,100)	0
Total Other Financing Sources (Uses):	<u>85,650</u>	<u>(95,419)</u>	<u>(58,710)</u>	<u>36,709</u>
Net Changes in Fund Balance	(97,194)	(603,958)	1,773,757	2,377,715
Fund Balance at Beginning of Year	1,014,653	1,014,653	1,014,653	0
Prior Year Encumbrances	484,608	484,608	484,608	0
Fund Balance at End of Year	<u>\$ 1,402,067</u>	<u>\$ 895,303</u>	<u>\$ 3,273,018</u>	<u>\$ 2,377,715</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 1,340,875	\$ 1,340,875	\$ 1,171,284	\$ (169,591)
Licenses, Permits and Inspection Fees	0	0	6	6
Investment Earnings	0	0	2,619	2,619
Total Revenues	<u>1,340,875</u>	<u>1,340,875</u>	<u>1,173,909</u>	<u>(166,966)</u>
Expenditures:				
Current:				
Highways and Streets	2,313,995	2,308,456	2,100,536	207,920
Debt Service:				
Principal Retirement	1,557,000	3,098,090	3,098,089	1
Interest and Fiscal Charges	52,778	100,537	100,536	1
Total Expenditures	<u>3,923,773</u>	<u>5,507,083</u>	<u>5,299,161</u>	<u>207,922</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,582,898)	(4,166,208)	(4,125,252)	40,956
Other Financing Sources (Uses):				
Sale of General Obligation Notes	1,322,000	1,322,000	2,589,000	1,267,000
Issuance of Capital Leases	103,000	103,000	149,528	46,528
Transfers In	97,000	396,218	396,217	(1)
Total Other Financing Sources (Uses):	<u>1,522,000</u>	<u>1,821,218</u>	<u>3,134,745</u>	<u>1,313,527</u>
Net Changes in Fund Balance	(1,060,898)	(2,344,990)	(990,507)	1,354,483
Fund Balance at Beginning of Year	998,924	998,924	998,924	0
Prior Year Encumbrances	1,013,562	1,013,562	1,013,562	0
Fund Balance at End of Year	<u>\$ 951,588</u>	<u>\$ (332,504)</u>	<u>\$ 1,021,979</u>	<u>\$ 1,354,483</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

***Statement of Net Assets
Proprietary Funds
December 31, 2006***

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 822,508	\$ 943,002	\$ 3,924,385
Investments	1,898,359	2,071,795	13,639,538
Accounts Receivable (net of allowance for uncollectibles)	456,612	404,160	2,532,035
Inventory of Supplies at Cost	127,674	49,641	808,784
Prepaid Items	37,577	21,816	27,191
Total Current Assets	<u>3,342,730</u>	<u>3,490,414</u>	<u>20,931,933</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	112,776	0	301,885
Investments	0	0	792,875
Total Restricted Assets	<u>112,776</u>	<u>0</u>	<u>1,094,760</u>
Investment in Joint Venture	0	0	2,187,265
Deferred Charges	38,135	0	196,070
Capital Assets:			
Capital Assets Not Being Depreciated	367,663	137,200	4,861,465
Capital Assets Being Depreciated, Net	19,379,543	8,213,902	10,629,056
Total Noncurrent Assets	<u>19,898,117</u>	<u>8,351,102</u>	<u>18,968,616</u>
Total Assets	<u>23,240,847</u>	<u>11,841,516</u>	<u>39,900,549</u>

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
\$ 359,311	\$ 6,049,206	\$ 327,105
438,827	18,048,519	0
56,027	3,448,834	0
0	986,099	34,537
1,663	88,247	0
<u>855,828</u>	<u>28,620,905</u>	<u>361,642</u>
3,038	417,699	0
0	792,875	0
<u>3,038</u>	<u>1,210,574</u>	<u>0</u>
0	2,187,265	0
0	234,205	0
118,972	5,485,300	0
<u>1,102,876</u>	<u>39,325,377</u>	<u>0</u>
<u>1,224,886</u>	<u>48,442,721</u>	<u>0</u>
<u>2,080,714</u>	<u>77,063,626</u>	<u>361,642</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
LIABILITIES			
Current Liabilities:			
Accounts Payable	94,109	80,430	986,679
Accrued Wages and Benefits	88,330	80,052	249,050
Intergovernmental Payable	0	13,166	0
Claims Payable	0	0	0
Refundable Deposits	112,776	0	301,885
Accrued Interest Payable	83,177	6,643	1,710
General Obligation Notes Payable	1,347,100	1,095,000	0
Capital Leases Payable - Current	21,043	30,470	35,853
General Obligation Bonds Payable - Current	485,000	0	0
Revenue Bond Payable - Current	0	0	134,556
OWDA Loans Payable - Current	66,447	0	0
OPWC Loans Payable - Current	101,357	0	0
Compensated Absences Payable - Current	12,989	24,370	85,475
Total Current Liabilities	<u>2,412,328</u>	<u>1,330,131</u>	<u>1,795,208</u>
Noncurrent Liabilities:			
Capital Leases Payable	72,144	85,740	92,946
General Obligation Bonds Payable	4,035,000	0	0
Revenue Bonds Payable	0	0	2,090,688
OWDA Loans Payable	1,084,424	0	0
OPWC Loans Payable	630,760	0	0
Compensated Absences Payable	343,470	276,542	696,031
Total Noncurrent Liabilities	<u>6,165,798</u>	<u>362,282</u>	<u>2,879,665</u>
Total Liabilities	<u>8,578,126</u>	<u>1,692,413</u>	<u>4,674,873</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,903,931	7,139,892	13,136,478
Restricted for Other Purposes	0	0	792,875
Unrestricted	2,758,790	3,009,211	21,296,323
Total Net Assets	<u>\$ 14,662,721</u>	<u>\$ 10,149,103</u>	<u>\$ 35,225,676</u>

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.
Net Assets of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
43,107	1,204,325	0
5,927	423,359	0
0	13,166	0
0	0	767,283
3,038	417,699	0
6,791	98,321	0
187,000	2,629,100	0
1,015	88,381	0
0	485,000	0
0	134,556	0
0	66,447	0
0	101,357	0
0	122,834	0
<u>246,878</u>	<u>5,784,545</u>	<u>767,283</u>
520	251,350	0
0	4,035,000	0
0	2,090,688	0
0	1,084,424	0
0	630,760	0
17,452	1,333,495	0
<u>17,972</u>	<u>9,425,717</u>	<u>0</u>
<u>264,850</u>	<u>15,210,262</u>	<u>767,283</u>
1,220,313	33,400,614	0
0	792,875	0
<u>595,551</u>	<u>27,659,875</u>	<u>(405,641)</u>
<u>\$ 1,815,864</u>	<u>\$ 61,853,364</u>	<u>\$ (405,641)</u>
	<u>(220,490)</u>	
	<u>\$ 61,632,874</u>	

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
Operating Revenues:			
Charges for Services	\$ 4,194,241	\$ 3,195,232	\$ 20,909,635
Other Charges for Services	187,024	16,162	70,432
Other Operating Revenues	286,377	32,469	86,412
Total Operating Revenues	4,667,642	3,243,863	21,066,479
Operating Expenses:			
Personal Services	2,081,070	1,805,577	5,737,600
Contractual Services	813,010	631,593	2,971,031
Materials and Supplies	408,209	181,515	6,958,111
Utilities	354,045	236,674	3,064,143
Depreciation	855,068	430,980	721,018
Total Operating Expenses	4,511,402	3,286,339	19,451,903
Operating Income (Loss)	156,240	(42,476)	1,614,576
Non-Operating Revenue (Expenses):			
Interest Income	42,703	105,542	241,912
Interest and Fiscal Charges	(334,533)	(51,564)	(34,102)
Gain (Loss) on Disposal of Assets	(15,815)	(28,398)	(143,534)
Loss on Investment in Joint Venture	0	0	(128,972)
Other Nonoperating Revenue	2,567	26	91,235
Other Nonoperating Expense	(17,136)	(2,338)	(36,766)
Total Non-Operating Revenues (Expenses)	(322,214)	23,268	(10,227)
Income (Loss) Before Transfers	(165,974)	(19,208)	1,604,349
Transfers and Contributions:			
Capital Contributions	0	410,942	0
Transfers In	31,243	100,577	8,848
Transfers Out	(1,000)	(1,000)	(794,192)
Total Transfers and Contributions	30,243	510,519	(785,344)
Change in Net Assets	(135,731)	491,311	819,005
Net Assets Beginning of Year, Restated	14,798,452	9,657,792	34,406,671
Net Assets End of Year	\$ 14,662,721	\$ 10,149,103	\$ 35,225,676

Change in Net Assets - Total Enterprise Funds

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.
Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
\$ 601,386	\$ 28,900,494	\$ 2,368,372
2,260	275,878	0
5,462	410,720	0
<u>609,108</u>	<u>29,587,092</u>	<u>2,368,372</u>
196,953	9,821,200	1,587,484
473,651	4,889,285	196,982
23,764	7,571,599	306,210
23,898	3,678,760	0
36,647	2,043,713	0
<u>754,913</u>	<u>28,004,557</u>	<u>2,090,676</u>
(145,805)	1,582,535	277,696
17,253	407,410	0
(11,411)	(431,610)	0
0	(187,747)	0
0	(128,972)	0
1,171	94,999	3,218
0	(56,240)	0
<u>7,013</u>	<u>(302,160)</u>	<u>3,218</u>
(138,792)	1,280,375	280,914
0	410,942	0
180,204	320,872	0
<u>(30,000)</u>	<u>(826,192)</u>	<u>(100,000)</u>
<u>150,204</u>	<u>(94,378)</u>	<u>(100,000)</u>
11,412	1,185,997	180,914
<u>1,804,452</u>	<u>60,667,367</u>	<u>(586,555)</u>
<u>\$ 1,815,864</u>	<u>\$ 61,853,364</u>	<u>\$ (405,641)</u>
	1,185,997	
	(82,805)	
	<u>\$ 1,268,802</u>	

CITY OF PAINESVILLE, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$4,601,208	\$3,190,704	\$20,787,600
Cash Receipts from Interfund Services Provided	0	0	0
Cash Payments for Goods and Services	(1,599,017)	(1,083,170)	(13,548,123)
Cash Payments to Employees	(2,059,534)	(1,723,786)	(5,568,025)
Cash Payments for Employee Medical Claims	0	0	0
Net Cash Provided (Used) by Operating Activities	<u>942,657</u>	<u>383,748</u>	<u>1,671,452</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	15,973	100,577	8,848
Transfers Out to Other Funds	(1,000)	(1,000)	(1,389,655)
Advances In from Other Funds	0	0	668,100
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,973</u>	<u>99,577</u>	<u>(712,707)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds of General Obligation Notes	1,347,100	1,705,000	0
Premiums on Debt Issuances	1,273	0	0
Principal Paid on General Obligation Notes	(1,341,000)	(1,460,000)	0
Intergovernmental Grants Received	0	0	0
Proceeds from Sales of Capital Assets	1,831	25	151
Acquisition and Construction of Assets	(378,178)	(168,223)	(1,433,286)
Issuance of Capital Leases	89,982	2,526	131,226
Principal Paid on Capital Leases	(1,251)	(57,695)	(33,438)
Principal Paid on Revenue Bonds	0	0	(580,947)
Proceeds of General Obligation Bonds	0	0	0
Principal Paid on General Obligation Bonds	(485,000)	0	0
Principal Paid on Ohio Public Works Commission Loans	(101,357)	0	0
Principal Paid on Ohio Water Development Authority Loans	(63,529)	0	0
Interest Paid on All Debt	(304,082)	(54,746)	(26,288)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,234,211)</u>	<u>(33,113)</u>	<u>(1,942,582)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Principal and Interest on Investments	44,869	106,451	219,712
Sale of Investments	436,875	0	1,558,917
Purchase of Investments	0	(262,395)	0
Net Cash Provided (Used) for Investing Activities	<u>481,744</u>	<u>(155,944)</u>	<u>1,778,629</u>
Net Increase (Decrease) in Cash and Cash Equivalents	205,163	294,268	794,792
Cash and Cash Equivalents at Beginning of Year	<u>730,121</u>	<u>648,734</u>	<u>3,431,478</u>
Cash and Cash Equivalents at End of Year	<u>\$935,284</u>	<u>\$943,002</u>	<u>\$4,226,270</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$822,508	\$943,002	\$3,924,385
Restricted Cash and Cash Equivalents	112,776	0	301,885
Cash and Cash Equivalents at End of Year	<u>\$935,284</u>	<u>\$943,002</u>	<u>\$4,226,270</u>

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$576,618	\$29,156,130	\$0
0	0	2,371,590
(535,353)	(16,765,663)	(616,592)
(197,419)	(9,548,764)	(164,671)
0	0	(1,671,812)
<u>(156,154)</u>	<u>2,841,703</u>	<u>(81,485)</u>
180,204	305,602	0
(30,000)	(1,421,655)	(100,000)
0	668,100	0
<u>150,204</u>	<u>(447,953)</u>	<u>(100,000)</u>
187,000	3,239,100	0
0	1,273	0
(267,000)	(3,068,000)	0
0	0	0
2,976	4,983	0
0	(1,979,687)	0
0	223,734	0
(960)	(93,344)	0
0	(580,947)	0
0	0	0
0	(485,000)	0
0	(101,357)	0
0	(63,529)	0
<u>(8,653)</u>	<u>(393,769)</u>	<u>0</u>
<u>(86,637)</u>	<u>(3,296,543)</u>	<u>0</u>
18,266	389,298	0
157,449	2,153,241	0
0	(262,395)	0
<u>175,715</u>	<u>2,280,144</u>	<u>0</u>
83,128	1,377,351	(181,485)
279,221	5,089,554	508,590
<u>\$362,349</u>	<u>\$6,466,905</u>	<u>\$327,105</u>
\$359,311	\$6,049,206	\$327,105
3,038	417,699	0
<u>\$362,349</u>	<u>\$6,466,905</u>	<u>\$327,105</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$156,240	(\$42,476)	\$1,614,576
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	855,068	430,980	721,018
Miscellaneous Nonoperating Revenues	6,320	26	44,443
Miscellaneous Nonoperating Expenses	(17,136)	0	(36,766)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(66,434)	(53,185)	(323,322)
(Increase) Decrease in Inventory	19,881	(4,129)	(131,172)
Increase in Prepaid Items	7,533	3,846	48,223
Increase (Decrease) in Accounts Payable	75,088	10,511	(124,209)
Increase (Decrease) in Accrued Wages and Benefits	(9,713)	7,192	1,790
Increase (Decrease) in Intergovernmental Payable	(60,775)	6,407	0
Increase (Decrease) in Compensated Absences Payable	(23,415)	24,576	9,924
Decrease in Payable to Joint Venture	0	0	(153,053)
Decrease in Claims Liability	0	0	0
Total Adjustments	<u>786,417</u>	<u>426,224</u>	<u>56,876</u>
Net Cash Provided (Used) by Operating Activities	<u>\$942,657</u>	<u>\$383,748</u>	<u>\$1,671,452</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2006 the Water, Sewer, Electric, and Stormwater Funds had outstanding liabilities of \$3,341, \$3,791, \$10,705 and \$35,984 respectively for the purchase of certain capital assets. During 2006 the fair value of investments increased by \$5,526, \$6,031, \$37,955, and \$1,277 in the Water, Sewer, Electric, and Storm Water Utility Funds, respectively. In addition, the Sewer Fund received \$410,942 of capital contributions from private sources.

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
(\$145,805)	\$1,582,535	\$277,696
36,647	2,043,713	0
1,327	52,116	3,218
0	(53,902)	0
(33,817)	(476,758)	0
0	(115,420)	(1,173)
568	60,170	0
36,699	(1,911)	(89,982)
121	(610)	0
(47,224)	(101,592)	0
(4,670)	6,415	0
0	(153,053)	0
0	0	(271,244)
(10,349)	1,259,168	(359,181)
(\$156,154)	\$2,841,703	(\$81,485)

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Fiduciary Funds
December 31, 2006**

	Private Purpose Trust	
	Deposit Trust	Agency
Assets:		
Cash and Cash Equivalents	\$ 368,894	\$ 73,864
Total Assets	<u>368,894</u>	<u>73,864</u>
Liabilities:		
Accounts Payable	7,730	0
Due to Others	0	73,864
Total Liabilities	<u>7,730</u>	<u>73,864</u>
Net Assets:		
Unrestricted	361,164	0
Total Net Assets	<u>\$ 361,164</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2006***

	Private Purpose Trust
	<u>Deposit Trust</u>
Additions:	
Contributions:	
Private Donations	\$ 128,156
Total Additions	<u>128,156</u>
Deductions:	
Administrative Expenses	28,553
Total Deductions	<u>28,553</u>
Change in Net Assets	99,603
Net Assets at Beginning of Year	261,561
Net Assets End of Year	<u>\$ 361,164</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Painesville, Ohio (the City), is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted on November 6, 1962 and has been amended four times (1963, 1973, 1983 and 1989).

The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety (police and fire), health (health department), culture and recreation (parks and recreation), community environment (planning, zoning and community development), basic utility (water, electric, sanitation, public parking and wastewater pollution control), highways and streets (street and highway maintenance), and general government (administrative services including the municipal court).

Joint Venture with Equity Interest – The City is a participant with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 2 (Omega JV-2). The Omega JV-2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economics of the participants' respective municipal electric utility systems. The Omega JV-2 is managed by AMP-Ohio, which acts as the joint venture's agent. See Note 19, "Joint Venture."

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses).

The various funds are grouped into generic fund types and three broad fund categories for financial statement presentation purposes. Governmental funds include the general, special revenue, debt service, and capital projects funds. Proprietary funds include enterprise and internal service funds. Fiduciary funds include trust and agency funds. The following fund types are used by the City:

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those 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 and the provisions of the City Charter.

Street Construction, Maintenance, and Repair Fund - This fund is used to account for 7.5% of the state gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City as required by the Ohio Revised Code.

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

Proprietary Funds - All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are presented as assets and liabilities of the funds to which they relate. Proprietary fund type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City maintains separate enterprise funds for its water, sewer, electricity, refuse, off-street parking, storm water utility services and community programs. The following are the City's major enterprise funds:

Water Fund - This fund is used to account for the operation of the City's water treatment and distribution systems.

Sewer Fund - This fund is used to account for the operation of the City's sewage treatment and collection systems.

Electric Fund - This fund is used to account for the operation of the City's electric generation and distribution systems.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City uses internal service funds to account for costs associated with fuel, supplies, employee health insurance, and worker's compensation.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's fiduciary funds are private-purpose trust funds and agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds account for monies that flow through the Municipal Court, monies from electric license fees, and monies from the sale of property under the Land Bank Program.

C. Basis of Presentation - Financial Statements

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 and those that are considered business-type activities. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. These balances appear as internal balances on the statement of net assets.

Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 statements for governmental funds.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

D. Basis of Accounting

The basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, fines and forfeitures, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment installments, including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2006, but which are not intended to finance 2006 operations or are not expected to be received within sixty (60) days after year end, are recorded as deferred revenue as further described in Note 7.

The accrual basis of accounting is utilized for reporting purposes by all government wide statements, proprietary and fiduciary (including agency funds) funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in the proprietary funds.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the annual tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the program level (general government, public safety, highways and streets, public health and welfare, culture and recreation and community environment) and within each program at the level of personal services, certain other expenditures, capital outlay and transfers as required by Ohio law. The City Manager is authorized to transfer appropriations between objects of expenditure budgeted within the same program, so long as total appropriations for each program do not exceed the amount approved by Council. Budgetary modifications, other than those noted previously, may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the City Manager submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The estimated revenue amounts reported on the accompanying budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued for 2006.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. By Charter, the City Manager must submit an annual appropriation ordinance (for the period January 1 through December 31) to City Council by March 31 of each year. The appropriation ordinance establishes spending controls at the fund, program (General Government, Public Safety, Highways and Streets, Public Health and Welfare, Culture and Recreation and Community Environment) and object level (personal services, all other expenditures, capital outlay, and transfers). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. During the year, several supplemental appropriations were necessary. The budgetary figures which appear in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund are presented on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying combined balance sheet.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis as opposed to reservation of fund balance on the GAAP basis. On the budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" for the General Fund:

	Net Change in Fund Balance	
	General Fund	Street Construction, Maintenance and Repair Fund
GAAP Basis (as reported)	\$1,915,273	(\$156,712)
Increase (Decrease):		
Accrued Revenues at December 31, 2006 received during 2007	(1,993,901)	(88,392)
Accrued Revenues at December 31, 2005 received during 2006	2,079,697	332,263
Accrued Expenditures at December 31, 2006 paid during 2007	1,509,579	1,444,110
Accrued Expenditures at December 31, 2005 paid during 2006	(1,352,819)	(2,128,068)
2005 Prepaids for 2006	69,838	0
2006 Prepaids for 2007	(48,284)	0
2006 Adjustment to Fair Value	(6,666)	(3,274)
2005 Adjustment to Fair Value	4,390	5,893
Outstanding Encumbrances	(403,350)	(396,327)
Budget Basis	<u>\$1,773,757</u>	<u>(\$990,507)</u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio), and short-term certificates of deposit with original maturities of three months or less. The STAR Ohio is considered an investment for purposes of GASB Statement No. 3, but it is reported as a cash equivalent in the basic financial statements because it is a highly liquid instrument which is readily convertible to cash.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents (Continued)

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash, including the investment instrument described above, represents the balance on hand as if each fund maintained its own cash and investments account. For purposes of the statement of cash flows, the share of equity in the pooled cash and investments of the proprietary funds is considered to be a cash equivalent. See Note 6 "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code, and the City Charter. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The City has invested funds in the STAR Ohio during 2006. 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, 2006. See Note 6, "Cash, Cash Equivalents and Investments."

H. Accounts Receivable

Receivables consist primarily of taxes in the governmental funds and accounts (billings for user charged services, including unbilled amounts) in the proprietary funds.

I. Inventory

Inventories are stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. The reservations for inventory in the balance sheet of the governmental fund types indicate that a portion of the fund balance is not available for future expenditures.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life threshold of three or more years. GASB 34 allows entities to defer retroactive reporting of infrastructure for four years. For 2006, the City has elected to show only the 2006, 2005, 2004, and 2003 additions as infrastructure.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (Years)
Buildings and Improvements	40 - 60
Utility Plant in Service	20 - 60
Improvements other than Buildings	20
Infrastructure	25 - 50
Machinery, Equipment, Furniture, Fixtures and Vehicles	5 - 15

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. To the extent that certain transactions between funds have not been paid or received as of year end, interfund receivables or payables have been recorded.

L. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” The City only reports a “Compensated Absence Payable” in governmental funds on if the liability has matured. In the government wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or under statute. At termination or retirement, employees are paid at their full rate for 100% of their unused vacation leave.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

M. Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits are reported in the government wide statement of net assets as a liability to the extent that they will not be paid with current expendable available financial resources. Such liabilities are reported in the government wide statement of net assets in the “Due within one year” account and the “Due in more than one year” account. Payments made more than 60 days after year end are generally considered not to have been paid with current available financial resources. Bonds are recognized as a liability in the government wide statement of net assets. Long-term debt and other obligations to be paid from proprietary funds are reported in those funds.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Debt (Continued)

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Water Fund, Electric Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Ohio Public Works Commission Loans	Street Construction, Maintenance and Repair Fund Water Fund
Ohio Water Development Authority (OWDA) Loans	Water Fund Sewer Fund
Mortgage Revenue Bonds	Electric Fund
Police and Fire Pension Accrued Liability	General Fund
Workers' Compensation Liability	Workers' Compensation Retrospective Fund
Capital Leases	General Fund Street Construction, Maintenance and Repair Fund Cemeteries Fund Capital Equipment Reserve Fund Capital Improvement Fund Water Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Cemeteries Fund Water Fund Sewer Fund Electric Fund Off-Street Parking Fund
Long-Term Notes Payable	General Fund

N. Issuance Costs

In governmental fund types, issuance costs are recognized in the current period. Issuance costs for proprietary fund types 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Reservations of Fund Balances

Fund balances are reserved for inventories of supplies, prepaid items, endowments, and encumbered amounts that have not been accrued at year end. The fund balances in the debt service funds are reserved for the retirement of debt principal and interest.

P. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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.

Q. Restricted Assets

Certain cash and cash equivalents are classified as restricted on the balance sheet because these funds are being held by a trustee, an agent or by the City for specified purposes.

R. Intergovernmental Revenues

In governmental funds, grants awarded on a non-reimbursement basis, entitlements and shared revenues are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related expenditures are made.

