

CITY OF BEXLEY
FRANKLIN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(Audited)
FOR THE YEAR ENDED
DECEMBER 31, 2006

LARRY HEISER, AUDITOR



Mary Taylor, CPA

Auditor of State

Members of Council and Mayor
City of Bexley
2242 East Main Street
Bexley, Ohio 43209

We have reviewed the *Independent Auditor's Report* of the City of Bexley, Franklin County, prepared by Julian & Grube, 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.

Finding For Recovery Repaid Under Audit

The City's Electronic Mail (e-mail) and Voice Mail, Internet, Cell Phone, and Computer Usage Policy (revised October 30, 2003) prohibits the use of cell phones for personal business, except for "occasional personal use." David Madison, former Mayor, was issued three city-owned cell phones, one of which was used solely by his spouse. The total cost incurred in 2005 and 2006 for the cell phone utilized by his spouse was \$ 981.80.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against David Madison, former Mayor, in the amount of \$981.80 in favor of the City's General fund.

David Madison repaid \$ 981.80 to the City's General fund on February 1, 2008.

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 Bexley is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA
Auditor of State

September 8, 2008

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CITY OF BEXLEY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Members of Council and Mayor
City of Bexley
2242 East Main Street
Bexley, OH 43209

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Bexley, Franklin County, Ohio, (the "City") 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 the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bexley, Franklin County, Ohio as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds: police pension fund and roads and sidewalks fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3B to the basic financial statements, fund balances and net assets have been restated due to the reclassification of a fund and reclassification of restricted assets.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Bexley
Independent Auditor's Report
Page Two

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

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

Julian & Grube, Inc.
June 30, 2008

CITY OF BEXLEY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006 UNAUDITED

The management's discussion and analysis of the City of Bexley's (the "City") financial performance provides an overall review of the City's financial activities for the 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net assets of the City increased \$ 988,217. Net assets of governmental activities increased \$843,762 or 5.12% over 2005 and net assets of business-type activities increased \$144,455 or 3.57% over 2005.
- General revenues accounted for \$10,322,888 or 80.98% of total governmental activities revenue. Program specific revenues accounted for \$2,424,128 or 19.02% of total governmental activities revenue.
- The City had \$11,773,897 in expenses related to governmental activities; \$2,424,128 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$9,349,769 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$10,322,888.
- The general fund, police pension, roads and sidewalks, and Cassady Avenue are the City's major governmental funds. The general fund had revenues of \$9,802,692 in 2006. The expenditures and other financing uses for the general fund totaled \$10,794,705 in 2006. The net decrease in fund balance for the general fund was \$992,013 or 12.79%.
- The police pension fund is a City major fund. The police pension fund had revenues of \$431,490 in 2006. The expenditures of the police pension fund, totaled \$445,520 in 2006. The net increase in fund deficit for the police pension fund was \$14,030 or 23.64%.
- The roads and sidewalks fund is a City major fund. The roads and sidewalks fund had revenues of \$842,483 in 2006. The expenditures of the roads and sidewalks fund, totaled \$889,683 in 2006. The net decrease in fund balance for the roads and sidewalks fund was \$47,200 or 10.18%.
- The Cassady Avenue fund is a City major fund. The Cassady Avenue fund had revenues and other financing sources of \$1,793,090 in 2006. The expenditures of the Cassady Avenue fund, totaled \$1,795,782 in 2006. The net decrease in fund balance for the Cassady Avenue fund was \$2,692 or 101.01%.
- Net assets for the business-type activities, which are made up of the Water, Sewer, and Refuse enterprise funds, increased in 2006 by \$144,455. This increase in net assets was due to operating revenues increasing faster than operating expenses in the enterprise funds.
- In the general fund, the actual revenues came in \$279,078 higher than they were in the final budget and actual expenditures were \$4,084,714 less than the amount in the final budget. Budgeted expenditures increased \$4,704,448 from the original to the final budget due primarily to the commitment from the administration to construct a new swimming pool.

Using this Annual Financial Report

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

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and refuse operations are reported here.

The City's statement of net assets and statement of activities can be found on pages 18-20 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 10.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, police pension fund, roads and sidewalks fund and the Cassady Avenue fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21-27 of this report.

Proprietary Funds

The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has no internal service funds. The basic proprietary fund financial statements can be found on pages 28-30 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 31 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 32-61 of this report.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2006 and 2005:

	Net Assets					
			Restated			
	Governmental Activities 2006	Business-type Activities 2006	Governmental Activities 2005	Business-type Activities 2005	2006 Total	Restated 2005 Total
<u>Assets</u>						
Current and other assets	\$ 12,210,262	\$ 2,301,359	\$ 12,939,377	\$ 2,933,345	\$ 14,511,621	\$ 15,872,722
Capital assets	13,542,409	5,240,468	10,280,578	4,597,106	18,782,877	14,877,684
Total assets	25,752,671	7,541,827	23,219,955	7,530,451	33,294,498	30,750,406
<u>Liabilities</u>						
Long-term liabilities outstanding	5,476,043	1,239,769	4,156,757	1,309,944	6,715,812	5,466,701
Other liabilities	2,961,615	2,108,134	2,591,947	2,171,038	5,069,749	4,762,985
Total liabilities	8,437,658	3,347,903	6,748,704	3,480,982	11,785,561	10,229,686
<u>Net Assets</u>						
Invested in capital assets, net of related debt	8,941,290	3,052,913	6,982,065	2,132,