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

S. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

T. Net Assets

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Estimates

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

V. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems, electric distribution, off-street parking and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

W. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

NOTE 2 – RESTATEMENT OF FUND BALANCES

Prior Period Adjustments - During the year ended December 31, 2006, the City restated the net assets of the Water and Electric Funds. The Water Fund was restated to account for depreciation that wasn't previously recorded. The Electric Fund was restated to account for the double counting of the internal note, and the revenue bonds payable to JV-2. These restatements had the following effects on the enterprise fund's net assets:

	<u>Water Fund</u>	<u>Electric Fund</u>	<u>Business Type Activities</u>
Net Assets			
at December 31, 2005 as reported	\$15,031,674	\$32,225,615	\$58,416,238
Correction of Accounting Error for Internal Note	0	(600,000)	(600,000)
Correction of Accounting Error for Joint Venture	0	2,781,056	2,781,056
Restate Capital Assets	<u>(233,222)</u>	<u>0</u>	<u>(233,222)</u>
Net Assets			
at December 31, 2005 as restated	<u>\$14,798,452</u>	<u>\$34,406,671</u>	<u>\$60,364,072</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Tax Revenues	\$504,035
Shared Revenues	960,611
Interest Revenues	59,858
Special Assessment Revenue	250,566
	<hr/>
	\$1,775,070

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$500,000)
OPWC Loans Payable	(35,000)
Construction Loan Payable	(587,645)
Accrued Interest on Long-Term Debt	(23,867)
Capital Leases Payable	(1,096,129)
Police/Firemen's Pension Accrued Liability	(803,241)
Compensated Absences Payable	(1,451,170)
	<hr/>
	(\$4,497,052)

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	\$274,218
Depreciation Expense	(688,643)
	<u>(\$414,425)</u>

Governmental revenues not reported in the funds:

Increase in Tax Revenue	\$455,114
Decrease in Intergovernmental	(230,410)
Increase in Interest Revenue	58,541
Increase in Special Assessment Revenue	(47,109)
	<u>\$236,136</u>

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	(\$98,625)
Increase in supplies inventory	14,538
	<u>(\$84,087)</u>

NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the City has implemented GASB Statement No. 44, “*Economic Condition Reporting: The Statistical Section*”, GASB Statement No. 46 “*Net Assets Restricted by Enabling Legislation*” and GASB Statement No. 47, “*Accounting for Termination Benefits.*”

GASB Statement No. 44 establishes improved understandability and usefulness of the information that State and local governments present as supplementary information in the statistical section.

GASB Statement No. 46 clarifies when net assets should be restricted based on enabling legislation.

GASB Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

Implementation of GASB Statement No. 44, No. 46 and No. 47 did not affect the presentation of the financial statements of the City.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 5 - COMPLIANCE AND ACCOUNTABILITY

A. Accountability

The deficit at December 31, 2006 of \$65,574 in the Fire Levy Fund, \$185,084 in the Municipal Court Improvement Fund, \$262,865 in the Capital Improvement Fund and \$257,033 in the Industrial Park Projects Fund (nonmajor governmental funds) arose from the recognition of general obligation notes payable under the modified accrual basis of accounting. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist. The deficits of \$37,735 in the Employee Health Insurance Fund, and \$505,465 in the Workers' Compensation Retrospective Fund (internal service funds) were the result of recognizing expenses on the accrual basis, which result in expenses greater than those on the cash basis. Deficits did not exist on a cash basis. The General Fund provides transfers, upon City Council's approval, when cash is required, not when accruals occur.

B. Compliance

The Street Construction, Maintenance and Repair Fund had final appropriations exceeding estimated resources contrary to Ohio Revised Code Section 5705.39. The final appropriations exceeded the estimated resources by \$332,504.

NOTE 6 - CASH AND CASH EQUIVALENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$19,043,374 and the bank balance was \$19,286,008. Federal depository insurance covered \$600,000 of the bank balance and \$18,686,008 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	\$18,686,008
Total Balance	<u><u>\$18,686,008</u></u>

B. Investments

The City's investments at December 31, 2006 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)	
			less than 1	1-3
STAR Ohio	\$3,757,416	AAAm ¹	\$3,757,416	\$0
City's Debt	600,000	N/A	600,000	0
US Treasury Bills	792,875	*	0	792,875
FHLB	2,449,081	AAA ¹ /Aaa ²	1,955,166	493,915
FHLMC	3,982,201	AAA ¹ /Aaa ²	3,982,201	0
FNMA	4,967,820	AAA ¹ /Aaa ²	3,969,130	998,690
Total Investments	<u><u>\$16,549,393</u></u>		<u><u>\$14,263,913</u></u>	<u><u>\$2,285,480</u></u>

¹ Standard & Poor's

² Moody's Investor Service

* US Treasury Bills are guaranteed by the US Government and do not incur Credit Risks

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 30.0% are FNMA, 14.8% are FHLB, and 24.1% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$13,336,692	\$22,256,075
Certificates of Deposit (with maturities of more than 3 months)	9,464,098	(9,464,098)
STAR Ohio	<u>(3,757,416)</u>	<u>3,757,416</u>
Per GASB Statement No. 3	<u>\$19,043,374</u>	<u>\$16,549,393</u>

NOTE 7 - PROPERTY TAX

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2000 and the equalization adjustment was made in 2003. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder is payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is currently assessed at 100% of its true value and real property is assessed at 35% of its true (market) value. Public utility property taxes are payable on the same dates as real property taxes described previously.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 7 - PROPERTY TAX (Continued)

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

The full tax rate for all City operations for the year ended December 31, 2006 was \$3.70 per \$1,000 of assessed value. The assessed value upon which the 2006 collection was based was \$259,644,108. This amount constitutes \$224,222,920 in real property assessed value, \$4,558,030 in public utility assessed value and \$30,863,158 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Property taxes recorded as revenue in 2006 were based on a tax rate equal to .370% (3.70 mills) of assessed value.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, interest, accounts receivable, special assessments, loans and intergovernmental receivables arising from shared revenues.

NOTE 9 - LAND HELD FOR RESALE

In December 1999, the City purchased 43.1 acres of land with the intent of resale as part of the City's economic development strategy. Additional land was purchased during 2001 for the same purpose. This land is instrumental in the development of commercial or industrial facilities to create and preserve jobs. At December 31, 2006 the City's Land Held for Resale balance was \$785,000.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 10 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2006:

Fund	Transfers In	Transfers Out
Major Governmental Fund:		
General Fund	\$1,083,907	\$1,077,072
Street Construction, Maintenance and Repair Fund	396,218	160,000
Total Major Governmental Funds	<u>1,480,125</u>	<u>1,237,072</u>
Major Enterprise Funds:		
Water Fund	31,243	1,000
Sewer Fund	100,577	1,000
Electric Fund	8,848	794,192
Total Major Enterprise Funds	<u>140,668</u>	<u>796,192</u>
Nonmajor Governmental Funds:		
State Highway Improvement Fund	0	90,000
Cemeteries Fund	350,000	0
Municipal Motor Vehicle License Tax Fund	0	32,000
City Motor Vehicle License Tax Fund	0	65,000
Underground Storage Tank Fund	3,750	0
Probation Services Fund	45,000	0
COPS Fast Grant Fund	46,322	0
Federal Emergency Management Fund	0	310,674
Emergency Medical Services Fund	102	0
Municipal Court Computerization Fund	245,000	0
General Bond Retirement Fund	10,500	146,400
Municipal Court Improvement Fund	0	245,000
Capital Equipment Reserve Fund	175,000	0
Capital Improvement Fund	271,400	0
Industrial Park Project Fund	160,000	0
Municipal Court Special Projects Fund	0	45,000
Total Nonmajor Governmental Funds	<u>1,307,074</u>	<u>934,074</u>
Nonmajor Enterprise Fund:		
Refuse Fund	41,417	0
Off-Street Parking Fund	80,009	0
Storm Water Utility Fund	23,778	30,000
Community Programs Fund	35,000	0
Total Nonmajor Enterprise Funds	<u>180,204</u>	<u>30,000</u>
Internal Service Funds:		
Employee Health Insurance Fund	0	100,000
Total Internal Service Funds	<u>0</u>	<u>100,000</u>
Total All Funds	<u>\$3,108,071</u>	<u>\$3,097,338</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 10 - TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

For the year ended December 31, 2006, the Water and Electric Funds report the respective transfers in (out) of \$15,270, and \$(4,537). These amounts represent “one-sided” transfer transactions netting \$10,733. The transfers out were made to account for the net book value of certain capital assets that were transferred (to) from Governmental Activities.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2006 consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$300,000	\$0
Nonmajor Governmental Fund:		
Fire Levy Fund	0	300,000
Totals	<u>\$300,000</u>	<u>\$300,000</u>

The interfund loan balances result from the General Fund’s advance of monies to the Fire Levy Fund to assist the fund’s cashflow. The advance is scheduled to be repaid during the 2007 fiscal year.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 12 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Capital assets not being depreciated:				
Land	\$4,430,567	\$250,823	(\$18,605)	\$4,662,785
Construction in Progress	1,886,926	0	(1,130,144)	756,782
Subtotal	6,317,493	250,823	(1,148,749)	5,419,567
Capital assets being depreciated:				
Buildings and Improvements	4,410,799	0	(123,439)	4,287,360
Improvements other than Buildings	1,309,484	956,119	0	2,265,603
Machinery and Equipment	5,604,217	203,465	(293,797)	5,513,885
Infrastructure	1,367,297	0	0	1,367,297
Subtotal	12,691,797	1,159,584	(417,236)	13,434,145
Total Cost	\$19,009,290	\$1,410,407	(\$1,565,985)	\$18,853,712

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Improvements	(\$1,926,474)	(\$66,274)	\$11,313	(\$1,981,435)
Improvements other than Buildings	(494,173)	(56,980)	0	(551,153)
Machinery and Equipment	(2,770,379)	(508,510)	222,043	(3,056,846)
Infrastructure	(194,339)	(58,438)	0	(252,777)
Total Depreciation	(\$5,385,365)	(\$690,202) *	\$233,356	(\$5,842,211)
Net Value:	\$13,623,925			\$13,011,501

* Depreciation expenses were charged to governmental functions as follows:

General Government	\$132,616
Public Safety	230,667
Highways and Streets	232,545
Public Health and Welfare	20,496
Culture and Recreation	65,962
Community Environment	6,357
Total Depreciation Expense	688,643
Amounts Transferred from Enterprise Funds	1,559
Total Additions to Deprecation	\$690,202

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 12 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2006:

<i>Historical Cost:</i>	Restated December 31, 2005	Additions	Deletions	December 31, 2006
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$1,419,614	\$78,500	(\$100,330)	\$1,397,784
Construction In Progress	5,046,396	1,267,724	(2,226,604)	4,087,516
Subtotal	<u>6,466,010</u>	<u>1,346,224</u>	<u>(2,326,934)</u>	<u>5,485,300</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	26,018,979	1,349,828	0	27,368,807
Improvements other than Buildings	38,004,905	1,002,074	(55,401)	38,951,578
Machinery and Equipment	20,550,230	874,088	(224,755)	21,199,563
Subtotal	<u>84,574,114</u>	<u>3,225,990</u>	<u>(280,156)</u>	<u>87,519,948</u>
Total Cost	<u>\$91,040,124</u>	<u>\$4,572,214</u>	<u>(\$2,607,090)</u>	<u>\$93,005,248</u>
 <i>Accumulated Depreciation:</i>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Improvements	(\$15,208,987)	(\$606,363)	\$0	(\$15,815,350)
Improvements other than Buildings	(14,717,061)	(932,090)	16,646	(15,632,505)
Machinery and Equipment	(16,391,770)	(530,541)	175,595	(16,746,716)
Total Depreciation	<u>(\$46,317,818)</u>	<u>(\$2,068,994)</u>	<u>\$192,241</u>	<u>(\$48,194,571)</u>
<i>Net Value:</i>	<u>\$44,722,306</u>			<u>\$44,810,677</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 13 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Ohio Public Employees Retirement System (the “Ohio PERS”)

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “*Accounting for Pensions by State and Local Government Employers.*”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$1,380,027, \$1,372,183 and \$1,439,805, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 13 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$453,294.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 13 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$452,000, \$460,196 and \$439,707 for police and \$413,267, \$411,690 and \$396,703 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$179,641 representing 7.75% of covered payroll for police and \$133,451 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2006 was as follows:

		Restated Balance December 31, 2005	Issued	(Retired)	Balance December 31, 2006	Amount Due Within One Year
Business-Type Activities:						
Mortgage Revenue Bonds:						
2.900 - 6.000%	Electric System	1992	\$710,000	\$0	(\$710,000)	\$0
4.600 - 4.750%	Joint Venture Agreement		2,781,056	0	(129,227)	2,651,829
	Joint Venture Reserve Amount		(402,759)	(23,826)	0	(426,585)
	Net Joint Venture Revenue Bond		2,378,297	(23,826)	(129,227)	2,225,244
	Total Mortgage Revenue Bonds		3,088,297	(23,826)	(839,227)	2,225,244
General Obligation Bonds:						
1.500 - 3.600%	Waterworks	2003	1,755,000	0	(235,000)	1,520,000
3.250 - 4.600%	Waterworks	1998	3,250,000	0	(250,000)	3,000,000
	Total General Obligation Bonds		5,005,000	0	(485,000)	4,520,000
Ohio Water Development Authority Loans (OWDA):						
4.618%	Safe Drinking Water	1998	1,214,400	0	(63,530)	1,150,870
	Total OWDA Loans		1,214,400	0	(63,530)	1,150,870
Ohio Public Works Commission Loan (OPWC):						
0.000%	Raw Water Pump Station Replacement	2002	420,000	0	(60,000)	360,000
0.000%	Pump Station	2005	413,474	0	(41,357)	372,117
	Total OPWC Loans		833,474	0	(101,357)	732,117
	Capital Leases Payable		368,603	58,317	(87,189)	339,731
	Compensated Absences		1,449,914	1,456,330	(1,449,914)	1,456,330
	Total Business-Type Activities		\$11,959,688	\$1,490,821	(\$3,026,217)	\$10,424,292
Governmental Activities:						
Special Assessment Debt (with governmental commitment)						
8.000 - 8.125%	Chicago/Forest/Roosevelt Street Improvements	1988	\$145,000	\$0	(\$45,000)	\$100,000
4.75%	Renaissance Parkway	2005	410,000	0	(10,000)	400,000
	Total Special Assessment Debt (with governmental commitment)		555,000	0	(55,000)	500,000
Ohio Public Works Commission Loans (OPWC):						
0.000%	East Walnut Avenue Improvements Loan	2000	45,000	0	(10,000)	35,000
	Total OPWC Loans		45,000	0	(10,000)	35,000
Long-Term Notes Payable:						
5.000%	Land Purchase	2001	100,000	0	(100,000)	0
	Total Long-Term Notes Payable		100,000	0	(100,000)	0
	4.25% Construction Loan Payable		0	587,645	0	587,645
	Compensated Absences		1,352,545	1,451,170	(1,352,545)	1,451,170
	Workers' Compensation Liability		771,469	0	(112,227)	659,242
	Capital Lease Payable		1,178,895	353,758	(436,524)	1,096,129
	Police/Firemen's Pension Accrued Liability		817,571	0	(14,330)	803,241
	Total Governmental Activities		\$4,820,480	\$2,392,573	(\$2,080,626)	\$5,132,427

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 14 - LONG-TERM DEBT (Continued)

A. Defeased Debt

In December 1985, the City defeased \$4,540,000 of Electric Plant First Mortgage Revenue Bonds dated July 1, 1972 and August 1, 1974 and \$3,400,000 of Special Obligation Electric System Refunding Bonds dated December 1, 1985 through the issuance of Electric System Mortgage Revenue Bonds (the "1985 Bonds"). In December 1992, the City defeased \$5,090,000 of the 1985 Bonds through the issuance of \$6,000,000 of Electric System Mortgage Revenue Refunding Bonds (the "1992 Bonds"). In February of 2003, the City defeased \$2,205,000 of Waterworks General Revenue Bonds dated December 1, 1992 (the "1992 Waterworks Bonds") through the issuance of \$2,380,000 of Waterworks General Obligation Refunding Bonds (the "2003 Waterworks Bonds"). The net proceeds of both the 1985 and 1992 Bonds have been invested in U.S. Treasury 1992 obligations and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,485,000 at December 31, 2006, are not included in the City's outstanding debt since the City has satisfied its obligations through the advanced refunding.

B. Compensated Absences

City management staff and employees in each bargaining unit earn sick leave credit. Employees with at least 10 years of service are paid for one-third of their accumulated sick leave credit upon termination of employment, which may not exceed 120 days. This obligation amounted to \$1,713,601 for the City as of December 31, 2006.

In addition, management staff and personnel in each bargaining unit earn vacation at different rates based upon length of service. Vacation carried forward to the current year may not exceed one year's leave balance. In case of death, termination or retirement, an employee (or his estate) is paid for unused vacation up to a maximum of one year credit and two week accrual. The total obligation for accrued vacation for the City as a whole at December 31, 2006 amounted to \$1,193,899.

C. Police and Firemen's Pension Accrued Liability

The City's liability for past service costs related to the Police and Fire Pension Fund at December 31, 2006 was \$1,392,085 in principal and scheduled interest payments through the year 2035. Only the principal portion of the payments due are included in the in the government-wide statement of net assets.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 14 - LONG-TERM DEBT (Continued)

D. Capital Leases

The City has entered into agreements to lease equipment. The original cost of the equipment was \$2,337,896. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term obligations in the financial statements. The costs of these assets are included in the capital asset balances of the Governmental Activities and Water, Sewer, Electric Funds (major enterprise fund) and the Off Street Parking Fund (nonmajor enterprise fund). The capital leases payable are recorded in Governmental Activities and the Business-Type Activities in the amount of \$1,096,129, and \$339,731, respectively.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2006:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2007	\$454,606	\$99,504
2008	260,972	83,116
2009	224,206	68,513
2010	134,078	61,265
2011	73,648	40,289
2012	28,536	16,977
Minimum Lease Payments	1,176,046	369,664
Less: amount representing interest at the City's incremental borrowing rate of interest	(79,917)	(29,933)
Present value of minimum lease payments	<u>\$1,096,129</u>	<u>\$339,731</u>

E. Special Assessments with Governmental Commitment

The principal amount of the City's special assessment debt outstanding at December 31, 2006, \$500,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$219,166 in the Special Assessment Bond Retirement Fund at December 31, 2006 is reserved for the retirement of outstanding special assessment bonds.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 14 - LONG-TERM DEBT (Continued)

F. Ohio Water Development Authority Loan

In 1998, the City entered into an agreement with the Ohio Water Development Authority to receive loans from the Water Supply Revolving Loan Account and the Freshwater Loan Agreement in the amounts of \$1,644,613. The interest rate on the loan is 4.618% per annum. This loan is payable from water service charges. The loan can only be received by the City in increments as the project is completed. As of December 31, 2006 the City had received \$1,524,401. The City began repaying the loan in semiannual payments in 1999 based on a loan amount of \$1,664,613 to be paid through 2019. As of December 31, 2006, the loan had an outstanding balance of \$1,150,870.

G. Principal and Interest Requirements

The principal and interest requirements to retire long-term debt and Police and Fire Pension Liability obligations at December 31, 2006, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$485,000	\$183,125	\$65,000	\$27,776	\$134,556	\$132,242
2008	490,000	166,197	65,000	23,062	141,218	125,514
2009	500,000	148,202	15,000	18,350	148,212	118,453
2010	505,000	130,327	15,000	17,638	155,539	111,042
2011	515,000	110,917	15,000	16,925	163,866	102,877
2012-2016	1,525,000	298,650	95,000	72,212	957,217	375,966
2017-2021	500,000	34,688	115,000	46,750	951,221	115,568
2022-2025	0	0	115,000	14,750	0	0
Totals	\$4,520,000	\$1,072,106	\$500,000	\$237,463	\$2,651,829	\$1,081,662

Years	OWDA Loans		OPWC Loans		Police/Firemen's Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$66,446	\$52,460	\$111,357	\$0	\$14,942	\$33,981
2008	69,503	49,402	111,357	0	15,584	33,339
2009	72,710	46,195	111,357	0	16,253	32,670
2010	76,073	42,832	106,357	0	16,950	31,972
2011	79,601	39,304	101,357	0	17,679	31,244
2012-2016	457,292	137,236	225,332	0	100,458	144,153
2017-2021	329,245	27,470	0	0	123,967	120,644
2022-2026	0	0	0	0	152,979	91,635
2027-2031	0	0	0	0	188,778	55,835
2032-2035	0	0	0	0	155,651	13,371
Totals	\$1,150,870	\$394,899	\$767,117	\$0	\$803,241	\$588,844

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 14 - LONG-TERM DEBT (Continued)

G. Principal and Interest Requirements (Continued)

Years	Construction Loan	
	Principal	Interest
2007	\$48,280	\$24,467
2008	50,353	22,394
2009	52,516	20,231
2010	54,772	17,976
2011	57,124	15,623
2012-2016	324,600	39,133
2017-2021	0	0
2022-2026	0	0
2027-2031	0	0
2032-2035	0	0
Totals	<u>\$587,645</u>	<u>\$139,824</u>

The repayment of the mortgage revenue bonds is secured by the revenues and a first mortgage on the property of the related utility operation. All other bonds, notes and the police and fire pension accrued liability are backed by the full faith and credit of the City. The Ohio Water Development Authority construction loans are secured by the revenues of the City's wastewater treatment operations. The loans require, among other things, that the City charge sufficient rates and fees for wastewater treatment services to enable the revenues to service the loan principal and provide resources for the payment of the necessary operating and maintenance expenses of the facility. The City was not required to pledge the general resources or general credit of the City to secure the repayment of the loans.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 15 - NOTES PAYABLE

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial five year period. Below is a summary of notes payable activity during 2006:

	Balance January 1, 2006	Issued	(Retired)	Balance December 31, 2006
General Fund				
5.00% Land Purchase Agreement	\$655,000	\$0	(\$655,000)	\$0
5.00% Land Purchase Agreement	0	600,000	0	600,000
Special Revenue Funds:				
Street Construction, Maintenance and Repair Fund:				
2.00% Street Construction and Resurfacing	205,000	0	(205,000)	0
2.00% Street Construction and Resurfacing	1,142,000	0	(1,142,000)	0
4.50% Street Construction and Resurfacing	200,000	0	(200,000)	0
4.15% Street Construction and Resurfacing	0	1,527,000	(1,527,000)	0
4.25% Street Construction and Resurfacing	0	160,000	0	160,000
3.70% Street Construction and Resurfacing	0	1,062,000	0	1,062,000
Fire Levy Fund:				
2.00% Motorized Equipment Acquisition	25,000	0	(25,000)	0
2.00% Motorized Equipment Acquisition	150,000	0	(150,000)	0
4.50% Motorized Equipment Acquisition	20,000	0	(20,000)	0
4.50% Motorized Equipment Acquisition	0	100,000	0	100,000
Probation Services Fund:				
4.50% Municipal Court/Safety Center Renovation	45,000	0	(45,000)	0
Total Special Revenue	<u>1,787,000</u>	<u>2,849,000</u>	<u>(3,314,000)</u>	<u>1,322,000</u>

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CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 15 - NOTES PAYABLE (Continued)

	Balance January 1, 2006	Issued	(Retired)	Balance December 31, 2006
Capital Projects Funds:				
Municipal Court Improvement Fund:				
1.60% Municipal Court/Safety Center Renovation	230,000	0	(230,000)	0
4.25% Municipal Court/Safety Center Renovation	0	200,000	0	200,000
Capital Improvement Fund:				
3.25% City Office Building Improvements	550,000	0	(550,000)	0
3.25% City Office Building Improvements	250,000	0	(250,000)	0
4.50% City Office Building Improvements	75,000	0	(75,000)	0
4.50% City Office Building Improvements	0	180,000	0	180,000
4.25% City Office Building Improvements	0	10,000	0	10,000
4.50% City Office Building Improvements	0	550,000	0	550,000
Shamrock Boulevard Road Project Fund:				
1.60% Construction of Shamrock Boulevard	0	80,000	(80,000)	0
Industrial Park Project Fund:				
4.50% Renaissance Parkway Improvements	540,000	0	(540,000)	0
4.25% Renaissance Parkway Improvements	0	340,000	0	340,000
Total Capital Projects	<u>1,645,000</u>	<u>1,360,000</u>	<u>(1,725,000)</u>	<u>1,280,000</u>
Enterprise Funds:				
Water Fund:				
3.25% Water Treatment Plant Improvements	75,000	0	(75,000)	0
3.25% Water Treatment Plant Improvements	705,000	0	(705,000)	0
3.25% Water Treatment Plant Improvements	291,000	0	(291,000)	0
4.50% Water Treatment Plant Improvements	270,000	0	(270,000)	0
4.50% Water Treatment Plant Improvements	0	1,137,100	0	1,137,100
4.25% Water Treatment Plant Improvements	0	210,000	0	210,000
Sewer Fund:				
3.25% Wastewater Treatment Plant Improvements	295,000	0	(295,000)	0
4.50% Wastewater Treatment Plant Improvements	555,000	0	(555,000)	0
4.15% Wastewater Treatment Plant Improvements	0	610,000	(610,000)	0
3.70% Wastewater Treatment Plant Improvements	0	1,095,000	0	1,095,000
Storm Water Fund:				
3.25% Wastewater Treatment Plant Improvements	100,000	0	(100,000)	0
3.25% Wastewater Treatment Plant Improvements	167,000	0	(167,000)	0
4.50% Wastewater Treatment Plant Improvements	0	187,000	0	187,000
Total Enterprise	<u>2,458,000</u>	<u>3,239,100</u>	<u>(3,068,000)</u>	<u>2,629,100</u>
Total Notes Payable	<u>\$6,545,000</u>	<u>\$8,048,100</u>	<u>(\$8,762,000)</u>	<u>\$5,831,100</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 16 - CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds and Economic Development Revenue Bonds to provide financial assistance to private and public sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private or public sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

During 2006, one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$780,000, was paid in full.

NOTE 17 - RISK MANAGEMENT

The City purchases insurance policies in varying amounts providing coverage for general liability, vehicle liability, property damage, employee and public officials liability, professional liability and errors and omissions liability. The City also pays unemployment claims to the State of Ohio as incurred.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2006 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Cincinnati Insurance Company	Public Employee Dishonesty/ Forgery	\$0
Cincinnati Insurance Company	Law Enforcement Professional Liability	5,000
Cincinnati Insurance Company	Public Officials Liability	5,000 / 15,000
Cincinnati Insurance Company	Comprehensive General Liability	Varies
Cincinnati Insurance Company	Ohio Employers Intentional Tort Liability	0
Cincinnati Insurance Company	Commercial Umbrella Liability	0
Cincinnati Insurance Company	Boiler and Machinery	5,000 / 50,000
Cincinnati Insurance Company	Automobile	250
AAIC	Commercial General Liability (Fire)	0
AAIC	Commercial Umbrella	0

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 17 - RISK MANAGEMENT (Continued)

In 1993, the Workers' Compensation Retrospective Rating Fund was established to account for the funding of the City's workers' compensation plan. Under the plan, the City is charged by the State of Ohio for administrative fees, claims paid and premiums for individual and aggregate claim limits. All City funds are charged a premium per employee covered by the Workers' Compensation Retrospective Rating Fund based on claims experience. The City has a claims limit of \$250,000 per individual and a maximum yearly amount for all claims which varies each policy year. The claims liability of \$659,242 reported in the fund at December 31, 2006 is based on the requirements of GASB Statement No. 10, 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. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2005	\$703,904	\$410,978	(\$343,413)	\$771,469
2006	771,469	130,361	(242,588)	659,242

In 2000, the Employee Health Insurance Fund was created to account for the City's self-funded employee health insurance. Under this program, the City operates with a third party administrator and under stop-loss thresholds. The actual claims are passed through the City for payment. There is protection as to the amount of claims that can be passed through to the City—both specific and aggregate stop-loss protection. Under specific stop-loss, the City pays 100% for any one individual generating claims up to the specific level of \$40,000. Any dollar amount over this specific level is paid by the re-insurance carrier. The aggregate stop-loss protects the City from having a large number of claims exceeding the expected claims level by more than 20% or 25%. Any claims over the specific level do not count toward the aggregate level. Only claims less than the specific level are applied toward the aggregate level. The claims liability of \$108,041 reported in the fund at December 31, 2006 is based on the requirements of GASB 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. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2005	\$205,703	\$2,411,708	(\$2,350,353)	\$267,058
2006	267,058	1,382,861	(1,541,878)	108,041

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 18 – CONTRACTUAL COMMITMENTS

As of December 31, 2006, the City had the following contracts with respect to capital improvements:

Project	Remaining Construction Commitment	Expected Date of Completion
SR44 W Jackson ST Interchange	\$1,181,010	12/31/09
SR84/86 Resurfacing Program	6,910	06/30/07
Colonial Dr. Roadway & Bridge Improvements	8,497	06/30/07
Lighthouse Point Storm Water Drainage Improvements	3,650	06/30/07
Chester Street Roadway Improvements	10,674	03/31/07
West Eagle Street Sidewalks	1,211	03/31/07
City Street Resurfacing Program	30,489	03/31/07
Luary/alcott Storm Water Improvements	12,810	06/30/07
Miller Court/Chestnut St. Stormwater	27,433	06/30/07
Tiber Creek Storm Drainage	192,510	12/31/07
Elm Street Water Line Replacement	19,729	12/31/07
Mentor Avenue & Jackson Street RR Lining	64,848	06/30/07
Electric Substation Upgrade	18,560	12/31/08
Boiler Mact. Compliance - Electric	37,000	12/31/08
Trenching & Installation of Underground Conduit	12,290	12/31/09
Total	\$1,627,621	

NOTE 19 - JOINT VENTURE

The City of Painesville is a Financing Participant and an Owner Participant with percentages of liability and ownership of 6.66% and 5.22% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 19 - JOINT VENTURE (Continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2006 the City of Painesville has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2006 was \$2,225,244 (net of amounts withheld for debt service reserve, amounts held in the bond fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$2,187,265 at December 31, 2006. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 20 - CONTINGENCIES

A. Environmental Matters

The City owns land and operates a wastewater pollution control facility on a portion of an area which has been declared by the United States Environmental Protection Agency (USEPA) as a "Superfund Site" under the Comprehensive Environmental Response, Compensation and Liabilities Act. Under this Act, the City could be held liable for a portion of the cost of the clean-up of the site. A liability has not been recorded in the accompanying combined financial statements for this matter because the extent and cost of the possible required corrective action as well as the City's share is unknown at this time.

B. Litigation

There are several lawsuits pending in which the City is involved. The City's management believes that the ultimate outcome of these matters will not significantly impact the City's financial position or operations.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 21 – SUBSEQUENT EVENTS

On February 20, 2007, the City issued and sold a Land Acquisition note in the principal amount of \$540,000 to pay costs of acquiring certain real property. The notes mature on February 19, 2008. The City also issued \$2,694,100 in various purpose notes in anticipation of the issuance of bonds. The notes mature on February 19, 2008.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, NONMAJOR ENTERPRISE FUNDS, NONMAJOR INTERNAL SERVICE FUNDS, AND FIDUCIARY FUNDS.

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

State Highway Improvement Fund

Required by the Ohio Revised Code to account for 7.5% of the state gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City.

Cemeteries Fund

To account for revenue received from the operation of the City's two municipal cemeteries.

Police Pension Transfer Fund

To accumulate property taxes levied for the partial payment of the current and accrued liability for police disability and pension.

Fire Pension Transfer Fund

To accumulate property taxes levied for the partial payment of the current and accrued liability for fire disability and pension.

Law Enforcement Fund

To account for the proceeds from the confiscation of contraband.

Municipal Motor Vehicle License Tax Fund

To account for County-levied motor vehicle registration fees designated for street construction, maintenance and repair.

Indigent Drivers Alcohol Treatment Fund

To account for funds received pursuant to Ohio Revised Code Section 4511.191 (M) to be used for the incarceration and/or treatment of alcohol abuse by individuals that are determined by the courts to be indigent.

Enforcement and Education Fund

To account for funds received pursuant to Ohio Revised Code Section 4511.99 (A) to be used by the Painesville Police to pay the costs of educating the public about laws governing operation of a motor vehicle while under the influence of alcohol.

City Motor Vehicle License Tax Fund

To account for City-levied motor vehicle registration fees designated for street construction, maintenance and repair.

(Continued)

Special Revenue Funds

Fire Levy Fund

To account for property tax revenues derived from a voted tax levy for the purchase of fire fighting apparatus.

Underground Storage Tank Fund

To account for monies to pay for the deductible amount of costs of third party damages and corrective actions necessary to clean up a petroleum release from an underground storage tank.

Probation Services Fund

To account for monies received pursuant to Ohio Revised Code Section 2951.021 to be used for operating expenses of the Probation Department.

Community Oriented Policing Services (COPS) Fast Grant Fund

To account for federal grant monies designated for the cost of additional police officers.

Skate Facility Fund

To account for monies designated for the costs to construct and maintain a skate facility.

Fire Fund

To account for grants and donated monies received for funding the operations of the Fire Division.

Federal Emergency Management Act (FEMA) Fund

To account for grant revenues received from FEMA to aid in the clean up of the flooding.

Emergency Medical Services (EMS) Fund

To account for revenue received from the operation of the City's Emergency Medical Services.

Municipal Court Computerization Fund

To account for monies from fines to be used to place an updated computer system in the Municipal Court.

Plan Review Fund

To account for monies received and held by the City for various deposits for review of construction plans.

Zoning Application Fund

To account for monies received and held by the City for zoning application requests.

(Continued)

Special Revenue Funds

Columbarium Trust Fund

To account for monies received and held by the City for charges related to columbarium burial site.

Law Enforcement Trust Fund

To account for monies received by the police division from the sale of drug related contraband.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies when the government is obligated in some manner for the payment.

General Bond Retirement Fund

To account for the accumulation of resources for the payments of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Special Assessment Bond Retirement Fund

To accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment bonds.

Land Acquisition Note Retirement Fund

To account for the accumulation of resources for the payments of land acquisition notes of the City. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because there are no assets or liabilities and there was no activity during the year.)

Capital Projects Funds

The Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than that financed by proprietary funds and trust funds.

Municipal Court Improvement Fund

To account for the expansion to a second municipal courtroom, including remodeling and furnishing of the existing facilities financed by unvoted general obligation bond anticipation notes.

Capital Equipment Reserve Fund

To account for the costs associated with the purchase and maintenance of capital equipment.

Capital Improvement Fund

To account for the accumulation of funds for the acquisition of capital assets and/or the construction of major capital facilities.

Shamrock Boulevard Road Project Fund

To account for the costs associated with the construction of Shamrock Boulevard Road.

Jackson Street Interchange Project Fund

To account for the costs associated with the construction of an interchange off of State Route 44 and Jackson Street.

Industrial Park Project Fund

To account for the costs associated with the construction of the Renaissance Industrial Park located on Newell Street.

Municipal Court Special Projects Fund

To account for the accumulation of funds for the general use of the Municipal Court.

Permanent Funds

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not the principal, may be used to support the City's programs.

Cemetery Trust Fund

To account for interest income earned from the investment of cemetery trust principal. The interest portion of the trust can be used to maintain the City's two cemeteries.

Special Endowment Fund

To account for interest income earned from the investment of special endowment (non-resident) principal. The interest portion of the trust can be used to maintain the City's two cemeteries.

Evergreen Cemetery Trust Fund

To account for the principal, acquired from contributions and endowments, for the City's Evergreen Cemetery.

Riverside Cemetery Trust Fund

To account for the principal, acquired from contributions and endowments, for the City's Riverside Cemetery.

Special Endowment Trust Fund

To account for the principal, acquired from contributions and endowments, from non-residents, for the City's two cemeteries.

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,259,823	\$ 222,434	\$ 1,499,147	\$ 82,878	\$ 3,064,282
Receivables (net of allowance for doubtful accounts):					
Taxes	286,680	65,680	0	0	352,360
Accounts	0	0	463	0	463
Intergovernmental	122,567	2,696	9,635	0	134,898
Special Assessments	0	250,566	0	0	250,566
Inventory of Supplies, at Cost	1,550	0	0	0	1,550
Prepaid Items	1,164	0	0	0	1,164
Restricted Assets:					
Cash and Cash Equivalents	0	0	0	1,031,775	1,031,775
Total Assets	\$ 1,671,784	\$ 541,376	\$ 1,509,245	\$ 1,114,653	\$ 4,837,058
Liabilities:					
Accounts Payable	\$ 48,499	\$ 0	\$ 6,588	\$ 0	\$ 55,087
Accrued Wages and Benefits Payable	30,209	0	1,083	0	31,292
Interfund Loans Payable	300,000	0	0	0	300,000
Deferred Revenue	340,488	318,389	0	0	658,877
Accrued Interest Payable	3,501	0	29,471	0	32,972
General Obligation Notes Payable	100,000	0	1,280,000	0	1,380,000
Total Liabilities	822,697	318,389	1,317,142	0	2,458,228
Fund Balances:					
Reserved for Encumbrances	82,164	0	168,867	0	251,031
Reserved for Prepaid Items	1,164	0	0	0	1,164
Reserved for Supplies Inventory	1,550	0	0	0	1,550
Reserved for Debt Service	0	222,987	0	0	222,987
Reserved for Endowments	0	0	0	984,940	984,940
Undesignated/Unreserved	764,209	0	23,236	129,713	917,158
Total Fund Balances	849,087	222,987	192,103	1,114,653	2,378,830
Total Liabilities and Fund Balances	\$ 1,671,784	\$ 541,376	\$ 1,509,245	\$ 1,114,653	\$ 4,837,058

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
Revenues:					
Property Taxes	\$ 251,120	\$ 55,608	\$ 0	\$ 0	\$ 306,728
Intergovernmental Revenues	586,274	7,077	249,946	0	843,297
Charges for Services	446,105	0	0	0	446,105
Investment Earnings	24,450	687	26,890	56,465	108,492
Special Assessments	0	56,858	0	0	56,858
Fines and Forfeitures	246,854	0	147,942	0	394,796
All Other Revenues	22,322	0	2,151	11,280	35,753
Total Revenues	1,577,125	120,230	426,929	67,745	2,192,029
Expenditures:					
Current:					
General Government	259,208	0	60,787	0	319,995
Public Safety	1,025,580	0	0	0	1,025,580
Highways and Streets	38,754	0	241,284	0	280,038
Public Health and Welfare	401,651	0	0	1,564	403,215
Capital Outlay	0	0	298,301	0	298,301
Debt Service:					
Principal Retirement	5,061	55,000	21,628	0	81,689
Interest & Fiscal Charges	10,214	33,904	84,457	0	128,575
Total Expenditures	1,740,468	88,904	706,457	1,564	2,537,393
Excess (Deficiency) of Revenues Over Expenditures	(163,343)	31,326	(279,528)	66,181	(345,364)
Other Financing Sources (Uses):					
Premiums on Debt Issuances	0	60	4,242	0	4,302
Transfers In	690,174	10,500	606,400	0	1,307,074
Transfers Out	(497,674)	(146,400)	(290,000)	0	(934,074)
Other Financing Sources - Capital Leases	109,826	0	147,118	0	256,944
Total Other Financing Sources (Uses)	302,326	(135,840)	467,760	0	634,246
Net Change in Fund Balances	138,983	(104,514)	188,232	66,181	288,882
Fund Balances at Beginning of Year	711,242	327,501	3,871	1,048,472	2,091,086
Increase (Decrease) in Inventory Reserve	(1,138)	0	0	0	(1,138)
Fund Balances End of Year	\$ 849,087	\$ 222,987	\$ 192,103	\$ 1,114,653	\$ 2,378,830

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006**

	State Highway Improvement Fund	Cemeteries Fund	Police Pension Transfer Fund	Fire Pension Transfer Fund	Law Enforcement Fund
Assets:					
Cash and Cash Equivalents	\$ 16,985	\$ 122,974	\$ 888	\$ 888	\$ 23,660
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	82,003	82,003	0
Intergovernmental	21,499	0	3,369	3,369	0
Inventory of Supplies, at Cost	0	1,550	0	0	0
Prepaid Items	0	967	0	0	0
Total Assets	\$ 38,484	\$ 125,491	\$ 86,260	\$ 86,260	\$ 23,660
Liabilities:					
Accounts Payable	\$ 0	\$ 9,716	\$ 0	\$ 0	\$ 92
Accrued Wages and Benefits Payable	0	15,305	0	0	0
Interfund Loans Payable	0	0	0	0	0
Deferred Revenue	14,332	0	84,681	84,681	0
Accrued Interest Payable	0	0	0	0	0
General Obligation Notes Payable	0	0	0	0	0
Total Liabilities	14,332	25,021	84,681	84,681	92
Fund Balances:					
Reserved for Encumbrances	3,245	0	0	0	6,709
Reserved for Prepaid Items	0	967	0	0	0
Reserved for Supplies Inventory	0	1,550	0	0	0
Undesignated/Unreserved (Deficits)	20,907	97,953	1,579	1,579	16,859
Total Fund Balances (Deficits)	24,152	100,470	1,579	1,579	23,568
Total Liabilities and Fund Balances	\$ 38,484	\$ 125,491	\$ 86,260	\$ 86,260	\$ 23,660

CITY OF PAINESVILLE, OHIO

<u>Municipal Motor Vehicle License Tax Fund</u>	<u>Indigent Drivers Alcohol Treatment Fund</u>	<u>Enforcement and Education Fund</u>	<u>City Motor Vehicle License Tax Fund</u>	<u>Fire Levy Fund</u>	<u>Underground Storage Tank Fund</u>
\$ 4,869	\$ 125,639	\$ 41,503	\$ 8,509	\$ 345,122	\$ 6,925
0	0	0	0	122,674	0
15,810	480	25	31,621	3,534	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 20,679</u>	<u>\$ 126,119</u>	<u>\$ 41,528</u>	<u>\$ 40,130</u>	<u>\$ 471,330</u>	<u>\$ 6,925</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,229	\$ 0
0	0	0	0	0	0
0	0	0	0	300,000	0
10,540	0	0	21,080	125,174	0
0	0	0	0	3,501	0
0	0	0	0	100,000	0
<u>10,540</u>	<u>0</u>	<u>0</u>	<u>21,080</u>	<u>536,904</u>	<u>0</u>
0	29,328	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>10,139</u>	<u>96,791</u>	<u>41,528</u>	<u>19,050</u>	<u>(65,574)</u>	<u>6,925</u>
<u>10,139</u>	<u>126,119</u>	<u>41,528</u>	<u>19,050</u>	<u>(65,574)</u>	<u>6,925</u>
<u>\$ 20,679</u>	<u>\$ 126,119</u>	<u>\$ 41,528</u>	<u>\$ 40,130</u>	<u>\$ 471,330</u>	<u>\$ 6,925</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006**

	Probation Services Fund	COPS Fast Grant Fund	Skate Facility Fund	Fire Fund	Federal Emergency Management Fund
Assets:					
Cash and Cash Equivalents	\$ 69,138	\$ 4,753	\$ 8,436	\$ 22,811	\$ 0
Receivables (net of allowance for doubtful accounts):					
Taxes	0	0	0	0	0
Intergovernmental	9,152	0	0	0	27,407
Inventory of Supplies, at Cost	0	0	0	0	0
Prepaid Items	0	0	0	0	0
Total Assets	\$ 78,290	\$ 4,753	\$ 8,436	\$ 22,811	\$ 27,407
Liabilities:					
Accounts Payable	\$ 3,827	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	3,136	0	0	0	0
Interfund Loans Payable	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	0
General Obligation Notes Payable	0	0	0	0	0
Total Liabilities	6,963	0	0	0	0
Fund Balances:					
Reserved for Encumbrances	1,749	4,755	0	2,400	0
Reserved for Prepaid Items	0	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0	0
Undesignated/Unreserved (Deficits)	69,578	(2)	8,436	20,411	27,407
Total Fund Balances (Deficits)	71,327	4,753	8,436	22,811	27,407
Total Liabilities and Fund Balances	\$ 78,290	\$ 4,753	\$ 8,436	\$ 22,811	\$ 27,407

CITY OF PAINESVILLE, OHIO

Emergency Medical Services Fund	Municipal Court Computerization Fund	Plan Review Fund	Zoning Application Fund	Columbarium Trust Fund	Law Enforcement Trust Fund	Total Nonmajor Special Revenue Funds
\$ 190,279	\$ 234,755	\$ 17,726	\$ 8,275	\$ 89	\$ 5,599	\$ 1,259,823
0	0	0	0	0	0	286,680
0	6,301	0	0	0	0	122,567
0	0	0	0	0	0	1,550
197	0	0	0	0	0	1,164
<u>\$ 190,476</u>	<u>\$ 241,056</u>	<u>\$ 17,726</u>	<u>\$ 8,275</u>	<u>\$ 89</u>	<u>\$ 5,599</u>	<u>\$ 1,671,784</u>
\$ 10,886	\$ 15,749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,499
9,121	2,647	0	0	0	0	30,209
0	0	0	0	0	0	300,000
0	0	0	0	0	0	340,488
0	0	0	0	0	0	3,501
0	0	0	0	0	0	100,000
<u>20,007</u>	<u>18,396</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>822,697</u>
16,450	17,328	0	200	0	0	82,164
197	0	0	0	0	0	1,164
0	0	0	0	0	0	1,550
<u>153,822</u>	<u>205,332</u>	<u>17,726</u>	<u>8,075</u>	<u>89</u>	<u>5,599</u>	<u>764,209</u>
<u>170,469</u>	<u>222,660</u>	<u>17,726</u>	<u>8,275</u>	<u>89</u>	<u>5,599</u>	<u>849,087</u>
<u>\$ 190,476</u>	<u>\$ 241,056</u>	<u>\$ 17,726</u>	<u>\$ 8,275</u>	<u>\$ 89</u>	<u>\$ 5,599</u>	<u>\$ 1,671,784</u>

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	State Highway Improvement Fund	Cemeteries Fund	Police Pension Transfer Fund	Fire Pension Transfer Fund	Law Enforcement Fund
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 69,458	\$ 69,458	\$ 0
Intergovernmental Revenues	51,792	0	8,846	8,846	0
Charges for Services	0	131,527	0	0	0
Investment Earnings	0	8,284	0	0	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenues	0	0	0	0	12,294
Total Revenues	51,792	139,811	78,304	78,304	12,294
Expenditures:					
Current:					
General Government	0	0	0	0	0
Public Safety	0	0	77,500	77,500	7,756
Highways and Streets	36,755	0	0	0	0
Public Health and Welfare	0	401,651	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0
Total Expenditures	36,755	401,651	77,500	77,500	7,756
Excess (Deficiency) of Revenues					
Over Expenditures	15,037	(261,840)	804	804	4,538
Other Financing Sources (Uses):					
Transfers In	0	350,000	0	0	0
Transfers Out	(90,000)	0	0	0	0
Other Financing Sources - Capital Leases	0	0	0	0	0
Total Other Financing Sources (Uses)	(90,000)	350,000	0	0	0
Net Change in Fund Balances	(74,963)	88,160	804	804	4,538
Fund Balances at Beginning of Year	99,115	13,448	775	775	19,030
Increase (Decrease) in Inventory Reserve	0	(1,138)	0	0	0
Fund Balances (Deficits) End of Year	\$ 24,152	\$ 100,470	\$ 1,579	\$ 1,579	\$ 23,568

CITY OF PAINESVILLE, OHIO

<u>Municipal Motor Vehicle License Tax Fund</u>	<u>Indigent Drivers Alcohol Treatment Fund</u>	<u>Enforcement and Education Fund</u>	<u>City Motor Vehicle License Tax Fund</u>	<u>Fire Levy Fund</u>	<u>Underground Storage Tank Fund</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 112,204	\$ 0
33,777	0	0	67,556	10,268	0
0	0	0	0	0	0
0	0	0	0	15,332	0
0	25,417	1,198	0	0	0
0	0	0	0	2,632	0
<u>33,777</u>	<u>25,417</u>	<u>1,198</u>	<u>67,556</u>	<u>140,436</u>	<u>0</u>
0	20,672	0	0	0	0
0	0	0	0	443,709	0
0	0	0	0	0	1,999
0	0	0	0	0	0
0	0	0	0	2,736	0
0	0	0	0	7,918	0
<u>0</u>	<u>20,672</u>	<u>0</u>	<u>0</u>	<u>454,363</u>	<u>1,999</u>
33,777	4,745	1,198	67,556	(313,927)	(1,999)
0	0	0	0	0	3,750
(32,000)	0	0	(65,000)	0	0
0	0	0	0	82,985	0
<u>(32,000)</u>	<u>0</u>	<u>0</u>	<u>(65,000)</u>	<u>82,985</u>	<u>3,750</u>
1,777	4,745	1,198	2,556	(230,942)	1,751
8,362	121,374	40,330	16,494	165,368	5,174
0	0	0	0	0	0
<u>\$ 10,139</u>	<u>\$ 126,119</u>	<u>\$ 41,528</u>	<u>\$ 19,050</u>	<u>\$ (65,574)</u>	<u>\$ 6,925</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Probation Services Fund	COPS Fast Grant Fund	Skate Facility Fund	Fire Fund	Federal Emergency Management Fund
Revenues:					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	13,859	0	46,948	338,081
Charges for Services	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	126,780	0	0	0	0
All Other Revenues	0	0	606	4,977	0
Total Revenues	126,780	13,859	606	51,925	338,081
Expenditures:					
Current:					
General Government	104,439	0	0	0	0
Public Safety	0	74,430	0	43,442	0
Highways and Streets	0	0	0	0	0
Public Health and Welfare	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest & Fiscal Charges	1,786	0	0	0	0
Total Expenditures	106,225	74,430	0	43,442	0
Excess (Deficiency) of Revenues Over Expenditures	20,555	(60,571)	606	8,483	338,081
Other Financing Sources (Uses):					
Transfers In	45,000	46,322	0	0	0
Transfers Out	0	0	0	0	(310,674)
Other Financing Sources - Capital Leases	0	0	0	0	0
Total Other Financing Sources (Uses)	45,000	46,322	0	0	(310,674)
Net Change in Fund Balances	65,555	(14,249)	606	8,483	27,407
Fund Balances at Beginning of Year	5,772	19,002	7,830	14,328	0
Increase (Decrease) in Inventory Reserve	0	0	0	0	0
Fund Balances (Deficits) End of Year	\$ 71,327	\$ 4,753	\$ 8,436	\$ 22,811	\$ 27,407

CITY OF PAINESVILLE, OHIO

Emergency Medical Services Fund	Municipal Court Computerization Fund	Plan Review Fund	Zoning Application Fund	Columbarium Trust Fund	Law Enforcement Trust Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 251,120
0	6,301	0	0	0	0	586,274
314,578	0	0	0	0	0	446,105
834	0	0	0	0	0	24,450
0	93,459	0	0	0	0	246,854
0	0	0	383	0	1,430	22,322
<u>315,412</u>	<u>99,760</u>	<u>0</u>	<u>383</u>	<u>0</u>	<u>1,430</u>	<u>1,577,125</u>
0	134,097	0	0	0	0	259,208
301,243	0	0	0	0	0	1,025,580
0	0	0	0	0	0	38,754
0	0	0	0	0	0	401,651
0	2,325	0	0	0	0	5,061
0	510	0	0	0	0	10,214
<u>301,243</u>	<u>136,932</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,740,468</u>
14,169	(37,172)	0	383	0	1,430	(163,343)
102	245,000	0	0	0	0	690,174
0	0	0	0	0	0	(497,674)
<u>12,009</u>	<u>14,832</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>109,826</u>
<u>12,111</u>	<u>259,832</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>302,326</u>
26,280	222,660	0	383	0	1,430	138,983
144,189	0	17,726	7,892	89	4,169	711,242
0	0	0	0	0	0	(1,138)
<u>\$ 170,469</u>	<u>\$ 222,660</u>	<u>\$ 17,726</u>	<u>\$ 8,275</u>	<u>\$ 89</u>	<u>\$ 5,599</u>	<u>\$ 849,087</u>

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2006**

	General Bond Retirement Fund	Special Assessment Bond Retirement Fund	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 3,268	\$ 219,166	\$ 222,434
Receivables (net of allowance for doubtful accounts):			
Taxes	65,680	0	65,680
Intergovernmental	2,696	0	2,696
Special Assessments	0	250,566	250,566
Total Assets	<u>\$ 71,644</u>	<u>\$ 469,732</u>	<u>\$ 541,376</u>
Liabilities:			
Deferred Revenue	<u>\$ 67,823</u>	<u>\$ 250,566</u>	<u>\$ 318,389</u>
Total Liabilities	<u>67,823</u>	<u>250,566</u>	<u>318,389</u>
Fund Balances:			
Reserved for Debt Service	<u>3,821</u>	<u>219,166</u>	<u>222,987</u>
Total Fund Balances	<u>3,821</u>	<u>219,166</u>	<u>222,987</u>
Total Liabilities and Fund Balances	<u>\$ 71,644</u>	<u>\$ 469,732</u>	<u>\$ 541,376</u>

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006***

	<u>General Bond Retirement Fund</u>	<u>Special Assessment Bond Retirement Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues:			
Property Taxes	\$ 55,608	\$ 0	\$ 55,608
Intergovernmental Revenues	7,077	0	7,077
Investment Earnings	146	541	687
Special Assessments	0	56,858	56,858
Total Revenues	<u>62,831</u>	<u>57,399</u>	<u>120,230</u>
Expenditures:			
Debt Service:			
Principal Retirement	0	55,000	55,000
Interest & Fiscal Charges	366	33,538	33,904
Total Expenditures	<u>366</u>	<u>88,538</u>	<u>88,904</u>
Excess (Deficiency) of Revenues Over Expenditures	62,465	(31,139)	31,326
Other Financing Sources (Uses):			
Premiums on Debt Issuances	60	0	60
Transfers In	10,500	0	10,500
Transfers Out	(146,400)	0	(146,400)
Total Other Financing Sources (Uses)	<u>(135,840)</u>	<u>0</u>	<u>(135,840)</u>
Net Change in Fund Balances	(73,375)	(31,139)	(104,514)
Fund Balances at Beginning of Year	<u>77,196</u>	<u>250,305</u>	<u>327,501</u>
Fund Balances End of Year	<u>\$ 3,821</u>	<u>\$ 219,166</u>	<u>\$ 222,987</u>

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2006**

	Municipal Court Improvement Fund	Capital Equipment Reserve Fund	Capital Improvement Fund	Shamrock Boulevard Road Project Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and Cash Equivalents	\$ 13,434	\$ 283,569	\$ 503,650	\$ 199,323
Receivables (net of allowance for doubtful accounts):				
Accounts	132	0	0	0
Intergovernmental	2,445	0	0	0
Total Assets	<u>\$ 16,011</u>	<u>\$ 283,569</u>	<u>\$ 503,650</u>	<u>\$ 199,323</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Accrued Interest Payable	1,095	0	26,515	0
General Obligation Notes Payable	200,000	0	740,000	0
Total Liabilities	<u>201,095</u>	<u>0</u>	<u>766,515</u>	<u>0</u>
Fund Balances:				
Reserved for Encumbrances	1,312	9,789	115,797	0
Undesignated/Unreserved (Deficits)	(186,396)	273,780	(378,662)	199,323
Total Fund Balances (Deficits)	<u>(185,084)</u>	<u>283,569</u>	<u>(262,865)</u>	<u>199,323</u>
Total Liabilities and Fund Balances	<u>\$ 16,011</u>	<u>\$ 283,569</u>	<u>\$ 503,650</u>	<u>\$ 199,323</u>

CITY OF PAINESVILLE, OHIO

Jackson Street Interchange Project Fund	Industrial Park Project Fund	Municipal Court Special Projects Fund	Total Nonmajor Capital Projects Funds
\$ 114,346	\$ 84,497	\$ 300,328	\$ 1,499,147
0	331	0	463
0	0	7,190	9,635
<u>\$ 114,346</u>	<u>\$ 84,828</u>	<u>\$ 307,518</u>	<u>\$ 1,509,245</u>
\$ 0	\$ 0	\$ 6,588	\$ 6,588
0	0	1,083	1,083
0	1,861	0	29,471
0	340,000	0	1,280,000
<u>0</u>	<u>341,861</u>	<u>7,671</u>	<u>1,317,142</u>
12,037	0	29,932	168,867
102,309	(257,033)	269,915	23,236
114,346	(257,033)	299,847	192,103
<u>\$ 114,346</u>	<u>\$ 84,828</u>	<u>\$ 307,518</u>	<u>\$ 1,509,245</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	Municipal Court Improvement Fund	Capital Equipment Reserve Fund	Capital Improvement Fund	Shamrock Boulevard Road Project Fund
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Investment Earnings	425	0	0	0
Fines and Forfeitures	37,978	0	0	0
All Other Revenues	850	0	970	0
Total Revenues	39,253	0	970	0
Expenditures:				
Current:				
General Government	28,847	0	0	0
Highways and Streets	0	156,151	85,133	0
Capital Outlay	0	96,181	1,500	0
Debt Service:				
Principal Retirement	0	21,628	0	0
Interest & Fiscal Charges	11,057	4,745	43,261	0
Total Expenditures	39,904	278,705	129,894	0
Excess (Deficiency) of Revenues Over Expenditures	(651)	(278,705)	(128,924)	0
Other Financing Sources (Uses):				
Issuance of Capital Leases	3,075	144,043	0	0
Premiums on Debt Issuances	1,212	0	0	0
Transfers In	0	175,000	271,400	0
Transfers Out	(245,000)	0	0	0
Total Other Financing Sources (Uses)	(240,713)	319,043	271,400	0
Net Change in Fund Balances	(241,364)	40,338	142,476	0
Fund Balances (Deficits) at Beginning of Year	56,280	243,231	(405,341)	199,323
Fund Balances (Deficits) End of Year	\$ (185,084)	\$ 283,569	\$ (262,865)	\$ 199,323

CITY OF PAINESVILLE, OHIO

Jackson Street Interchange Project Fund	Industrial Park Project Fund	Municipal Court Special Fund	Total Nonmajor Capital Project Funds
\$ 249,946	\$ 0	\$ 0	\$ 249,946
0	26,465	0	26,890
0	0	109,964	147,942
0	331	0	2,151
<u>249,946</u>	<u>26,796</u>	<u>109,964</u>	<u>426,929</u>
0	0	31,940	60,787
0	0	0	241,284
200,620	0	0	298,301
0	0	0	21,628
0	25,394	0	84,457
<u>200,620</u>	<u>25,394</u>	<u>31,940</u>	<u>706,457</u>
49,326	1,402	78,024	(279,528)
0	0	0	147,118
0	3,030	0	4,242
0	160,000	0	606,400
0	0	(45,000)	(290,000)
0	163,030	(45,000)	467,760
49,326	164,432	33,024	188,232
65,020	(421,465)	266,823	3,871
<u>\$ 114,346</u>	<u>\$ (257,033)</u>	<u>\$ 299,847</u>	<u>\$ 192,103</u>

CITY OF PAINESVILLE, OHIO

***Combining Balance Sheet
Nonmajor Permanent Funds
December 31, 2006***

	Cemetery Trust Fund	Special Endowment Fund	Evergreen Cemetery Trust Fund	Riverside Cemetery Trust Fund
Assets:				
Cash and Cash Equivalents	\$ 43,943	\$ 38,935	\$ 0	\$ 0
Restricted Assets:				
Cash and Cash Equivalents	0	0	399,067	329,672
Total Assets	<u>\$ 43,943</u>	<u>\$ 38,935</u>	<u>\$ 399,067</u>	<u>\$ 329,672</u>
Liabilities:				
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:				
Reserved for Endowments	0	0	377,852	314,312
Undesignated/Unreserved	43,943	38,935	21,215	15,360
Total Fund Balances	<u>43,943</u>	<u>38,935</u>	<u>399,067</u>	<u>329,672</u>
Total Liabilities and Fund Balances	<u>\$ 43,943</u>	<u>\$ 38,935</u>	<u>\$ 399,067</u>	<u>\$ 329,672</u>

CITY OF PAINESVILLE, OHIO

<u>Special Endowment Trust Fund</u>	<u>Total Nonmajor Permanent Funds</u>
\$ 0	\$ 82,878
<u>303,036</u>	<u>1,031,775</u>
<u>\$ 303,036</u>	<u>\$ 1,114,653</u>
<u>\$ 0</u>	<u>\$ 0</u>
<u>292,776</u>	<u>984,940</u>
<u>10,260</u>	<u>129,713</u>
<u>303,036</u>	<u>1,114,653</u>
<u>\$ 303,036</u>	<u>\$ 1,114,653</u>

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Permanent Funds
For the Year Ended December 31, 2006***

	Cemetery Trust Fund	Special Endowment Fund	Evergreen Cemetery Trust Fund	Riverside Cemetery Trust Fund
Revenues:				
Investment Earnings	\$ 31,741	\$ 24,724	\$ 0	\$ 0
All Other Revenues	0	0	1,560	8,100
Total Revenues	<u>31,741</u>	<u>24,724</u>	<u>1,560</u>	<u>8,100</u>
Expenditures:				
Current:				
Public Health and Welfare	1,564	0	0	0
Total Expenditures	<u>1,564</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	30,177	24,724	1,560	8,100
Fund Balances at Beginning of Year	<u>13,766</u>	<u>14,211</u>	<u>397,507</u>	<u>321,572</u>
Fund Balances End of Year	<u>\$ 43,943</u>	<u>\$ 38,935</u>	<u>\$ 399,067</u>	<u>\$ 329,672</u>

CITY OF PAINESVILLE, OHIO

<u>Special Endowment Trust Fund</u>	<u>Total Nonmajor Permanent Funds</u>
\$ 0	\$ 56,465
<u>1,620</u>	<u>11,280</u>
<u>1,620</u>	<u>67,745</u>
<u>0</u>	<u>1,564</u>
<u>0</u>	<u>1,564</u>
1,620	66,181
<u>301,416</u>	<u>1,048,472</u>
<u>\$ 303,036</u>	<u>\$ 1,114,653</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property Taxes:				
Real Estate and Public Utility	\$ 522,777	\$ 522,777	\$ 404,188	\$ (118,589)
Tangible Personal	16,489	16,489	102,076	85,587
Total Property Taxes	<u>539,266</u>	<u>539,266</u>	<u>506,264</u>	<u>(33,002)</u>
Municipal Income Tax	7,435,217	7,435,217	7,977,012	541,795
Other Local Taxes	6,000	6,000	31,692	25,692
Total Taxes	<u>7,980,483</u>	<u>7,980,483</u>	<u>8,514,968</u>	<u>534,485</u>
Intergovernmental Revenues:				
Local Government Fund - County	1,286,765	1,286,765	1,279,663	(7,102)
Local Government Fund - State	201,446	201,446	121,445	(80,001)
Inheritance Tax	80,000	80,000	289,588	209,588
Property Tax Allocation	101,263	101,263	64,200	(37,063)
Miscellaneous Tax	152,094	152,094	154,569	2,475
Total Intergovernmental Revenues	<u>1,821,568</u>	<u>1,821,568</u>	<u>1,909,465</u>	<u>87,897</u>
Charges for Services:				
General Government	261	261	2,099	1,838
Public Safety	13,056	13,056	10,593	(2,463)
Highways and Streets	41,926	41,926	61,330	19,404
Culture and Recreation	14,500	14,500	9,130	(5,370)
Community Environment	500	500	338	(162)
Total Charges for Services	<u>70,243</u>	<u>70,243</u>	<u>83,490</u>	<u>13,247</u>
Licenses, Permits and Inspection Fees:				
License Fees	35,400	35,400	32,947	(2,453)
Permit Fees	162,300	162,300	199,879	37,579
Inspection Fees	35,000	35,000	12,786	(22,214)
Zoning Appeal Fees	12,500	12,500	18,193	5,693
Other Fees	77,000	77,000	85,309	8,309
Total License, Permit and Inspection Fees	<u>322,200</u>	<u>322,200</u>	<u>349,114</u>	<u>26,914</u>
Investment Earnings	738,734	738,734	1,010,323	271,589
Fines and Forfeitures	715,699	715,699	835,262	119,563
All Other Revenues	133,476	133,476	189,329	55,853
Total Revenues	<u>11,782,403</u>	<u>11,782,403</u>	<u>12,891,951</u>	<u>1,109,548</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Legislative:				
Council:				
Personal Services	11,360	11,360	10,716	644
All Other Expenditures	1,688	1,658	1,086	572
Clerk of Council:				
Personal Services	5,963	5,963	5,064	899
All Other Expenditures	2,813	2,812	2,444	368
Judicial - Municipal Court:				
Judicial Activities:				
Personal Services	218,455	205,286	186,758	18,528
All Other Expenditures	7,515	7,515	5,048	2,467
Clerk of Court:				
Personal Services	672,538	660,438	625,988	34,450
All Other Expenditures	94,907	99,967	96,140	3,827
Probation:				
Personal Services	190,280	190,280	142,984	47,296
All Other Expenditures	4,000	1,000	1,000	0
Executive:				
City Manager:				
Personal Services	35,184	39,159	38,091	1,068
All Other Expenditures	24,758	74,305	73,983	322
Capital Outlay	267	267	0	267
Comm., Promotions and Public Relations Activities:				
All Other Expenditures	4,805	4,174	2,525	1,649
Information Technology:				
All Other Expenditures	19,614	20,814	18,704	2,110
Capital Outlay	2,000	2,991	2,991	0
Human Resources:				
Personal Services	36,682	36,720	36,238	482
All Other Expenditures	11,130	11,130	10,842	288

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Economic Development:				
Personal Services	21,340	21,024	16,933	4,091
All Other Expenditures	10,110	10,110	8,439	1,671
Finance:				
Administration:				
Personal Services	42,061	46,172	45,413	759
All Other Expenditures	13,943	16,943	12,223	4,720
Accounting:				
Personal Services	28,415	29,562	29,332	230
All Other Expenditures	26,943	27,743	26,299	1,444
Capital Outlay	400	400	287	113
Purchasing/Warehousing:				
Personal Services	21,740	21,760	21,530	230
All Other Expenditures	2,138	2,138	1,761	377
Income Tax Collection:				
All Other Expenditures	145,200	160,181	142,121	18,060
Law:				
Administration:				
Personal Services	28,156	28,156	27,438	718
All Other Expenditures	23,612	60,728	60,658	70
Engineering:				
Administration:				
Personal Services	69,837	59,523	37,999	21,524
All Other Expenditures	32,113	32,696	30,330	2,366
Public Lands and Buildings:				
Building Operations Maintenance and Repair:				
Personal Services	67,006	74,678	72,875	1,803
All Other Expenditures	231,275	223,603	220,986	2,617
Capital Outlay	46,002	46,002	46,002	0
Boards and Commissions:				
Civil Service Commission:				
All Other Expenditures	2,080	2,110	2,069	41

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Insurance:				
All Other Expenditures	87,322	87,323	87,322	1
Tax Settlement Deductions:				
All Other Expenditures	19,550	23,734	21,811	1,923
Other Miscellaneous:				
Personal Services	10,000	10,000	0	10,000
All Other Expenditures	192,794	192,532	64,477	128,055
Capital Outlay	149,895	149,895	149,634	261
Total General Government	<u>2,615,891</u>	<u>2,702,852</u>	<u>2,386,541</u>	<u>316,311</u>
Public Safety:				
Police:				
Law Enforcement - Sworn Officers:				
Personal Services	3,177,674	3,216,655	3,039,612	177,043
Law Enforcement - Other:				
Personal Services	432,989	415,383	339,176	76,207
All Other Expenditures	247,157	257,004	242,634	14,370
Fire:				
Fire Fighting, Prevention and Inspection:				
Personal Services	2,374,906	2,399,354	2,206,871	192,483
All Other Expenditures	196,824	270,791	251,153	19,638
Fire Service - Other:				
Personal Services	54,144	54,631	52,995	1,636
Police and Fire Communications:				
Control Center:				
All Other Expenditures	387,920	411,116	411,115	1
Total Public Safety	<u>6,871,614</u>	<u>7,024,934</u>	<u>6,543,556</u>	<u>481,378</u>
Highways and Streets:				
Public Works:				
Administration:				
Personal Services	172,715	188,115	134,382	53,733
All Other Expenditures	36,930	37,012	35,721	1,291
Street Maintenance and Repair:				
All Other Expenditures	17,192	38,293	35,398	2,895

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Sidewalks:				
All Other Expenditures	5,320	4,120	3,353	767
Building Maintenance:				
All Other Expenditures	58,986	58,986	52,920	6,066
Equipment Maintenance:				
Personal Services	181,931	204,026	185,321	18,705
All Other Expenditures	41,091	49,344	48,472	872
Employee Benefits:				
Personal Services	368,297	382,458	320,109	62,349
Sidewalks - Snow Removal:				
All Other Expenditures	3,650	3,650	2,350	1,300
Leaf/Yard Waste Removal:				
All Other Expenditures	4,390	4,390	2,660	1,730
Parking:				
Parking Meters:				
Personal Services	58,422	58,422	49,082	9,340
Other Expenditures	4,784	4,784	3,868	916
Parking Lots:				
All Other Expenditures	15,100	11,600	11,593	7
Traffic Signs, Markings:				
Traffic Signs, Markings, Signals:				
Personal Services	73,434	73,434	58,622	14,812
All Other Expenditures	46,167	43,667	42,471	1,196
Total Highways and Streets	<u>1,088,409</u>	<u>1,162,301</u>	<u>986,322</u>	<u>175,979</u>
Public Health and Welfare:				
Support of Prisoners:				
Prisoner Expense:				
All Other Expenditures	11,475	6,475	4,865	1,610
Payments to County Health Board:				
County Health District Assessments:				
All Other Expenditures	139,726	139,792	139,792	0

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Assistance to Needy/Aged:				
Poor Relief:				
All Other Expenditures	2,500	1,500	0	1,500
Total Public Health and Welfare	<u>153,701</u>	<u>147,767</u>	<u>144,657</u>	<u>3,110</u>
Culture and Recreation:				
Parks:				
Administration:				
Personal Services	114,832	126,649	126,514	135
All Other Expenditures	954	1,093	947	146
Parks Systems:				
Personal Services	307,231	301,299	240,569	60,730
All Other Expenditures	61,111	63,172	55,779	7,393
Building Maintenance:				
All Other Expenditures	17,810	17,810	16,888	922
Morse Avenue Community Center:				
Personal Services	0	3,136	3,135	1
All Other Expenditures	15,635	15,713	14,167	1,546
Recreation Activities:				
Personal Services	175,615	175,615	128,978	46,637
All Other Expenditures	43,096	43,096	40,107	2,989
Other Leisure Time Activities:				
Senior Citizens Center:				
All Other Expenditures	18,500	18,500	18,500	0
Community Functions:				
All Other Expenditures	5,000	5,000	4,998	2
Total Culture and Recreation	<u>759,784</u>	<u>771,083</u>	<u>650,582</u>	<u>120,501</u>
Community Environment:				
Community Planning and Zoning:				
Planning Commission:				
Personal Services	2,766	2,766	1,151	1,615
All Other Expenditures	3,081	3,081	1,791	1,290
Demolition:				
All Other Expenditures	300	300	50	250

(Continued)

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Planning and Development:				
Personal Services	21,931	21,359	18,769	2,590
All Other Expenditures	23,024	23,596	21,047	2,549
Housing and Building Code Enforcement:				
Code Enforcement:				
Personal Services	318,669	322,669	282,909	39,760
All Other Expenditures	97,009	99,166	15,285	83,881
Tree Care and Weed Control:				
Tree Care:				
All Other Expenditures	2,820	2,805	561	2,244
Weed Control:				
All Other Expenditures	6,248	6,263	6,263	0
Total Community Environment	475,848	482,005	347,826	134,179
Total Expenditures	11,965,247	12,290,942	11,059,484	1,231,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(182,844)	(508,539)	1,832,467	2,341,006
Other Financing Sources (Uses):				
Sale of Capital Assets	4,000	4,000	2,555	(1,445)
Sale of General Obligation Notes	600,000	600,000	600,000	0
Transfers In	900,000	1,145,753	1,133,907	(11,846)
Transfers Out	(750,250)	(1,177,072)	(1,127,072)	50,000
Advances Out	(668,100)	(668,100)	(668,100)	0
Total Other Financing Sources (Uses)	85,650	(95,419)	(58,710)	36,709
Net Change in Fund Balance	(97,194)	(603,958)	1,773,757	2,377,715
Fund Balance at Beginning of Year	1,014,653	1,014,653	1,014,653	0
Prior Year Encumbrances	484,608	484,608	484,608	0
Fund Balance at End of Year	<u>\$ 1,402,067</u>	<u>\$ 895,303</u>	<u>\$ 3,273,018</u>	<u>\$ 2,377,715</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive Negative
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND				
Revenues:				
Intergovernmental Revenues	\$ 1,340,875	\$ 1,340,875	\$ 1,171,284	\$ (169,591)
Licenses, Permits and Inspection Fees	0	0	6	6
Investment Earnings	0	0	2,619	2,619
Total Revenues	<u>1,340,875</u>	<u>1,340,875</u>	<u>1,173,909</u>	<u>(166,966)</u>
Expenditures:				
Highways and Streets:				
Public Works:				
Administration:				
Personal Services	33,717	33,717	32,355	1,362
Street Construction and Reconstruction:				
Personal Service	300,329	311,888	275,974	35,914
All Other Expenditures	5,000	5,000	4,480	520
Capital Outlay	1,646,550	1,629,368	1,471,945	157,423
Street Maintenance and Repair:				
All Other Expenditures	41,768	41,768	39,452	2,316
Capital Outlay	18,991	18,991	18,241	750
Snow and Ice Removal:				
All Other Expenditures	267,640	267,640	258,005	9,635
Storm Sewers and Drains:				
All Other Expenditures	0	84	84	0
Debt Service:				
Principal Retirement	1,557,000	3,098,090	3,098,089	1
Interest Charges	52,778	100,537	100,536	1
Total Expenditures	<u>3,923,773</u>	<u>5,507,083</u>	<u>5,299,161</u>	<u>207,922</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,582,898)	(4,166,208)	(4,125,252)	40,956
Other Financing Sources (Uses):				
General Obligation Notes Issued	1,322,000	1,322,000	2,589,000	1,267,000
Issuance of Capital Leases	103,000	103,000	149,528	46,528
Transfers In	97,000	396,218	396,217	(1)
Total Other Financing Sources (Uses)	<u>1,522,000</u>	<u>1,821,218</u>	<u>3,134,745</u>	<u>1,313,527</u>
Net Changes in Fund Balance	(1,060,898)	(2,344,990)	(990,507)	1,354,483
Fund Balance at Beginning of Year	998,924	998,924	998,924	0
Prior Year Encumbrances	1,013,562	1,013,562	1,013,562	0
Fund Balance at End of Year	<u>\$ 951,588</u>	<u>\$ (332,504)</u>	<u>\$ 1,021,979</u>	<u>\$ 1,354,483</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

STATE HIGHWAY IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 40,000	\$ 40,000	\$ 52,546	\$ 12,546
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>52,546</u>	<u>12,546</u>
Expenditures:				
Highways and Streets:				
Public Works:				
State Highway Maintenance:				
All Other Expenditures	40,000	40,000	40,000	0
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	12,546	12,546
Other Financing Sources (Uses):				
Transfers Out	0	(90,000)	(90,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>0</u>
Net Change in Fund Balance	0	(90,000)	(77,454)	12,546
Fund Balance at Beginning of Year	91,194	91,194	91,194	0
Fund Balance at End of Year	<u>\$ 91,194</u>	<u>\$ 1,194</u>	<u>\$ 13,740</u>	<u>\$ 12,546</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	CEMETERIES FUND			Variance with Final Budget Positive Negative
	Original Budget	Final Budget	Actual	(Negative)
Revenues:				
Charges for Services	\$ 169,597	\$ 169,597	\$ 132,022	\$ (37,575)
Investment Earnings	0	0	8,284	8,284
Total Revenues	<u>169,597</u>	<u>169,597</u>	<u>140,306</u>	<u>(29,291)</u>
Expenditures:				
Public Health and Welfare:				
Cemeteries:				
Administration:				
Personal Services	166,963	170,963	163,612	7,351
All Other Expenditures	13,023	13,389	13,083	306
Evergreen/Riverside Cemeteries:				
Personal Services	216,744	218,030	179,298	38,732
All Other Expenditures	27,338	27,542	20,795	6,747
Building Maintenance:				
All Other Expenditures	12,626	14,340	13,788	552
Total Expenditures	<u>436,694</u>	<u>444,264</u>	<u>390,576</u>	<u>53,688</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(267,097)	(274,667)	(250,270)	24,397
Other Financing Sources (Uses):				
Transfers In	350,000	350,000	350,000	0
Total Other Financing Sources (Uses)	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>0</u>
Net Change in Fund Balance	82,903	75,333	99,730	24,397
Fund Balance at Beginning of Year	13,343	13,343	13,343	0
Prior Year Encumbrances	7,921	7,921	7,921	0
Fund Balance at End of Year	<u>\$ 104,167</u>	<u>\$ 96,597</u>	<u>\$ 120,994</u>	<u>\$ 24,397</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	POLICE PENSION TRANSFER FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 74,881	\$ 74,881	\$ 69,103	\$ (5,778)
Intergovernmental Revenues	14,065	14,065	8,846	(5,219)
Total Revenues	<u>88,946</u>	<u>88,946</u>	<u>77,949</u>	<u>(10,997)</u>
Expenditures:				
Public Safety:				
Police:				
Law-Enforcement-Sworn Officer:				
Personal Services	88,946	88,946	77,500	11,446
Total Expenditures	<u>88,946</u>	<u>88,946</u>	<u>77,500</u>	<u>11,446</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	449	449
Fund Balance at Beginning of Year	439	439	439	0
Fund Balance at End of Year	<u>\$ 439</u>	<u>\$ 439</u>	<u>\$ 888</u>	<u>\$ 449</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

FIRE PENSION TRANSFER FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 74,881	\$ 74,881	\$ 69,103	\$ (5,778)
Intergovernmental Revenues	14,065	14,065	8,846	(5,219)
Total Revenues	<u>88,946</u>	<u>88,946</u>	<u>77,949</u>	<u>(10,997)</u>
Expenditures:				
Public Safety:				
Fire:				
Fire Fighting, Prevention, Inspection:				
Personal Services	88,946	88,946	77,500	11,446
Total Expenditures	<u>88,946</u>	<u>88,946</u>	<u>77,500</u>	<u>11,446</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	449	449
Fund Balance at Beginning of Year	439	439	439	0
Fund Balance at End of Year	<u>\$ 439</u>	<u>\$ 439</u>	<u>\$ 888</u>	<u>\$ 449</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	<u>\$ 14,500</u>	<u>\$ 14,500</u>	<u>\$ 12,544</u>	<u>\$ (1,956)</u>
Total Revenues	<u>14,500</u>	<u>14,500</u>	<u>12,544</u>	<u>(1,956)</u>
Expenditures:				
Public Safety:				
Police:				
Law-Enforcement-Other:				
All Other Expenditures	<u>15,601</u>	<u>15,601</u>	<u>14,465</u>	<u>1,136</u>
Total Expenditures	<u>15,601</u>	<u>15,601</u>	<u>14,465</u>	<u>1,136</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,101)	(1,101)	(1,921)	(820)
Fund Balance at Beginning of Year	18,179	18,179	18,179	0
Prior Year Encumbrances	<u>601</u>	<u>601</u>	<u>601</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 17,679</u>	<u>\$ 17,679</u>	<u>\$ 16,859</u>	<u>\$ (820)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

MUNICIPAL MOTOR VEHICLE LICENSE TAX FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 32,657	\$ 32,657	\$ 33,872	\$ 1,215
Total Revenues	<u>32,657</u>	<u>32,657</u>	<u>33,872</u>	<u>1,215</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,657	32,657	33,872	1,215
Other Financing Sources (Uses):				
Transfers Out	(32,000)	(32,000)	(32,000)	0
Total Other Financing Sources (Uses)	<u>(32,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>0</u>
Net Change in Fund Balance	657	657	1,872	1,215
Fund Balance at Beginning of Year	<u>2,997</u>	<u>2,997</u>	<u>2,997</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,654</u>	<u>\$ 3,654</u>	<u>\$ 4,869</u>	<u>\$ 1,215</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

INDIGENT DRIVERS ALCOHOL TREATMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 22,000	\$ 22,000	\$ 26,004	\$ 4,004
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>26,004</u>	<u>4,004</u>
Expenditures:				
General Government:				
All Other Expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,000)	(28,000)	(23,996)	4,004
Fund Balance at Beginning of Year	100,307	100,307	100,307	0
Prior Year Encumbrances	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 92,307</u>	<u>\$ 92,307</u>	<u>\$ 96,311</u>	<u>\$ 4,004</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 1,368</u>	<u>\$ 618</u>
Total Revenues	<u>750</u>	<u>750</u>	<u>1,368</u>	<u>618</u>
Expenditures:				
General Government:				
All Other Expenditures	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,250)	(2,250)	1,368	3,618
Fund Balance at Beginning of Year	<u>40,135</u>	<u>40,135</u>	<u>40,135</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 37,885</u>	<u>\$ 37,885</u>	<u>\$ 41,503</u>	<u>\$ 3,618</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 68,000</u>	<u>\$ 68,000</u>	<u>\$ 67,744</u>	<u>\$ (256)</u>
Total Revenues	<u>68,000</u>	<u>68,000</u>	<u>67,744</u>	<u>(256)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	68,000	68,000	67,744	(256)
Other Financing Sources (Uses):				
Transfers Out	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>0</u>
Net Change in Fund Balance	3,000	3,000	2,744	(256)
Fund Balance at Beginning of Year	<u>5,765</u>	<u>5,765</u>	<u>5,765</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,765</u>	<u>\$ 8,765</u>	<u>\$ 8,509</u>	<u>\$ (256)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

FIRE LEVY FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 113,580	\$ 113,580	\$ 111,616	\$ (1,964)
Intergovernmental Revenues	19,188	19,188	10,268	(8,920)
Investment Earnings	0	0	16,258	16,258
All Other Revenues	0	0	2,632	2,632
Total Revenues	<u>132,768</u>	<u>132,768</u>	<u>140,774</u>	<u>8,006</u>
Expenditures:				
Public Safety:				
Fire Fighting, Prevention, Inspection:				
Capital Outlay	96,209	92,872	92,708	164
Fire Service - Other:				
All Other Expenditures	6,000	28,177	27,523	654
Capital Outlay	233,193	233,193	169,480	63,713
Debt Service:				
Principal Retirement	195,000	197,736	197,736	0
Interest and Fiscal Charges	6,588	7,189	7,167	22
Total Expenditures	<u>536,990</u>	<u>559,167</u>	<u>494,614</u>	<u>64,553</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(404,222)	(426,399)	(353,840)	72,559
Other Financing Sources (Uses):				
General Obligation Notes Issued	130,000	130,000	100,000	(30,000)
Issuance of Capital Leases	20,000	20,000	274,360	254,360
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>374,360</u>	<u>224,360</u>
Net Changes in Fund Balance	(254,222)	(276,399)	20,520	296,919
Fund Balance at Beginning of Year	143,180	143,180	143,180	0
Prior Year Encumbrances	173,193	173,193	173,193	0
Fund Balance at End of Year	<u>\$ 62,151</u>	<u>\$ 39,974</u>	<u>\$ 336,893</u>	<u>\$ 296,919</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Highways and Streets:				
All Other Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,999</u>	<u>1</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,999</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	(2,000)	(1,999)	1
Other Financing Sources (Uses):				
Transfers In	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>	<u>0</u>
Net Change in Fund Balance	1,750	1,750	1,751	1
Fund Balance at Beginning of Year	<u>5,174</u>	<u>5,174</u>	<u>5,174</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6,924</u>	<u>\$ 6,924</u>	<u>\$ 6,925</u>	<u>\$ 1</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

PROBATION SERVICES FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 95,000	\$ 95,000	\$ 127,838	\$ 32,838
Total Revenues	<u>95,000</u>	<u>95,000</u>	<u>127,838</u>	<u>32,838</u>
Expenditures:				
General Government:				
Probation:				
Personal Services	92,926	92,926	77,915	15,011
All Other Expenditures	27,180	27,180	25,012	2,168
Debt Service:				
Principal Retirement	45,000	90,000	45,000	45,000
Interest and Fiscal Charges	2,025	2,025	2,019	6
Total Expenditures	<u>167,131</u>	<u>212,131</u>	<u>149,946</u>	<u>62,185</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,131)	(117,131)	(22,108)	95,023
Other Financing Sources (Uses):				
Sale of General Obligation Notes	40,000	40,000	0	(40,000)
Transfers In	0	45,000	45,000	0
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>85,000</u>	<u>45,000</u>	<u>(40,000)</u>
Net Change in Fund Balance	(32,131)	(32,131)	22,892	55,023
Fund Balance at Beginning of Year	41,562	41,562	41,562	0
Prior Year Encumbrances	3,055	3,055	3,055	0
Fund Balance at End of Year	<u>\$ 12,486</u>	<u>\$ 12,486</u>	<u>\$ 67,509</u>	<u>\$ 55,023</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	COPS FAST GRANT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 47,340	\$ 47,340	\$ 13,859	\$ (33,481)
Total Revenues	<u>47,340</u>	<u>47,340</u>	<u>13,859</u>	<u>(33,481)</u>
Expenditures:				
Public Safety:				
Law Enforcement-Sworn Officers:				
Personal Services	89,360	90,237	81,487	8,750
Total Expenditures	<u>89,360</u>	<u>90,237</u>	<u>81,487</u>	<u>8,750</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,020)	(42,897)	(67,628)	(24,731)
Other Financing Sources (Uses):				
Transfers In	35,000	46,322	46,322	0
Total Other Financing Sources (Uses)	<u>35,000</u>	<u>46,322</u>	<u>46,322</u>	<u>0</u>
Net Change in Fund Balance	(7,020)	3,425	(21,306)	(24,731)
Fund Balance at Beginning of Year	15,203	15,203	15,203	0
Prior Year Encumbrances	6,103	6,103	6,103	0
Fund Balance at End of Year	<u>\$ 14,286</u>	<u>\$ 24,731</u>	<u>\$ 0</u>	<u>\$ (24,731)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 606</u>	<u>\$ (3,394)</u>
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>606</u>	<u>(3,394)</u>
Expenditures:				
Culture and Recreation:				
All Other Expenditures	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,000)</u>	<u>(6,000)</u>	<u>606</u>	<u>6,606</u>
Fund Balance at Beginning of Year	<u>7,830</u>	<u>7,830</u>	<u>7,830</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,830</u>	<u>\$ 1,830</u>	<u>\$ 8,436</u>	<u>\$ 6,606</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	FIRE FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 54,390	\$ 54,390	\$ 46,948	\$ (7,442)
All Other Revenues	3,000	3,000	4,977	1,977
Total Revenues	<u>57,390</u>	<u>57,390</u>	<u>51,925</u>	<u>(5,465)</u>
Expenditures:				
Public Safety:				
All Other Expenditures	26,190	26,190	12,912	13,278
Capital Outlay	<u>38,776</u>	<u>38,776</u>	<u>33,000</u>	<u>5,776</u>
Total Expenditures	<u>64,966</u>	<u>64,966</u>	<u>45,912</u>	<u>19,054</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,576)	(7,576)	6,013	13,589
Fund Balance at Beginning of Year	<u>14,398</u>	<u>14,398</u>	<u>14,398</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6,822</u>	<u>\$ 6,822</u>	<u>\$ 20,411</u>	<u>\$ 13,589</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 0</u>	<u>\$ 310,674</u>	<u>\$ 310,674</u>	<u>\$ 0</u>
Total Revenues	<u>0</u>	<u>310,674</u>	<u>310,674</u>	<u>0</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	310,674	310,674	0
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(310,674)</u>	<u>(310,674)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(310,674)</u>	<u>(310,674)</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	EMERGENCY MEDICAL SERVICES FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Charges for Services	\$ 320,000	\$ 320,000	\$ 314,578	\$ (5,422)
Investment Earnings	0	0	834	834
Total Revenues	<u>320,000</u>	<u>320,000</u>	<u>315,412</u>	<u>(4,588)</u>
Expenditures:				
Public Safety:				
Personal Services	267,165	268,795	239,480	29,315
All Other Expenditures	61,551	61,551	45,062	16,489
Capital Outlay	9,528	9,528	9,527	1
Total Expenditures	<u>338,244</u>	<u>339,874</u>	<u>294,069</u>	<u>45,805</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,244)	(19,874)	21,343	41,217
Other Financing Sources (Uses):				
Issuance of Capital Leases	0	0	28,052	28,052
Transfers In	0	102	102	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>102</u>	<u>28,154</u>	<u>28,052</u>
Net Change in Fund Balance	(18,244)	(19,772)	49,497	69,269
Fund Balance at Beginning of Year	104,136	104,136	104,136	0
Prior Year Encumbrances	13,019	13,019	13,019	0
Fund Balance at End of Year	<u>\$ 98,911</u>	<u>\$ 97,383</u>	<u>\$ 166,652</u>	<u>\$ 69,269</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUNICIPAL COURT COMPUTERIZATION FUND				
Revenues:				
Fines and Forfeitures	\$ 64,790	\$ 64,790	\$ 93,459	\$ 28,669
Total Revenues	<u>64,790</u>	<u>64,790</u>	<u>93,459</u>	<u>28,669</u>
Expenditures:				
General Government:				
Personal Services	98,743	87,388	67,795	19,593
All Other Expenditures	52,979	53,209	51,590	1,619
Capital Outlay	8,605	29,393	29,253	140
Debt Service				
Principal Retirement	0	2,326	2,325	1
Interest and Fiscal Charges	0	511	510	1
Total Expenditures	<u>160,327</u>	<u>172,827</u>	<u>151,473</u>	<u>21,354</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,537)	(108,037)	(58,014)	50,023
Other Financing Sources (Uses):				
Issuance of Capital Leases	17,000	17,000	14,832	(2,168)
Transfers In	245,000	245,000	245,000	0
Total Other Financing Sources (Uses)	<u>262,000</u>	<u>262,000</u>	<u>259,832</u>	<u>(2,168)</u>
Net Change in Fund Balance	166,463	153,963	201,818	47,855
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 166,463</u>	<u>\$ 153,963</u>	<u>\$ 201,818</u>	<u>\$ 47,855</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	PLAN REVIEW FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 400	\$ 400	\$ 0	\$ (400)
Total Revenues	<u>400</u>	<u>400</u>	<u>0</u>	<u>(400)</u>
Expenditures:				
Public Safety:				
All Other Expenditures	1,400	1,400	0	1,400
Total Expenditures	<u>1,400</u>	<u>1,400</u>	<u>0</u>	<u>1,400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	(1,000)	0	1,000
Fund Balance at Beginning of Year	<u>17,726</u>	<u>17,726</u>	<u>17,726</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 16,726</u>	<u>\$ 16,726</u>	<u>\$ 17,726</u>	<u>\$ 1,000</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	<u>\$ 850</u>	<u>\$ 850</u>	<u>\$ 383</u>	<u>\$ (467)</u>
Total Revenues	<u>850</u>	<u>850</u>	<u>383</u>	<u>(467)</u>
Expenditures:				
Public Safety:				
All Other Expenditures	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>
Total Expenditures	<u>200</u>	<u>200</u>	<u>200</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	650	650	183	(467)
Fund Balance at Beginning of Year	<u>7,892</u>	<u>7,892</u>	<u>7,892</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,542</u>	<u>\$ 8,542</u>	<u>\$ 8,075</u>	<u>\$ (467)</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

COLUMBARIUM TRUST FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Public Safety:				
All Other Expenditures	10	10	0	10
Total Expenditures	<u>10</u>	<u>10</u>	<u>0</u>	<u>10</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10)	(10)	0	10
Fund Balance at Beginning of Year	<u>89</u>	<u>89</u>	<u>89</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 79</u>	<u>\$ 79</u>	<u>\$ 89</u>	<u>\$ 10</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 1,430</u>	<u>\$ 930</u>
Total Revenues	<u>500</u>	<u>500</u>	<u>1,430</u>	<u>930</u>
Expenditures:				
Public Safety:				
All Other Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500)	(1,500)	1,430	2,930
Fund Balance at Beginning of Year	<u>4,169</u>	<u>4,169</u>	<u>4,169</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,669</u>	<u>\$ 2,669</u>	<u>\$ 5,599</u>	<u>\$ 2,930</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

	GENERAL BOND RETIREMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 60,011	\$ 60,011	\$ 55,324	\$ (4,687)
Intergovernmental Revenues	11,251	11,251	7,077	(4,174)
Investment Earnings	0	0	146	146
Total Revenues	<u>71,262</u>	<u>71,262</u>	<u>62,547</u>	<u>(8,715)</u>
Expenditures:				
Debt Service Function:				
Debt Service:				
Principal Retirement	325,000	325,000	325,000	0
Interest and Fiscal Charges	11,500	12,000	11,766	234
Total Expenditures	<u>336,500</u>	<u>337,000</u>	<u>336,766</u>	<u>234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(265,238)	(265,738)	(274,219)	(8,481)
Other Financing Sources (Uses):				
General Obligation Notes Issued	210,000	210,000	190,000	(20,000)
Premiums on Debt Issuance	0	0	60	60
Transfers In	0	10,500	10,500	0
Total Other Financing Sources (Uses)	<u>210,000</u>	<u>220,500</u>	<u>200,560</u>	<u>(19,940)</u>
Net Change in Fund Balance	(55,238)	(45,238)	(73,659)	(28,421)
Fund Balance at Beginning of Year	<u>76,927</u>	<u>76,927</u>	<u>76,927</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 21,689</u>	<u>\$ 31,689</u>	<u>\$ 3,268</u>	<u>\$ (28,421)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

SPECIAL ASSESSMENT BOND RETIREMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 541	\$ 541
Special Assessments	<u>82,232</u>	<u>82,232</u>	<u>56,858</u>	<u>(25,374)</u>
Total Revenues	<u>82,232</u>	<u>82,232</u>	<u>57,399</u>	<u>(24,833)</u>
Expenditures:				
Debt Service Function:				
Debt Service - Unvoted:				
Debt Service:				
Principal Retirement	55,000	55,000	55,000	0
Interest and Fiscal Charges	<u>33,538</u>	<u>33,538</u>	<u>33,538</u>	<u>0</u>
Total Expenditures	<u>88,538</u>	<u>88,538</u>	<u>88,538</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,306)	(6,306)	(31,139)	(24,833)
Fund Balance at Beginning of Year	<u>250,305</u>	<u>250,305</u>	<u>250,305</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 243,999</u>	<u>\$ 243,999</u>	<u>\$ 219,166</u>	<u>\$ (24,833)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

LAND ACQUISITION NOTE RETIREMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Advances In	668,100	668,100	668,100	0
Advances Out	(668,100)	(668,100)	(668,100)	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUNICIPAL COURT IMPROVEMENT FUND				
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 425	\$ 425
Fines and Forfeitures	43,194	43,194	44,719	1,525
All Other Revenues	0	0	718	718
Total Revenues	43,194	43,194	45,862	2,668
Expenditures:				
General Government:				
Clerk of Court:				
Personal Services	0	1,231	1,230	1
All Other Expenditures	2,938	4,250	2,941	1,309
Capital Outlay	2,495	2,495	2,495	0
Probation:				
Personal Services	0	312	311	1
Debt Service:				
Principal Retirement	230,000	230,000	230,000	0
Interest and Fiscal Charges	10,350	11,295	11,266	29
Total Expenditures	245,783	249,583	248,243	1,340
Excess (Deficiency) of Revenues Over (Under) Expenditures	(202,589)	(206,389)	(202,381)	4,008
Other Financing Sources (Uses):				
Sale of General Obligation Notes	200,000	200,000	200,000	0
Premiums on Issuance of Debt	0	0	1,212	1,212
Transfers Out	(245,000)	(245,000)	(245,000)	0
Total Other Financing Sources (Uses)	(45,000)	(45,000)	(43,788)	1,212
Net Change in Fund Balance	(247,589)	(251,389)	(246,169)	5,220
Fund Balance at Beginning of Year	252,858	252,858	252,858	0
Prior Year Encumbrances	5,433	5,433	5,433	0
Fund Balance at End of Year	\$ 10,702	\$ 6,902	\$ 12,122	\$ 5,220

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

CAPITAL EQUIPMENT RESERVE FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
General Government:				
Finance:				
Administration:				
All Other Expenditures	2,686	2,686	0	2,686
Other Miscellaneous:				
Capital Outlay	120,870	96,181	96,181	0
Total General Government	123,556	98,867	96,181	2,686
Highways and Streets:				
Street Construction and Reconstruction:				
Capital Outlay	151,075	165,941	165,940	1
Total Highways and Streets	151,075	165,941	165,940	1
Debt Service:				
Principal Retirement	0	21,628	21,628	0
Interest and Fiscal Charges	0	4,746	4,745	1
Total Expenditures	274,631	291,182	288,494	2,688
Excess (Deficiency) of Revenues Over (Under) Expenditures	(274,631)	(291,182)	(288,494)	2,688
Other Financing Sources (Uses):				
Sale of General Obligation Notes	10,000	10,000	0	(10,000)
Issuance of Capital Leases	141,075	141,075	144,043	2,968
Transfers In	50,000	150,000	175,000	25,000
Total Other Financing Sources (Uses)	201,075	301,075	319,043	17,968
Net Change in Fund Balance	(73,556)	9,893	30,549	20,656
Fund Balance at Beginning of Year	243,231	243,231	243,231	0
Fund Balance at End of Year	\$ 169,675	\$ 253,124	\$ 273,780	\$ 20,656

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 30,000	\$ 30,000	\$ 0	\$ (30,000)
All Other Revenues	0	0	970	970
Total Revenues	30,000	30,000	970	(29,030)
Expenditures:				
General Government:				
Public Lands and Buildings:				
Building Operations Maintenance and Repair:				
Capital Outlay	2,417	2,417	0	2,417
Total General Government	2,417	2,417	0	2,417
Highways and Streets:				
Street Construction and Reconstruction:				
Capital Outlay	206,130	206,130	155,930	50,200
Total Highways and Streets	206,130	206,130	155,930	50,200
Culture and Recreation:				
Recreation Activities:				
Capital Outlay	46,500	46,500	46,500	0
Total Culture and Recreation	46,500	46,500	46,500	0
Debt Service				
Principal Retirement	550,000	550,000	550,000	0
Interest and Fiscal Charges	17,875	17,875	17,826	49
Total Expenditures	822,922	822,922	770,256	52,666
Excess (Deficiency) of Revenues Over (Under) Expenditures	(792,922)	(792,922)	(769,286)	23,636
Other Financing Sources (Uses):				
Sale of General Obligation Notes	600,000	600,000	550,000	(50,000)
Transfers In	0	100,000	125,000	25,000
Total Other Financing Sources (Uses)	600,000	700,000	675,000	(25,000)
Net Change in Fund Balance	(192,922)	(92,922)	(94,286)	(1,364)
Fund Balance at Beginning of Year	402,092	402,092	402,092	0
Prior Year Encumbrances	80,047	80,047	80,047	0
Fund Balance at End of Year	\$ 289,217	\$ 389,217	\$ 387,853	\$ (1,364)

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

SHAMROCK BOULEVARD ROAD PROJECT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	1,610,411	1,610,411	0	1,610,411
Total Expenditures	1,610,411	1,610,411	0	1,610,411
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,610,411)	(1,610,411)	0	1,610,411
Other Financing Sources (Uses):				
General Obligation Notes Issued	1,600,000	1,600,000	0	(1,600,000)
Total Other Financing Sources (Uses)	1,600,000	1,600,000	0	(1,600,000)
Net Change in Fund Balance	(10,411)	(10,411)	0	10,411
Fund Balance at Beginning of Year	188,912	188,912	188,912	0
Prior Year Encumbrances	10,411	10,411	10,411	0
Fund Balance at End of Year	<u>\$ 188,912</u>	<u>\$ 188,912</u>	<u>\$ 199,323</u>	<u>\$ 10,411</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 800,000	\$ 800,000	\$ 249,946	\$ (550,054)
Total Revenues	<u>800,000</u>	<u>800,000</u>	<u>249,946</u>	<u>(550,054)</u>
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	<u>845,998</u>	<u>845,998</u>	<u>325,998</u>	<u>520,000</u>
Total Expenditures	<u>845,998</u>	<u>845,998</u>	<u>325,998</u>	<u>520,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,998)	(45,998)	(76,052)	(30,054)
Fund Balance at Beginning of Year	132,363	132,363	132,363	0
Prior Year Encumbrances	<u>45,998</u>	<u>45,998</u>	<u>45,998</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 132,363</u>	<u>\$ 132,363</u>	<u>\$ 102,309</u>	<u>\$ (30,054)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

INDUSTRIAL PARK PROJECT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 26,465	\$ 26,465
Total Revenues	<u>0</u>	<u>0</u>	<u>26,465</u>	<u>26,465</u>
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	16,566	16,566	0	16,566
Debt Service:				
Principal Retirement	540,000	540,000	540,000	0
Interest and Fiscal Charges	24,300	26,662	26,595	67
Total Expenditures	<u>580,866</u>	<u>583,228</u>	<u>566,595</u>	<u>16,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(580,866)	(583,228)	(540,130)	43,098
Other Financing Sources (Uses):				
General Obligation Notes Issued	500,000	500,000	500,000	0
Premiums on Debt Issuance	0	0	3,030	3,030
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>500,000</u>	<u>503,030</u>	<u>3,030</u>
Net Change in Fund Balance	(80,866)	(83,228)	(37,100)	46,128
Fund Balance at Beginning of Year	105,031	105,031	105,031	0
Prior Year Encumbrances	16,566	16,566	16,566	0
Fund Balance at End of Year	<u>\$ 40,731</u>	<u>\$ 38,369</u>	<u>\$ 84,497</u>	<u>\$ 46,128</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

MUNICIPAL COURT SPECIAL PROJECTS FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 85,000	\$ 85,000	\$ 110,082	\$ 25,082
Total Revenues	<u>85,000</u>	<u>85,000</u>	<u>110,082</u>	<u>25,082</u>
Expenditures:				
General Government:				
Judicial - Municipal Court:				
Judicial Activities:				
Personal Services	5,409	5,409	5,175	234
All Other Expenditures	6,000	40,000	39,913	87
Clerk of Court:				
Personal Services	1,029	11,591	11,588	3
All Other Expenditures	300	2,796	2,795	1
Probation:				
Personal Services	1,644	248	145	103
All Other Expenditures	1,250	1,250	1,189	61
Total General Government	<u>15,632</u>	<u>61,294</u>	<u>60,805</u>	<u>489</u>
Total Expenditures	<u>15,632</u>	<u>61,294</u>	<u>60,805</u>	<u>489</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,368	23,706	49,277	25,571
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>0</u>
Net Change in Fund Balance	69,368	(21,294)	4,277	25,571
Fund Balance at Beginning of Year	259,651	259,651	259,651	0
Prior Year Encumbrances	100	100	100	0
Fund Balance at End of Year	<u>\$ 329,119</u>	<u>\$ 238,457</u>	<u>\$ 264,028</u>	<u>\$ 25,571</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2006**

	CEMETERY TRUST FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 31,741	\$ 31,741
Total Revenues	<u>0</u>	<u>0</u>	<u>31,741</u>	<u>31,741</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	3,242	3,242	1,564	1,678
Total Expenditures	<u>3,242</u>	<u>3,242</u>	<u>1,564</u>	<u>1,678</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,242)	(3,242)	30,177	33,419
Fund Balance at Beginning of Year	13,524	13,524	13,524	0
Prior Year Encumbrances	<u>242</u>	<u>242</u>	<u>242</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 10,524</u></u>	<u><u>\$ 10,524</u></u>	<u><u>\$ 43,943</u></u>	<u><u>\$ 33,419</u></u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 24,724	\$ 24,724
Total Revenues	<u>0</u>	<u>0</u>	<u>24,724</u>	<u>24,724</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	24,724	24,724
Fund Balance at Beginning of Year	<u>14,211</u>	<u>14,211</u>	<u>14,211</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 14,211</u>	<u>\$ 14,211</u>	<u>\$ 38,935</u>	<u>\$ 24,724</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	<u>\$ 24,701</u>	<u>\$ 24,701</u>	<u>\$ 1,560</u>	<u>\$ (23,141)</u>
Total Revenues	<u>24,701</u>	<u>24,701</u>	<u>1,560</u>	<u>(23,141)</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	23,701	23,701	1,560	(22,141)
Fund Balance at Beginning of Year	<u>397,507</u>	<u>397,507</u>	<u>397,507</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 421,208</u>	<u>\$ 421,208</u>	<u>\$ 399,067</u>	<u>\$ (22,141)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
All Other Revenues	<u>\$ 6,745</u>	<u>\$ 6,745</u>	<u>\$ 8,220</u>	<u>\$ 1,475</u>
Total Revenues	<u>6,745</u>	<u>6,745</u>	<u>8,220</u>	<u>1,475</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Expenditures	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,745	5,745	8,220	2,475
Fund Balance at Beginning of Year	<u>321,452</u>	<u>321,452</u>	<u>321,452</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 327,197</u></u>	<u><u>\$ 327,197</u></u>	<u><u>\$ 329,672</u></u>	<u><u>\$ 2,475</u></u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	<u>\$ 7,200</u>	<u>\$ 7,200</u>	<u>\$ 1,620</u>	<u>\$ (5,580)</u>
Total Revenues	<u>7,200</u>	<u>7,200</u>	<u>1,620</u>	<u>(5,580)</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	<u>25</u>	<u>25</u>	<u>0</u>	<u>25</u>
Total Expenditures	<u>25</u>	<u>25</u>	<u>0</u>	<u>25</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,175	7,175	1,620	(5,555)
Fund Balance at Beginning of Year	<u>301,416</u>	<u>301,416</u>	<u>301,416</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 308,591</u></u>	<u><u>\$ 308,591</u></u>	<u><u>\$ 303,036</u></u>	<u><u>\$ (5,555)</u></u>

Nonmajor Enterprise Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, whereby the intent of City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or when City Council has decided that periodic determination of net income is appropriate for accountability purposes.

Refuse Fund

To account for the operation of the City's solid waste collection systems.

Off Street Parking Fund

To account for the operation of the City's off-street parking garage

Storm Water Utility Fund

To account for the operation of the City's storm water utility system.

Community Program Fund

To account for operation of several user fee recreational programs of the City's.

CITY OF PAINESVILLE, OHIO

**Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2006**

	Refuse	Off Street Parking	Storm Water Utility	Community Programs	Total Nonmajor Enterprise Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 7,068	\$ 121,750	\$ 217,176	\$ 13,317	\$ 359,311
Investments	0	0	438,827	0	438,827
Accounts Receivable (net of allowance for uncollectibles)	0	0	56,027	0	56,027
Prepaid Items	0	1,663	0	0	1,663
Total Current Assets	7,068	123,413	712,030	13,317	855,828
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	0	3,038	0	0	3,038
Total restricted assets	0	3,038	0	0	3,038
Capital Assets:					
Capital Assets Not Being Depreciated	0	118,972	0	0	118,972
Capital Assets Being Depreciated, Net	0	1,102,876	0	0	1,102,876
Total Noncurrent Assets	0	1,224,886	0	0	1,224,886
Total Assets	7,068	1,348,299	712,030	13,317	2,080,714
LIABILITIES					
Current Liabilities:					
Accounts Payable	0	2,325	40,122	660	43,107
Accrued Wages and Benefits	0	2,436	3,491	0	5,927
Refundable Deposits	0	3,038	0	0	3,038
Accrued Interest Payable	0	13	6,778	0	6,791
General Obligation Notes Payable	0	0	187,000	0	187,000
Capital Leases Payable - Current	0	1,015	0	0	1,015
Total Current Liabilities	0	8,827	237,391	660	246,878
Noncurrent Liabilities:					
Capital Leases Payable	0	520	0	0	520
Compensated Absences Payable	0	4,984	12,468	0	17,452
Total Noncurrent Liabilities	0	5,504	12,468	0	17,972
Total Liabilities	0	14,331	249,859	660	264,850
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	0	1,220,313	0	0	1,220,313
Unrestricted	7,068	113,655	462,171	12,657	595,551
Total Net Assets	\$ 7,068	\$ 1,333,968	\$ 462,171	\$ 12,657	\$ 1,815,864

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2006**

	Refuse	Off Street Parking	Storm Water Utility	Community Programs	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for Services	\$ 2,666	\$ 95,621	\$ 441,620	\$ 61,479	\$ 601,386
Other Charges for Services	0	0	2,260	0	2,260
Other Operating Revenues	2,184	0	0	3,278	5,462
Total Operating Revenues	4,850	95,621	443,880	64,757	609,108
Operating Expenses:					
Personal Services	0	68,003	83,201	45,749	196,953
Contractual Services	50,550	41,347	348,587	33,167	473,651
Materials and Supplies	0	2,503	13,077	8,184	23,764
Utilities	0	23,898	0	0	23,898
Depreciation	0	36,647	0	0	36,647
Total Operating Expenses	50,550	172,398	444,865	87,100	754,913
Operating Loss	(45,700)	(76,777)	(985)	(22,343)	(145,805)
Non-Operating Revenue (Expenses):					
Interest Income	2,275	7,404	7,574	0	17,253
Interest and Fiscal Charges	0	(3)	(11,408)	0	(11,411)
Other Nonoperating Revenue	0	0	1,171	0	1,171
Total Non-Operating Revenues (Expenses)	2,275	7,401	(2,663)	0	7,013
Loss Before Transfers	(43,425)	(69,376)	(3,648)	(22,343)	(138,792)
Transfers:					
Transfers-In	41,417	80,009	23,778	35,000	180,204
Transfers-Out	0	0	(30,000)	0	(30,000)
Total Transfers	(41,417)	(80,009)	6,222	(35,000)	(150,204)
Change in Net Assets	(2,008)	10,633	(9,870)	12,657	11,412
Net Assets Beginning of Year	9,076	1,323,335	472,041	0	1,804,452
Net Assets End of Year	\$ 7,068	\$ 1,333,968	\$ 462,171	\$ 12,657	\$ 1,815,864

CITY OF PAINESVILLE, OHIO

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2006**

	Refuse	Off-Street Parking	Storm Water Utility	Community Program	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:					
Cash Received from Customers	\$4,850	\$95,857	\$411,154	\$64,757	\$576,618
Cash Payments for Goods and Services	(50,550)	(72,212)	(371,900)	(40,691)	(\$535,353)
Cash Payments to Employees	0	(71,554)	(80,116)	(45,749)	(\$197,419)
Net Cash Used by Operating Activities	(45,700)	(47,909)	(40,862)	(21,683)	(156,154)
Cash Flows from Noncapital Financing Activities:					
Transfers In from Other Funds	41,417	80,009	23,778	35,000	180,204
Transfers Out to Other Funds	0	0	(30,000)	0	(30,000)
Net Cash Provided (Used) for Noncapital Financing Activities	41,417	80,009	(6,222)	35,000	150,204
Cash Flows from Capital and Related Financing Activities:					
Proceeds from General Obligation Notes	0	0	187,000	0	187,000
Principal Paid on General Obligation Notes	0	0	(267,000)	0	(267,000)
Issuance of Capital Leases	0	2,976	0	0	2,976
Principal Paid on Capital Leases	0	(960)	0	0	(960)
Interest Paid on All Debt	0	0	(8,653)	0	(8,653)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	2,016	(88,653)	0	(86,637)
Cash Flows from Investing Activities:					
Receipts of Principal and Interest on Investments	2,275	7,404	8,587	0	18,266
Sale of Investments	0	0	157,449	0	157,449
Net Cash Provided by Investing Activities	2,275	7,404	166,036	0	175,715
Net Increase (Decrease) in Cash and Cash Equivalents	(2,008)	41,520	30,299	13,317	83,128
Cash and Cash Equivalents at Beginning of Year	9,076	83,268	186,877	0	279,221
Cash and Cash Equivalents at End of Year	\$7,068	\$124,788	\$217,176	\$13,317	\$362,349
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:					
Operating Loss	(\$45,700)	(\$76,777)	(\$985)	(\$22,343)	(\$145,805)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:					
Depreciation Expense	0	36,647	0	0	36,647
Miscellaneous Nonoperating Revenues	0	156	1,171	0	1,327
Changes in Assets and Liabilities:					
Decrease in Accounts Receivable	0	80	(33,897)	0	(33,817)
Increase in Prepaid Items	0	568	0	0	568
Increase (Decrease) in Accounts Payable	0	(3,112)	39,151	660	36,699
Increase in Accrued Wages and Benefits	0	251	(130)	0	121
Increase in Intergovernmental Payable	0	0	(47,224)	0	(47,224)
Increase in Compensated Absences Payable	0	(5,722)	1,052	0	(4,670)
Total Adjustments	0	28,868	(39,877)	660	(10,349)
Net Cash Used by Operating Activities	(\$45,700)	(\$47,909)	(\$40,862)	(\$21,683)	(\$156,154)

Schedule of Noncash Investing, Capital and Financing Activities:

During 2006 the fair value of investments increased by \$1,277 in the Storm Water Utility Fund.

Nonmajor Internal Service Funds

The internal service funds are used to account for financing goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Fuel and Oil Rotary Fund

To account for the accumulation and allocation of costs associated with petroleum products.

Supplies Fund

To account for the accumulation and allocation of costs associated with operating supplies.

Employee Health Insurance Fund

To account for the expenses related to employee health insurance coverage provided by the City. This program is partially self-funded by the City as well as through a 'stop-loss' cap arrangement with an outside contractor.

Workers' Compensation Retrospective Fund

To account for expenses for workers' compensation coverage provided by the Ohio Bureau of Workers' Compensation.

CITY OF PAINESVILLE, OHIO

**Combining Statement of Net Assets
Nonmajor Internal Service Funds
December 31, 2006**

	Fuel and Oil Rotary	Supplies Rotary	Employee Health Insurance	Workers' Compensation Retrospective	Total Internal Service Funds
Assets:					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 73,608	\$ 29,414	\$ 70,306	\$ 153,777	\$ 327,105
Inventory of Supplies at Cost	0	34,537	0	0	34,537
<i>Total Current Assets</i>	<u>73,608</u>	<u>63,951</u>	<u>70,306</u>	<u>153,777</u>	<u>361,642</u>
Total Assets	<u>73,608</u>	<u>63,951</u>	<u>70,306</u>	<u>153,777</u>	<u>361,642</u>
Liabilities:					
<i>Current Liabilities:</i>					
Claims Payable	0	0	108,041	659,242	767,283
<i>Total Current Liabilities</i>	<u>0</u>	<u>0</u>	<u>108,041</u>	<u>659,242</u>	<u>767,283</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>108,041</u>	<u>659,242</u>	<u>767,283</u>
Net Assets:					
Unrestricted	73,608	63,951	(37,735)	(505,465)	(405,641)
Total Net Assets (Deficits)	<u>\$ 73,608</u>	<u>\$ 63,951</u>	<u>\$ (37,735)</u>	<u>\$ (505,465)</u>	<u>\$ (405,641)</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Internal Service Funds
For the Year Ended December 31, 2006**

	<u>Fuel and Oil Rotary</u>	<u>Supplies Rotary</u>	<u>Employee Health Insurance</u>	<u>Workers' Compensation Retrospective</u>	<u>Total Internal Service Funds</u>
Operating Revenues:					
Charges for Services	\$ 200,139	\$ 44,336	\$ 1,771,789	\$ 352,108	\$ 2,368,372
Total Operating Revenues	<u>200,139</u>	<u>44,336</u>	<u>1,771,789</u>	<u>352,108</u>	<u>2,368,372</u>
Operating Expenses:					
Personal Services	0	0	1,422,813	164,671	1,587,484
Contractual Services	0	0	119,065	77,917	196,982
Materials and Supplies	<u>263,843</u>	<u>42,367</u>	<u>0</u>	<u>0</u>	<u>306,210</u>
Total Operating Expenses	<u>263,843</u>	<u>42,367</u>	<u>1,541,878</u>	<u>242,588</u>	<u>2,090,676</u>
Operating Income (Loss)	(63,704)	1,969	229,911	109,520	277,696
Nonoperating Revenue (Expenses):					
Other Nonoperating Revenue	<u>0</u>	<u>0</u>	<u>511</u>	<u>2,707</u>	<u>3,218</u>
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>0</u>	<u>511</u>	<u>2,707</u>	<u>3,218</u>
Income (Loss) Before Transfers	(63,704)	1,969	230,422	112,227	280,914
Transfers Out	0	0	(100,000)	0	(100,000)
Change in Net Assets	(63,704)	1,969	130,422	112,227	180,914
Net Assets Beginning of Year (Deficits)	<u>137,312</u>	<u>61,982</u>	<u>(168,157)</u>	<u>(617,692)</u>	<u>(586,555)</u>
Net Assets End of Year (Deficits)	<u>\$ 73,608</u>	<u>\$ 63,951</u>	<u>\$ (37,735)</u>	<u>\$ (505,465)</u>	<u>\$ (405,641)</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Cash Flows
Nonmajor Internal Service Funds
For the Year Ended December 31, 2006**

	Fuel and Oil Rotary	Supplies Rotary	Employee Health Insurance	Workers' Compensation Retrospective	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>					
Cash Receipts from Interfund Services Provided	\$200,139	\$44,336	\$1,772,300	\$354,815	\$2,371,590
Cash Payments for Goods and Services	(263,843)	(43,540)	(119,065)	(190,144)	(616,592)
Cash Payments to Employees	0	0	0	(164,671)	(164,671)
Cash Payments for Employee Medical Claims	0	0	(1,671,812)	0	(1,671,812)
Net Cash Provided (Used) by Operating Activities	(63,704)	796	(18,577)	0	(81,485)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers Out to Other Funds	0	0	(100,000)	0	(100,000)
Net Cash Used for Noncapital Financing Activities	0	0	(100,000)	0	(100,000)
Net Increase (Decrease) in Cash and Cash Equivalents	(63,704)	796	(118,577)	0	(181,485)
Cash and Cash Equivalents at Beginning of Year	137,312	28,618	188,883	153,777	508,590
Cash and Cash Equivalents at End of Year	\$73,608	\$29,414	\$70,306	\$153,777	\$327,105
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	(\$63,704)	\$1,969	\$229,911	\$109,520	\$277,696
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Miscellaneous Nonoperating Income	0	0	511	2,707	3,218
Changes in Assets and Liabilities:					
Decrease in Inventory	0	(1,173)	0	0	(1,173)
Increase (Decrease) in Accounts Payable	0	0	(89,982)	0	(89,982)
Decrease in Claims Liability	0	0	(159,017)	(112,227)	(271,244)
Total Adjustments	0	(1,173)	(248,488)	(109,520)	(359,181)
Net Cash Provided (Used) by Operating Activities	(63,704)	796	(18,577)	\$0	(81,485)

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds

Municipal Court Fund

To account for funds that flow through the municipal court.

State Patrol Transfer Fund

To account for the receipt from the City's municipal court and disbursement to the City and County Law Library of fines and forfeitures for State Highway Patrol cases in accordance with provisions of the Ohio Revised Code.

Electric License Fund

To account for funds from the fifteen percent (15%) fees as required by Ohio Revised Code

Land Bank Fund

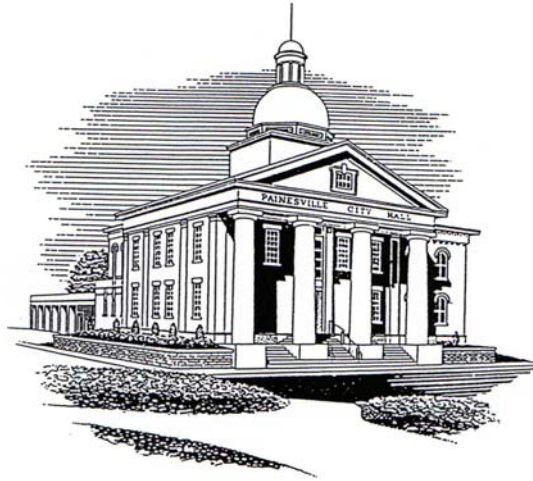
To account for the receipt of monies from the sale of property under the Land Bank Program and the disbursement to the County for back taxes.

CITY OF PAINESVILLE, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2006**

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$47,730	\$2,832,216	(\$2,836,515)	\$43,431
Total Assets	<u>\$47,730</u>	<u>\$2,832,216</u>	<u>(\$2,836,515)</u>	<u>\$43,431</u>
Liabilities:				
Due to Others	\$47,730	\$2,832,216	(\$2,836,515)	\$43,431
Total Liabilities	<u>\$47,730</u>	<u>\$2,832,216</u>	<u>(\$2,836,515)</u>	<u>\$43,431</u>
<u>State Patrol Transfer</u>				
Assets:				
Cash and Cash Equivalents	\$18,284	\$75,259	(\$75,259)	\$18,284
Total Assets	<u>\$18,284</u>	<u>\$75,259</u>	<u>(\$75,259)</u>	<u>\$18,284</u>
Liabilities:				
Due to Others	\$18,284	\$75,259	(\$75,259)	\$18,284
Total Liabilities	<u>\$18,284</u>	<u>\$75,259</u>	<u>(\$75,259)</u>	<u>\$18,284</u>
<u>Electric License</u>				
Assets:				
Cash and Cash Equivalents	\$7,206	\$0	\$0	\$7,206
Total Assets	<u>\$7,206</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,206</u>
Liabilities:				
Due to Others	\$7,206	\$0	\$0	\$7,206
Total Liabilities	<u>\$7,206</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,206</u>
<u>Land Bank</u>				
Assets:				
Cash and Cash Equivalents	\$4,943	\$0	\$0	\$4,943
Total Assets	<u>\$4,943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,943</u>
Liabilities:				
Due to Others	\$4,943	\$0	\$0	\$4,943
Total Liabilities	<u>\$4,943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,943</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$78,163	\$2,907,475	(\$2,911,774)	\$73,864
Total Assets	<u>\$78,163</u>	<u>\$2,907,475</u>	<u>(\$2,911,774)</u>	<u>\$73,864</u>
Liabilities:				
Due to Others	\$78,163	\$2,907,475	(\$2,911,774)	\$73,864
Total Liabilities	<u>\$78,163</u>	<u>\$2,907,475</u>	<u>(\$2,911,774)</u>	<u>\$73,864</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*



CITY OF PAINESVILLE, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2006***

Capital Assets:

Land	\$4,662,785
Buildings and Improvements	4,287,360
Improvements Other than Buildings	2,265,603
Machinery and Equipment	5,513,885
Infrastructure	1,367,297
Construction in Progress	<u>756,782</u>
Total Capital Assets	<u><u>\$18,853,712</u></u>

Investment in Capital Assets from:

General Fund	\$8,272,577
Special Revenue Funds	4,323,665
Capital Projects Funds	4,876,999
Enterprise Funds	1,354,660
Expendable Trust Funds	13,920
Gifts	<u>11,891</u>
Total Investment in Capital Assets	<u><u>\$18,853,712</u></u>

CITY OF PAINESVILLE, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2006**

Function and Activity	Land	Construction in Progress	Buildings and Improvements	Improvements Other than Buildings
General Government				
Judicial:				
Municipal Court	\$0	\$0	\$1,392,457	\$0
Executive:				
City Manager	1,879,080	0	0	0
Information Technology	0	0	0	62,346
Economic Development	0	0	0	0
Finance	0	0	47,850	0
Engineering	35,460	0	268,180	0
Buildings and Grounds	332,670	0	1,443,608	6,046
Total General Government	2,247,210	0	3,152,095	68,392
Public Safety				
Police	0	0	0	0
Fire	0	0	0	0
Control Center	0	0	0	0
Total Public Safety	0	0	0	0
Highways and Streets				
Public Works	155,501	713,099	121,290	1,435,973
Public Health and Welfare				
Cemeteries	506,223	0	180,000	56,500
Culture/Recreation				
Parks - Recreation	1,506,011	0	833,975	704,738
Community Environment				
Community Development	247,840	43,683	0	0
Code Enforcement	0	0	0	0
Total Community Environmen	247,840	43,683	0	0
Total Capital Assets	\$4,662,785	\$756,782	\$4,287,360	\$2,265,603

CITY OF PAINESVILLE, OHIO

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$101,552	\$0	\$1,494,009
306,785	0	2,185,865
159,998	0	222,344
14,195	0	14,195
48,528	0	96,378
66,884	0	370,524
14,700	0	1,797,024
<u>712,642</u>	<u>0</u>	<u>6,180,339</u>
795,841	0	795,841
1,447,083	0	1,447,083
54,498	0	54,498
<u>2,297,422</u>	<u>0</u>	<u>2,297,422</u>
<u>1,952,193</u>	<u>1,367,297</u>	<u>5,745,353</u>
<u>218,139</u>	<u>0</u>	<u>960,862</u>
<u>256,299</u>	<u>0</u>	<u>3,301,023</u>
0	0	291,523
<u>77,190</u>	<u>0</u>	<u>77,190</u>
<u>77,190</u>	<u>0</u>	<u>368,713</u>
<u>\$5,513,885</u>	<u>\$1,367,297</u>	<u>\$18,853,712</u>

CITY OF PAINESVILLE, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2006**

Function and Activity	December 31, 2005	Transfers	Additions	Deletions	December 31, 2006
General Government					
Judicial					
Municipal Court	\$1,510,593	\$0	\$0	(\$16,584)	\$1,494,009
Executive					
City Manager	1,960,014	0	250,823	(24,972)	2,185,865
Information Technology	290,992	0	12,805	(81,453)	222,344
Economic Development	14,195	0	0	0	14,195
Finance	129,561	(33,183)	0	0	96,378
Engineering	356,340	14,184	0	0	370,524
Buildings and Grounds	1,790,978	6,046	0	0	1,797,024
Total General Government	<u>6,052,673</u>	<u>(12,953)</u>	<u>263,628</u>	<u>(123,009)</u>	<u>6,180,339</u>
Public Safety					
Police	864,559	0	71,184	(139,902)	795,841
Fire	1,481,909	0	16,051	(50,877)	1,447,083
Control Center	54,498	0	0	0	54,498
Total Public Safety	<u>2,400,966</u>	<u>0</u>	<u>87,235</u>	<u>(190,779)</u>	<u>2,297,422</u>
Highways and Streets					
Public Works	5,723,911	(42,946)	77,451	(13,063)	5,745,353
Public Health and Welfare					
Cemeteries	959,283	28,763	0	(27,184)	960,862
Culture/Recreation					
Parks - Recreation	3,494,482	0	11,023	(204,482)	3,301,023
Community Environment					
Community Development	301,103	0	0	(9,580)	291,523
Code Enforcement	76,872	0	14,954	(14,636)	77,190
Total Community Environment	<u>377,975</u>	<u>0</u>	<u>14,954</u>	<u>(24,216)</u>	<u>368,713</u>
Total Capital Assets	<u>\$19,009,290</u>	<u>(\$27,136)</u>	<u>\$454,291</u>	<u>(\$582,733)</u>	<u>\$18,853,712</u>

Statistical Section

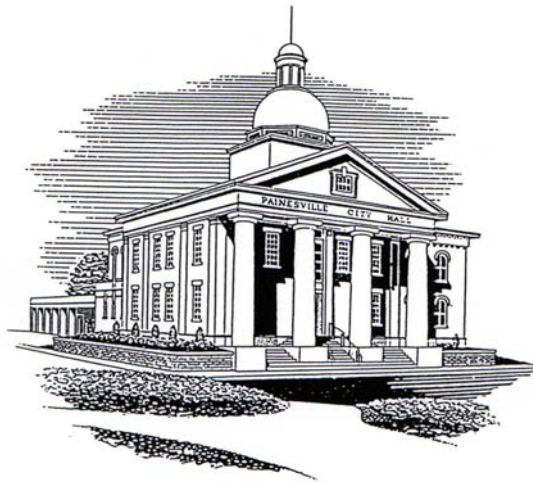


STATISTICAL TABLES

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends	S 3 – S 11
These schedules contain trend information to help the reader understand how the city's financial position has changed over time.	
Revenue Capacity	S 12 – S 15
These schedules contain information to help the reader understand and assess the factors affecting the city's ability to generate its most significant local revenue sources, the income tax and the property tax.	
Debt Capacity	S 16 – S 25
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Economic and Demographic Information	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the city's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 30 – S 39
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	



City of Painesville

*Net Assets by Component
Last Four Years
(accrual basis of accounting)*

	2003	2004	2005	2006
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$8,072,398	\$14,662,144	\$12,923,925	\$7,590,727
Restricted	2,787,638	1,902,860	2,082,124	2,756,163
Unrestricted	2,014,404	350,924	1,345,168	7,361,806
Total Governmental Activities Net Assets	<u>\$12,874,440</u>	<u>\$16,915,928</u>	<u>\$16,351,217</u>	<u>\$17,708,696</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	\$23,500,627	\$31,172,045	\$32,921,887	\$33,400,614
Restricted	897,200	910,426	896,417	792,875
Unrestricted (Deficit)	27,080,610	22,083,319	24,597,934	27,439,385
Total Business-type Activities Net Assets	<u>\$51,478,437</u>	<u>\$54,165,790</u>	<u>\$58,416,238</u>	<u>\$61,632,874</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$31,573,025	\$45,834,189	\$45,845,812	\$40,991,341
Restricted	3,684,838	2,813,286	2,978,541	3,549,038
Unrestricted	29,095,014	22,434,243	25,943,102	34,801,191
Total Primary Government Net Assets	<u>\$64,352,877</u>	<u>\$71,081,718</u>	<u>\$74,767,455</u>	<u>\$79,341,570</u>

Source: Finance Director's Office

City of Painesville

*Changes in Net Assets
Last Four Years
(accrual basis of accounting)*

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Government	\$3,041,680	\$3,031,283	\$2,790,590	\$2,825,835
Public Safety	7,193,890	7,823,918	6,989,395	7,585,876
Highways and Streets	1,138,633	3,182,909	2,817,057	2,870,730
Public Health and Welfare	773,593	835,694	668,013	531,090
Culture and Recreation	953,407	799,394	700,165	746,813
Community Environment	648,579	415,026	351,307	353,652
Interest and Fiscal Charges	97,872	118,717	67,711	230,802
<i>Total Governmental Activities Expenses</i>	<u>13,847,654</u>	<u>16,206,941</u>	<u>14,384,238</u>	<u>15,144,798</u>
Business-type Activities:				
Water	4,565,407	4,509,371	4,696,086	4,863,071
Sewer	3,350,651	3,897,646	3,550,942	3,340,241
Electric	14,942,089	24,437,629	18,650,228	19,568,938
Other Enterprise	378,932	511,944	682,843	766,324
<i>Total Business-type Activities Expenses</i>	<u>23,237,079</u>	<u>33,356,590</u>	<u>27,580,099</u>	<u>28,538,574</u>
<i>Total Primary Government Expenses</i>	<u>\$37,084,733</u>	<u>\$49,563,531</u>	<u>\$41,964,337</u>	<u>\$43,683,372</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$1,102,103	\$1,155,531	\$1,290,247	\$1,328,425
Public Safety	219,370	513,720	338,428	436,247
Highways and Streets	106,707	147,797	50,844	67,586
Public Health and Welfare	150,643	159,060	151,607	131,527
Culture and Recreation	67,889	75,825	78,114	21,688
Community Environment	109,444	183,300	264,293	264,180
Operating Grants and Contributions	83,677	774,687	1,324,588	831,378
Capital Grants and Contributions	112,076	162,802	429,980	735,382
<i>Total Governmental Activities Program Revenues</i>	<u>1,951,909</u>	<u>3,172,722</u>	<u>3,928,101</u>	<u>3,816,413</u>

(continued)

City of Painesville

Changes in Net Assets Last Four Years (accrual basis of accounting)

	2003	2004	2005	2006
Business-type Activities:				
Charges for Services				
Water	4,328,180	4,513,453	4,905,365	4,654,394
Sewer	3,331,499	3,166,647	3,268,359	3,215,491
Electric	18,310,051	18,957,480	22,173,641	21,014,180
Other Enterprise	432,325	506,892	507,485	610,279
Operating Grants and Contributions	53,588	9,267	587,546	0
Capital Grants and Contributions	0	1,218,151	0	410,942
<i>Total Business-type Activities Program Revenues</i>	<u>26,455,643</u>	<u>28,371,890</u>	<u>31,442,396</u>	<u>29,905,286</u>
<i>Total Primary Government Program Revenues</i>	<u>28,407,552</u>	<u>31,544,612</u>	<u>35,370,497</u>	<u>33,721,699</u>
Net (Expense)/Revenue				
Governmental Activities	(11,895,745)	(13,034,219)	(10,456,137)	(11,328,385)
Business-type Activities	3,218,564	(4,984,700)	3,862,297	1,366,712
<i>Total Primary Government Net (Expense)/Revenue</i>	<u><u>(\$8,677,181)</u></u>	<u><u>(\$18,018,919)</u></u>	<u><u>(\$6,593,840)</u></u>	<u><u>(\$9,961,673)</u></u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes	\$631,395	\$717,203	\$725,082	\$801,010
Municipal Income Taxes	7,273,781	6,702,181	7,681,884	8,039,713
Other Local Taxes	7,903	1,108	5,957	31,692
Grants and Entitlements not Restricted to Specific Programs	2,513,880	1,590,443	1,766,542	2,007,863
Investment Earnings	292,903	103,487	378,891	1,189,061
Miscellaneous	434,784	382,964	278,499	111,205
Transfers	984,729	614,276	558,853	505,320
<i>Total Governmental Activities</i>	<u>12,139,375</u>	<u>10,111,662</u>	<u>11,395,708</u>	<u>12,685,864</u>
Business-type Activities:				
Investment Earnings	204,095	330,270	568,022	407,410
Transfers	(984,729)	(614,276)	(558,853)	(505,320)
<i>Total Business-type Activities</i>	<u>(780,634)</u>	<u>(284,006)</u>	<u>9,169</u>	<u>(97,910)</u>
<i>Total Primary Government</i>	<u><u>\$11,358,741</u></u>	<u><u>\$9,827,656</u></u>	<u><u>\$11,404,877</u></u>	<u><u>\$12,587,954</u></u>
Change in Net Assets				
Governmental Activities	\$243,630	(\$2,922,557)	\$939,571	\$1,357,479
Business-type Activities	2,437,930	(5,268,706)	3,871,466	1,268,802
<i>Total Primary Government Change in Net Assets</i>	<u><u>\$2,681,560</u></u>	<u><u>(\$8,191,263)</u></u>	<u><u>\$4,811,037</u></u>	<u><u>\$2,626,281</u></u>

Source: Finance Director's Office

City of Painesville

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund					
Reserved	\$602,406	\$893,459	\$938,178	\$702,735	\$609,384
Unreserved	<u>2,589,504</u>	<u>2,615,974</u>	<u>2,992,331</u>	<u>3,286,029</u>	<u>4,287,699</u>
<i>Total General Fund</i>	<u>3,191,910</u>	<u>3,509,433</u>	<u>3,930,509</u>	<u>3,988,764</u>	<u>4,897,083</u>
All Other Governmental Funds					
Reserved	532,342	526,334	1,013,711	1,345,851	920,279
Unreserved, Undesignated, Reported in:					
Special Revenue Funds	232,532	738,480	(88,278)	1,043,684	1,669,858
Capital Projects Funds	337,459	966,948	624,562	500,881	84,322
Permanent Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Other Governmental Funds	<u>1,102,333</u>	<u>2,231,762</u>	<u>1,549,995</u>	<u>2,890,416</u>	<u>2,674,459</u>
<i>Total Governmental Funds</i>	<u>\$4,294,243</u>	<u>\$5,741,195</u>	<u>\$5,480,504</u>	<u>\$6,879,180</u>	<u>\$7,571,542</u>

Source: Finance Director's Office

NOTE: Years 1997-2002 Do not include Cemetery Trust Fund, Special Endowment Fund, Evergreen Cemetery Trust Fund, Riverside Cemetery Trust Fund and Special Endowment Trust Fund which was classified as a Fiduciary Fund prior to implementing GASB 34 in 2003.

City of Painesville

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$860,344	\$609,500	\$672,828	\$416,195	\$348,204
<u>3,822,127</u>	<u>2,181,127</u>	<u>2,705,494</u>	<u>2,812,492</u>	<u>4,811,432</u>
<u>4,682,471</u>	<u>2,790,627</u>	<u>3,378,322</u>	<u>3,228,687</u>	<u>5,159,636</u>
516,977	1,809,451	1,633,965	2,004,446	1,653,817
2,130,684	1,510,440	1,141,244	355,394	637,926
454,776	(102,259)	(969,587)	(109,712)	23,236
0	7,043	4,219	63,532	129,713
<u>3,102,437</u>	<u>3,224,675</u>	<u>1,809,841</u>	<u>2,313,660</u>	<u>2,444,692</u>
<u>\$7,784,908</u>	<u>\$6,015,302</u>	<u>\$5,188,163</u>	<u>\$5,542,347</u>	<u>\$7,604,328</u>

City of Painesville

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	1997	1998	1999	2000
Revenues:				
Taxes	\$6,480,015	\$6,921,888	\$7,181,523	\$7,614,958
Intergovernmental Revenues	2,406,303	2,670,751	3,830,361	3,903,437
Charges for Services	226,022	247,654	248,725	334,241
Licenses, Permits and Inspection Fees	191,120	160,646	179,690	189,621
Investment Earnings	1,026,908	989,273	1,201,096	1,292,816
Special Assessments	67,507	61,648	69,722	58,482
Fines and Forfeitures	806,376	843,321	804,513	821,577
Lawsuit Settlement	177,500	260,114	0	0
All Other Revenue	133,221	184,114	120,177	278,653
Total Revenue	11,514,972	12,339,409	13,635,807	14,493,785
Expenditures:				
Current:				
General Government	1,980,803	1,967,453	2,000,784	2,137,553
Public Safety	4,579,914	4,672,076	5,281,060	5,471,391
Highways and Streets	2,034,240	1,695,777	4,322,320	2,396,435
Public Health and Welfare Services	510,526	514,971	554,676	594,196
Culture and Recreation	609,551	702,249	745,573	841,974
Community Environment	250,780	279,138	257,296	438,083
Capital Outlay	61,137	255,950	485,720	1,466,811
Debt Service:				
Principal Retirement	68,416	41,416	49,624	56,416
Interest and Fiscal Charges	59,546	52,467	102,595	101,184
Total Expenditures	10,154,913	10,181,497	13,799,648	13,504,043
Excess (Deficiency) of Revenues Over Expenditures	1,360,059	2,157,912	(163,841)	989,742

City of Painesville

2001	2002	2003	2004	2005	2006
\$7,301,526	\$8,087,055	\$7,868,089	\$8,284,270	\$8,389,482	\$8,417,301
3,302,823	2,860,610	2,604,091	2,793,225	3,107,173	3,805,033
327,915	301,580	449,198	592,861	598,062	529,395
163,558	78,377	178,544	333,135	348,422	354,320
1,220,765	319,813	247,032	144,587	431,046	1,126,218
57,556	64,861	68,358	60,743	65,099	56,858
827,796	1,008,366	1,020,294	1,071,977	1,104,650	1,227,721
0	0	0	0	0	0
149,340	211,071	466,930	706,710	300,778	225,135
<u>13,351,279</u>	<u>12,931,733</u>	<u>12,902,536</u>	<u>13,987,508</u>	<u>14,344,712</u>	<u>15,741,981</u>
2,778,315	2,758,726	2,907,513	2,883,102	2,657,661	2,899,758
5,994,831	6,837,365	7,003,391	7,279,219	6,848,266	7,464,913
2,371,993	2,316,349	2,994,752	2,759,535	2,800,859	2,703,721
606,275	690,005	769,675	740,072	694,291	544,005
940,621	911,244	943,098	789,511	659,993	667,236
463,399	335,371	639,638	354,156	345,801	346,486
1,407,232	903,825	540,850	1,296,545	882,396	298,301
43,208	56,415	61,416	58,208	50,000	105,778
153,707	95,465	105,895	75,477	117,237	228,653
<u>14,759,581</u>	<u>14,904,765</u>	<u>15,966,228</u>	<u>16,235,825</u>	<u>15,056,504</u>	<u>15,258,851</u>
(1,408,302)	(1,973,032)	(3,063,692)	(2,248,317)	(711,792)	483,130

(Continued)

City of Painesville

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	1997	1998	1999	2000
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	0	27,010	133,094
Other Financing Sources - Capital Leases	17,000	0	0	0
Ohio Public Works Commission Loan	0	0	0	100,000
General Obligation Notes Issued	0	0	0	0
General Obligation Bonds Issued	0	0	0	0
Premium on Debt Issuance	0	0	0	0
Construction Loans	0	0	0	0
Transfers In	432,330	1,212,509	1,530,516	2,036,457
Transfers Out	(1,102,075)	(2,072,300)	(1,651,785)	(1,833,949)
Total Other Financing Sources (Uses)	<u>(652,745)</u>	<u>(859,791)</u>	<u>(94,259)</u>	<u>435,602</u>
Net Change in Fund Balance	<u>\$707,314</u>	<u>\$1,298,121</u>	<u>(\$258,100)</u>	<u>\$1,425,344</u>
Debt Service as a Percentage of Noncapital Expenditures	1.38%	0.96%	1.13%	1.28%

Source: Finance Director's Office

NOTE: Years 1997-2002 Do not include Cemetery Trust Fund, Special Endowment Fund, Evergreen Cemetery Trust Fund, Riverside Cemetery Trust Fund and Special Endowment Trust Fund which was classified as a Fiduciary Fund prior to implementing GASB 34 in 2003.

City of Painesville

2001	2002	2003	2004	2005	2006
24,347	69,275	26,210	5,001	4,090	2,555
218,047	1,255,400	0	558,796	419,406	353,758
0	0	0	0	0	0
1,163,750	0	0	0	0	0
0	0	0	0	410,000	0
0	0	0	0	0	4,302
0	0	0	0	0	587,645
2,078,255	2,557,721	2,243,379	1,762,396	2,552,091	2,787,199
(1,820,100)	(1,701,454)	(958,650)	(873,120)	(2,307,523)	(2,171,146)
1,664,299	2,180,942	1,310,939	1,453,073	1,078,064	1,564,313
\$255,997	\$207,910	(\$1,752,753)	(\$795,244)	\$366,272	\$2,047,443
1.52%	1.14%	1.29%	0.84%	1.20%	2.28%

City of Painesville

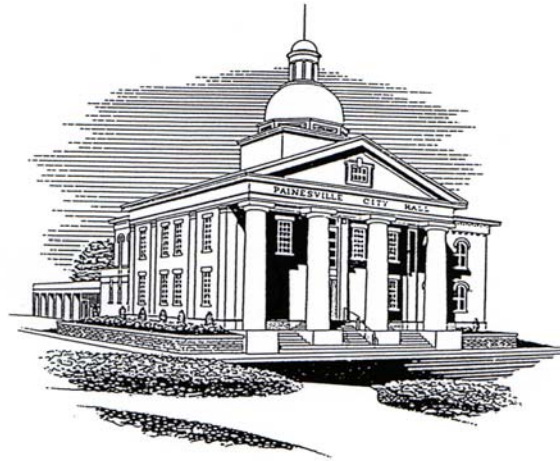
Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	1997	1998	1999	2000	2001
Income Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%
Estimated Personal Income	\$419,535	\$441,155	\$454,992	\$533,754	\$534,034
Total Tax Collected	\$6,154,609	\$6,352,966	\$6,642,671	\$6,748,897	\$7,211,472
Income Tax Receipts					
Withholding	5,105,327	5,256,721	5,428,292	5,687,491	5,953,650
Percentage	83.0%	82.7%	81.7%	84.3%	82.6%
Corporate	358,915	493,548	488,125	318,736	398,449
Percentage	5.8%	7.8%	7.3%	4.7%	5.5%
Individuals	690,367	602,697	726,254	742,670	859,373
Percentage	11.2%	9.5%	10.9%	11.0%	11.9%

Source: City Income Tax Department

City of Painesville

2002	2003	2004	2005	2006
2.00%	2.00%	2.00%	2.00%	2.00%
\$534,244	\$548,299	\$569,933	\$582,815	\$582,815
\$7,160,210	\$7,242,174	\$7,135,376	\$7,653,206	\$7,775,604
5,889,168	6,070,037	6,045,625	6,263,019	6,460,073
82.2%	83.8%	84.7%	81.8%	83.1%
469,520	383,625	365,953	576,843	588,673
6.6%	5.3%	5.1%	7.5%	7.6%
801,522	788,512	723,798	813,344	726,858
11.2%	10.9%	10.1%	10.6%	9.3%



City of Painesville

Income Tax Collections Current Year and Nine Years Ago

Calendar Year 2006				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	2,290	45.62%	\$15,859,616	10.48%
20,000 - 49,999	1,680	33.47%	55,874,509	36.92%
50,000 - 74,999	663	13.21%	40,337,534	26.65%
75,000 - 99,999	246	4.90%	20,969,412	13.86%
Over 100,000	141	2.80%	18,304,536	12.09%
Total	5,020	100.00%	\$151,345,607	100.00%
Local Taxes Paid by Residents			Tax Dollars	
Taxes Paid to Painesville			\$772,828	
Taxes Credited to Other Municipalities			1,277,772	
			\$2,050,600	
Calendar Year 1997				
Income Level	Number of Filers	Percent of Total	Local Taxable Income	Percent of Income
\$0 - \$19,999	2,075	46.96%	\$14,088,913	11.69%
20,000 - 49,999	1,581	35.78%	51,964,574	43.12%
50,000 - 74,999	548	12.40%	33,374,047	27.69%
75,000 - 99,999	158	3.58%	13,466,141	11.17%
Over 100,000	57	1.28%	7,624,303	6.33%
Total	4,419	100.00%	\$120,517,978	100.00%
Local Taxes Paid by Residents			Tax Dollars	
Taxes Paid to Painesville			\$652,082	
Taxes Credited to Other Municipalities			1,067,997	
			\$1,720,079	

Source: Finance Director's Office

City of Painesville

Ratio of Outstanding Debt By Type Last Ten Years

	1997	1998	1999	2000
Governmental Activities ⁽¹⁾				
Special Assessment Bonds	\$400,000	\$375,000	\$350,000	\$320,000
Ohio Public Works Commission Loan Payable	106,702	90,286	65,662	139,246
Long-Term Notes Payable	0	0	0	0
Construction Loan Payable	0	0	0	0
Capital Leases	14,863	10,991	6,830	2,359
Business-type Activities ⁽¹⁾				
Mortgage Revenue Bonds Payable	\$5,575,000	\$5,030,000	\$4,465,000	\$3,865,000
General Obligation Bonds Payable	3,000,000	7,830,000	7,405,000	7,015,000
Ohio Water Development Authority Loan Payable	1,363,153	1,296,971	2,180,289	2,045,160
Ohio Public Works Commission Loan Payable	0	0	0	0
Capital Leases	0	0	0	0
Total Primary Government	<u>\$10,459,718</u>	<u>\$14,633,248</u>	<u>\$14,472,781</u>	<u>\$13,386,765</u>
Population ⁽²⁾				
City of Painesville	15,599	15,599	15,599	17,503
Outstanding Debt Per Capita	\$671	\$938	\$928	\$765
Income ⁽³⁾				
Personal (in thousands)	419,535	441,155	454,992	533,754
Percentage of Personal Income	2.49%	3.32%	3.18%	2.51%

Sources:

- (1) Source: Finance Director's Office
- (2) US Bureau of Census, Population Division
- (3) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation

City of Painesville

2001	2002	2003	2004	2005	2006
\$290,000	\$260,000	\$225,000	\$185,000	\$555,000	\$500,000
126,038	99,623	73,207	55,000	45,000	35,000
1,163,750	1,163,750	100,000	100,000	100,000	0
0	0	0	0	0	587,645
165,741	1,365,356	1,071,252	1,253,453	1,178,895	1,096,129
\$6,577,674	\$5,733,097	\$5,028,857	\$4,279,954	\$3,491,056	\$2,651,829
6,615,000	6,205,000	5,960,000	5,485,000	5,005,000	4,520,000
1,963,364	1,658,886	1,333,242	1,275,148	1,214,400	1,150,870
0	600,000	540,000	480,000	833,474	732,117
0	38,300	27,645	98,084	368,603	339,731
<u>\$16,901,567</u>	<u>\$17,124,012</u>	<u>\$14,359,203</u>	<u>\$13,211,639</u>	<u>\$12,791,428</u>	<u>\$11,613,321</u>

17,503	17,503	17,503	17,503	17,503	17,503
\$966	\$978	\$820	\$755	\$731	\$664

534,034	534,244	548,299	569,933	582,815	582,815
3.16%	3.21%	2.62%	2.32%	2.19%	1.99%

City of Painesville

Ratios of General Obligation Debt Outstanding Last Ten Years

Year	1997	1998	1999	2000
Population (1)	15,599	15,599	15,599	17,503
Assessed Value (2)	\$171,076,792	\$193,124,063	\$193,125,650	\$196,719,634
General Bonded Debt (3)				
General Obligation Notes	\$440,000	\$1,890,000	\$1,725,000	\$1,690,000
Resources Available to Pay Principal (4)	\$16,072	\$73,321	\$16,407	\$1,019
Net General Bonded Debt	\$423,928	\$1,816,679	\$1,708,593	\$1,688,981
Ratio of Net Bonded Debt to Estimated Actual Value	0.25%	0.94%	0.88%	0.86%
Net Bonded Debt per Capita	\$27.18	\$116.46	\$109.53	\$96.50

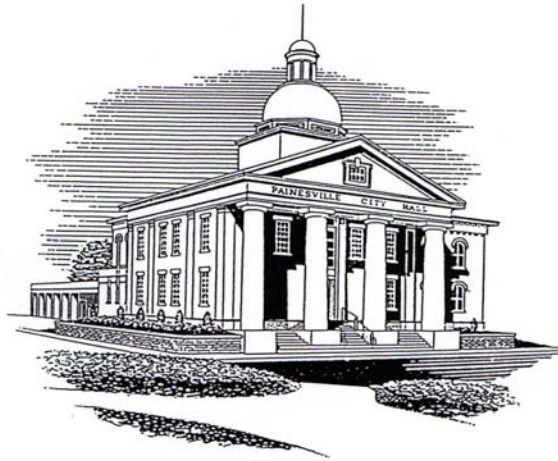
Source:

- (1) U.S. Bureau of Census of Population
- (2) Lake County Auditor
- (3) Includes all general obligation bonded debt supported by property taxes.
There were no General Obligation Bonds prior to 1999.
- (4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Painesville

2001	2002	2003	2004	2005	2006
17,503	17,503	17,503	17,503	17,503	17,503
\$219,115,887	\$234,118,306	\$226,496,195	\$253,325,479	\$254,533,194	\$259,644,108
\$3,173,750	\$3,701,750	\$2,198,000	\$2,798,000	\$4,187,000	\$3,202,000
\$4,681	\$11,883	\$5,343	\$16,260	\$77,196	\$3,821
\$3,169,069	\$3,689,867	\$2,192,657	\$2,781,740	\$4,109,804	\$3,198,179
1.45%	1.58%	0.97%	1.10%	1.61%	1.23%
\$181.06	\$210.81	\$125.27	\$158.93	\$234.81	\$182.72

City of Painesville



City of Painesville

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2006*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Painesville</u>	<u>Amount Applicable to the City of Painesville</u>
Direct:			
City of Painesville	\$5,420,774	100.00%	\$5,420,774
Overlapping:			
Painesville City School District	24,524,982	100.00%	24,524,982
Painesville Township School District	6,792,652	1.77%	120,230
Lake County	24,708,000	4.10%	1,013,028
Lake County Library District	9,505,000	22.34%	2,123,417
		Subtotal	27,781,657
		Total	\$33,202,431

Sources: Lake County
Painesville City School District
Painesville Township School District

City of Painesville

*Debt Limitations
Last Ten Years*

Collection Year	1997	1998	1999	2000
<u>Total Debt</u>				
Net Assessed Valuation	\$171,076,792	\$193,124,063	\$193,125,650	\$196,719,634
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	17,963,063	20,278,027	20,278,193	20,655,562
City Debt Outstanding (2)	440,000	1,890,000	1,725,000	1,690,000
Less: Applicable Debt Service Fund Amounts	(16,072)	(73,321)	(16,407)	(1,019)
Net Indebtedness Subject to Limitation	<u>423,928</u>	<u>1,816,679</u>	<u>1,708,593</u>	<u>1,688,981</u>
Overall Legal Debt Margin	<u><u>\$17,539,135</u></u>	<u><u>\$18,461,348</u></u>	<u><u>\$18,569,600</u></u>	<u><u>\$18,966,581</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$171,076,792	\$193,124,063	\$193,125,650	\$196,719,634
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	9,409,224	10,621,823	10,621,911	10,819,580
City Debt Outstanding (2)	0	1,450,000	1,350,000	1,410,000
Less: Applicable Debt Service Fund Amounts	(16,072)	(73,321)	(16,407)	(1,019)
Net Indebtedness Subject to Limitation	<u>0</u>	<u>1,376,679</u>	<u>1,333,593</u>	<u>1,408,981</u>
Overall Legal Debt Margin	<u><u>\$9,409,224</u></u>	<u><u>\$9,245,144</u></u>	<u><u>\$9,288,318</u></u>	<u><u>\$9,410,599</u></u>

(1) Direct Debt Limitation based upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's / Finance Director's Office

City of Painesville

2001	2002	2003	2004	2005	2006
\$219,115,887	\$234,118,306	\$226,496,195	\$253,325,479	\$254,533,194	\$259,644,108
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
23,007,168	24,582,422	23,782,100	26,599,175	26,725,985	27,262,631
3,173,750	3,701,750	2,198,000	2,798,000	4,187,000	3,202,000
(4,681)	(11,883)	(5,343)	(16,260)	(77,196)	(3,821)
3,169,069	3,689,867	2,192,657	2,781,740	4,109,804	3,198,179
\$19,838,099	\$20,892,555	\$21,589,443	\$23,817,435	\$22,616,181	\$24,064,452
\$219,115,887	\$234,118,306	\$226,496,195	\$253,325,479	\$254,533,194	\$259,644,108
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
12,051,374	12,876,507	12,457,291	13,932,901	13,999,326	14,280,426
1,710,000	1,960,000	1,800,000	2,095,000	1,645,000	1,280,000
(4,681)	(11,883)	(5,343)	(16,260)	(77,196)	(3,821)
1,705,319	1,948,117	1,794,657	2,078,740	1,567,804	1,276,179
\$10,346,055	\$10,928,390	\$10,662,634	\$11,854,161	\$12,431,522	\$13,004,247

City of Painesville

Pledged Revenue Coverage Last Ten Years

	1997	1998	1999	2000
Revenue Bonds - Water (1 a)				
Gross Revenues (2)	\$3,304,648	N/A	N/A	N/A
Direct Operating Expenses (3)	3,003,316	N/A	N/A	N/A
Net Revenue Available for Debt Service	301,332	N/A	N/A	N/A
Annual Debt Service Requirement	133,438	N/A	N/A	N/A
Coverage	2.26	0.00	0.00	0.00
Revenue Bonds - Electric (1 b)				
Gross Revenues (2)	\$13,792,894	\$14,440,100	\$16,247,338	\$15,407,695
Direct Operating Expenses (3)	13,088,809	12,393,936	13,047,575	13,783,257
Net Revenue Available for Debt Service	704,085	2,046,164	3,199,763	1,624,438
Annual Debt Service Requirement	749,645	749,620	747,533	753,768
Coverage	0.94	2.73	4.28	2.16
Revenue Bonds - Off-Street Parking (1 c)				
Gross Revenues (2)	\$76,778	\$72,036	\$70,676	\$81,369
Direct Operating Expenses (3)	210,238	143,925	164,240	177,957
Net Revenue Available for Debt Service	(133,460)	(71,889)	(93,564)	(96,588)
Annual Debt Service Requirement	114,650	109,296	103,450	101,378
Coverage	0.00	0.00	0.00	0.00

(1) The Mortgage Revenue Bonds were issued as follows:

(a) The Waterworks system 1st Mortgage Revenue Bonds were issued in 1972, in the amount of \$1,600,000.

(b) The \$4,540,000 balance of the 1st Mortgage Revenue Bonds-6th and 7th Series were defeased in December, 1985, by the issuance of \$3,400,000 Special Obligation Electric System Refunding Bonds. The bond proceeds were deposited in an escrow account with the City's trustee, and the principal and interest on these funds will be sufficient to retire both the defeased debt and the Special Obligation debt, thus the Special Obligation Bond debt is not included in the annual debt service requirements above. The City also issued \$7,490,000 Electric system Mortgage Revenue bonds, Series 1985, which debt service requirements are included above. In 1992, the City defeased \$5,090,000 of the 1985 Bonds through the issuance of \$6,000,000 of Electric System Mortgage Revenue Refunding Bonds.

(c) The Off-Street Parking Facility 1st Mortgage Revenue bonds were issued in 1973, in the amount of \$1,600,000.

(2) Gross revenues include operating revenues plus interest income.

(3) Direct operating expenses include operating expenses less depreciation.

(4) N/A - The Water Mortgage Revenue Bonds were retired in 1997.

N/A - The Off-Street Parking Mortgage Revenue Bonds were retired in 2003.

City of Painesville

2001	2002	2003	2004	2005	2006
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
0.00	0.00	0.00	0.00	0.00	0.00
\$17,324,667	\$19,609,552	\$18,433,897	\$19,153,275	\$22,172,809	\$21,308,391
14,242,983	15,402,889	13,326,736	23,846,102	17,512,070	18,730,885
3,081,684	4,206,663	5,107,161	(4,692,827)	4,660,739	2,577,506
747,503	749,415	848,259	750,300	747,500	752,600
4.12	5.61	6.02	(6.25)	6.24	3.42
\$89,722	\$100,535	N/A	N/A	N/A	N/A
182,889	177,654	N/A	N/A	N/A	N/A
(93,167)	(77,119)	N/A	N/A	N/A	N/A
8,924	178,032	N/A	N/A	N/A	N/A
0.00	0.00	0.00	0.00	0.00	0.00

City of Painesville

Demographic and Economic Statistics Last Ten Years

Calendar Year	1997	1998	1999	2000
Population (1)				
City of Painesville	15,599	15,599	15,599	17,503
Lake County	215,499	215,499	215,499	227,511
Income (2) (a)				
Total Personal (in thousands)	419,535	441,155	454,992	533,754
Per Capita	26,895	28,281	29,168	30,495
Unemployment Rate (3)				
Federal	5.4%	4.9%	4.5%	4.2%
State	4.8%	4.6%	4.3%	4.3%
Lake County	4.0%	3.6%	4.0%	3.6%
Civilian Work Force Estimates (3)				
State	5,710,000	5,678,000	5,749,000	5,900,400
Lake County	123,100	122,700	124,800	126,900

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2005 for the presentation of 2006 statistics, the City is using the latest information available.

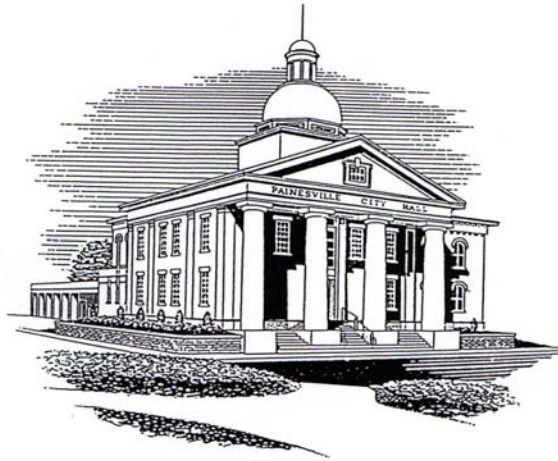
(a) Per Capita Income is only available by County, Total Personal Income is a calculation

(3) State Department of Labor Statistics

City of Painesville

2001	2002	2003	2004	2005	2006
17,503	17,503	17,503	17,503	17,503	17,503
227,511	227,511	227,511	227,511	232,466	232,466
534,034	534,244	548,299	569,933	582,815	582,815
30,511	30,523	31,326	32,562	33,298	33,298
3.8%	4.8%	5.8%	6.0%	5.5%	5.0%
3.7%	4.3%	5.7%	6.1%	6.0%	5.9%
4.2%	6.1%	6.3%	5.4%	5.1%	4.8%
5,857,000	5,828,000	5,915,000	5,875,300	5,900,400	5,934,000
127,500	125,100	127,000	131,200	130,600	131,400

City of Painesville



City of Painesville

Principal Employers Current Year and Nine Years Ago

		2006		
Employer	Nature of Business	Number of Employees	Rank	Percentage of Total Employment
County of Lake	Government	1,295	1	0.26
Lake Hospital Systems	Medical-Patient Care	818	2	0.16
Avery Dimension Corp.	Manufacturing	611	3	0.12
Painesville City Schools	Education	392	4	0.08
City of Painesville	Government	299	5	0.06
Core Systems LLC	Manufacturing	255	6	0.05
Lake Erie College	College Education	182	7	0.04
Ohio Associated Enterprises	Manufacturing	142	8	0.03
Coe Manufacturing	Manufacturing	105	9	0.02
Cintas Corporation	Manufacturing	100	10	0.02
Total		<u>4,199</u>		
Total Employment within the City		<u><u>5,025</u></u>		
		1997		
Employer	Nature of Business	Number of Employees	Rank	Percentage of Total Employment
Lake Hospital Systems	Hospital	818	1	N/A
Avery Dennison	Manufacturing	611	2	N/A
Core Systems	Manufacturing	255	3	N/A
Lake Erie College	College	182	4	N/A
Ohio Association Enterprises	Manufacturing	142	5	N/A
Coe Manufacturing	Manufacturing	105	6	N/A
Cintas Corporation	Distribution	100	7	N/A
SAS Rubber	Manufacturing	95	8	N/A
Fluid Regulators	Manufacturing	90	9	N/A
American Roll Formed	Manufacturing	48	10	N/A
Total		<u>2,446</u>		
Total Employment within the City		<u><u>N/A</u></u>		

Sources:

2006 Harris Ohio Industrial Directory and City of Painesville

City of Painesville

Full Time Equivalent Employees by Function Last Ten Years

	1997	1998	1999	2000	2001
Governmental Activities					
General Government					
Finance	6.00	6.00	6.00	6.00	6.00
Judicial	23.00	23.00	22.00	23.00	23.00
Administration	30.00	30.00	29.00	29.00	29.00
Maintenance	1.00	1.00	1.00	1.00	1.00
Public Safety					
Police	42.00	42.00	42.00	42.00	42.00
Fire	28.00	28.00	28.00	28.00	28.00
Public Works					
Public Works	19.00	19.00	18.00	18.00	18.00
Public Health and Welfare					
Cemeteries	5.00	5.00	4.00	4.00	4.00
Culture and Recreation					
Parks - Recreation	10.00	10.00	10.00	8.00	8.00
Business-Type Activities					
Utilities					
Water	22.00	21.00	21.00	21.00	20.00
Sewer	18.00	18.00	18.00	18.00	18.00
Electric	61.00	61.00	61.00	61.00	61.00
Off Street Parking	4.00	4.00	4.00	4.00	4.00
<i>Total Employees</i>	<u>269.00</u>	<u>268.00</u>	<u>264.00</u>	<u>263.00</u>	<u>262.00</u>

Method: 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee

Source: Finance Director's Office

City of Painesville

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
6.00	6.00	6.00	6.00	6.00
22.00	22.00	22.00	23.00	23.00
28.00	28.00	28.00	30.00	30.00
1.00	1.00	1.00	1.00	1.00
41.00	40.00	40.00	44.00	44.00
28.00	28.00	28.00	28.00	29.00
18.00	18.00	18.00	19.00	19.00
4.00	4.00	4.00	4.00	5.00
8.00	8.00	8.00	10.00	10.00
20.00	20.00	20.00	22.00	22.00
18.00	18.00	18.00	18.00	18.00
61.00	61.00	61.00	61.00	61.00
4.00	4.00	4.00	4.00	4.00
<u>259.00</u>	<u>258.00</u>	<u>258.00</u>	<u>270.00</u>	<u>272.00</u>

City of Painesville

Operating Indicators by Function Last Ten Years

	1997	1998	1999
Governmental Activities			
General Government			
Court			
Number of Probation Cases	2,281	2,207	2,205
Number of Traffic Cases	14,647	15,291	15,311
Licenses and Permits			
Number of Building Permits - Residential	307	331	335
Number of Building Permits - Commercial & Industrial	42	81	447
Number of Building Inspections - Residential	396	536	593
Number of Building Inspections - Commercial	395	382	501
Public Safety			
Police			
Number of Citations Issued	1,843	1,730	1,235
Number of Arrests	757	820	857
Number of Accidents	738	665	N/A
Fire			
Number of Fire Calls	115	104	117
Number of EMS Runs	1,623	1,781	1,962
Number of Inspections	411	420	486
Public Works			
Public Works			
Number of Streets Resurfaced	9	9	5
Public Health and Welfare			
Cemeteries			
Number of Burials	227	238	212
Number of Cemeteries	2	2	2
Culture and Recreation			
Parks - Recreation			
Program Attendance	N/A	N/A	N/A
Number of Park Visitations	N/A	N/A	N/A

City of Painesville

2000	2001	2002	2003	2004	2005	2006
2,028	2,023	2,234	2,228	1,990	2,029	2,048
15,299	15,218	15,605	13,107	11,263	10,471	11,510
384	473	381	403	444	451	520
48	34	36	51	47	54	51
535	564	456	601	1,386	1,686	2,094
300	260	182	193	273	243	562
1,460	1,390	2,562	1,973	1,979	1,818	2,225
872	864	1,344	1,382	1,273	1,350	1,535
692	754	783	716	700	657	645
97	114	133	151	105	146	142
1,908	1,917	1,906	1,926	1,815	1,829	1,911
286	486	664	549	643	630	782
1	1	9	3	12	7	9
241	242	260	237	227	210	219
2	2	2	2	2	2	2
N/A	N/A	N/A	N/A	7,000	7,486	6,758
N/A	N/A	N/A	N/A	95,750	100,000	90,000

(Continued)

City of Painesville

Operating Indicators by Function Last Ten Years

	1997	1998	1999
Business-Type Activities			
Water			
Number of Service Connections	7,911	8,111	8,111
Water Main Breaks	N/A	34	48
Daily Average Consumption (thousands of gallons)	3,820	3,400	3,400
Peak Daily Consumption (thousands of gallons)	6,000	6,000	6,000
Storage Capacity (thousands of gallons)	N/A	N/A	N/A
Sewer			
Daily Average Sewage Treatment (thousands of gallons)	4.41	3.18	2.64
Electric			
Number of Service Connections	10,529	10,699	10,816
Average Daily Generation in Kilowatt Hours	482,651	470,029	466,699
Peak Load in Kilowatts	42,400	44,000	46,000
Off Street Parking			
Number of Parking Garage Spaces	502	502	502
Number of Vogue Lot Spaces	60	60	60
Number of Sterling Lot Spaces	101	101	101
Storm Water Drainage			
Number of Billings	3,703	4,451	4,876

Source: Finance Director's Office

City of Painesville

2000	2001	2002	2003	2004	2005	2006
8,340	8,539	8,694	8,696	9,247	9,751	9,744
20	28	37	43	49	57	27
3,697	3,882	3,589	3,594	3,638	3,849	3,728
6,000	6,000	6,000	6,000	6,000	6,000	6,000
N/A	N/A	4,053	4,053	4,053	4,053	4,053
2.71	2.32	2.74	2.99	3.17	3.17	3.62
10,854	10,977	10,957	10,889	11,183	11,403	11,613
479,210	428,836	489,045	521,427	513,827	652,416	635,317
43,300	49,900	52,300	47,900	49,100	54,200	57,900
502	502	502	502	502	502	502
60	60	60	60	60	60	60
101	101	101	101	101	101	101
5,522	5,694	5,686	5,685	5,796	5,938	5,984

City of Painesville

Capital Asset Statistics by Function Last Ten Years

	1997	1998	1999	2000
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	0.95	0.95	0.95	0.95
Buildings	5	5	5	7
Public Safety				
Police				
Stations	1	1	1	1
Vehicles	13	13	13	13
Fire				
Stations	1	1	1	1
Vehicles	10	10	10	10
Public Works				
Street				
Streets (lane miles)	55	56	56	56
Street Lights	1,402	1,402	1,402	1,402
Traffic Signals	106	106	106	106
Vehicles	25	25	25	25
Culture and Recreation				
Recreation/Seniors				
Land (acres)	118.02	118.02	118.02	118.02
Buildings	1	1	1	1
Parks	10	10	10	10
Playgrounds	5	5	5	5
Tennis Courts	2	2	2	2
Baseball/Softball Diamonds	12	12	12	12
Soccer Fields	1	1	1	1

City of Painesville

2001	2002	2003	2004	2005	2006
0.95 7	0.95 7	0.95 7	0.95 7	0.95 7	0.95 7
1 16	1 17	1 16	1 16	1 14	1 14
1 10	1 10	1 10	1 11	1 1	1 11
57 1,402 106 25	57 1,402 106 25	57 1,402 106 26	58 1,444 106 26	58 1,474 106 27	58 1,504 106 27
118.02 1 10 6 2 10 1	118.02 1 9 6 2 10 1	118.02 1 9 6 2 10 1	118.02 1 10 6 2 9 1	118.02 1 10 7 2 9 1	118.02 1 10 7 2 9 1

City of Painesville

*Capital Asset Statistics by Function
Last Ten Years*

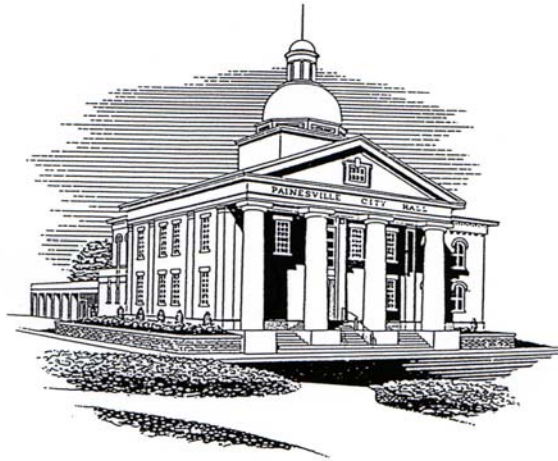
	1997	1998	1999	2000
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	104.8	104.8	104.8	104.8
Pump Stations	5	5	5	5
Number of Hydrants	1,230	1,230	1,230	1,230
Sewer				
Sewerlines (Miles)	47	48	48	48
Lift Stations	7	7	7	7
Electric				
Lines (Miles)	160	160	160	160
Refuse				
Off Street Parking				
Buildings and Improvements	1	1	1	1
Storm Water Drainage				
Storm Drains (Miles)	36	37	37	37
Number of Catch Basins	2,750	2,800	2,800	2,800
Treatment Capacity (thousands of gallons)	28,000,000	28,000,000	28,000,000	28,000,000

Source: Finance Director's Office

City of Painesville

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
119.9	108.1	124.9	127.1	128.28	128.3
5	5	5	5	5	5
1,417	1,230	1,498	1,615	1,735	1,735
48	48	48	49	49	50
7	7	7	7	7	7
200	175	200	205	205	210
1	1	1	1	1	1
37	37	37	37	37	37
2,850	2,850	2,850	2,850	2,900	2,900
28,000,000	28,000,000	28,000,000	28,000,000	28,000,000	28,000,000

City of Painesville



**City of Painesville
Lake County, Ohio**

December 31, 2006

City of Painesville, Ohio

For The Year Ended December 31, 2006

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

City Council
City of Painesville, Ohio

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 Painesville, Ohio (the “City”), as of and for the year ended December 31, 2006, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 22, 2007, wherein we noted the City of Painesville, Ohio adopted Governmental Accounting Standards Board Statements No. 44, 46 and 47. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City’s internal control.

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

City Council
City of Painesville, Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings as item 2006-01.

We noted certain matters that we have reported to management of the City of Painesville, Ohio, in a separate letter dated June 22, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the finance committee and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Parichi, Inc.

Cleveland, Ohio
June 22, 2007

City of Painesville, Ohio

Schedule of Findings

December 31, 2006

1. Summary of Auditors' Results

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes

2. Findings Related to the Financial Statements Required To Be Reported in Accordance With GAGAS

2006-001

Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following fund had final appropriations in excess of estimated resources plus carryover balances in violations of Section 5705.39, Ohio Revised Code:

	<u>Estimated Resources Plus Carryover Balances</u>		<u>Original Appropriations</u>		<u>Excess</u>
<i>Major Special Revenue Fund:</i>					
Street Construction, Maintenance and Repair Fund	\$ 4,161,017	\$	4,493,521	\$	332,504

3. Findings For Federal Awards

There were no findings for federal awards to report in 2006.

City of Painesville, Ohio

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(B)

December 31, 2006

Finding No.	Finding Summary	Fully Corrected	Explanation
2005-1	<p>Ohio Rev. Code 5705.41(B) states that no subdivision or taking unit is to expend money unless it has been appropriated.</p> <p>At December 31, 2005, the City had expenditures plus encumbrances in excess of appropriations in some funds. This condition results in the city overspending its authorized appropriations.</p>	Yes	The City has corrected this non-compliance during the year 2006.

City of Painesville, Ohio

**7 Richmond Street
Painesville, Ohio 44077
(440) 392-5796**

**Response To Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards***

December 31, 2006

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2006-001	The City will compare appropriations to estimated resources plus carryover balances in all funds which are legally required to be budgeted, to ensure compliance with the above requirements.	12/31/07	Tim Petric, Finance Director



Mary Taylor, CPA
Auditor of State

CITY OF PAINESVILLE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2007**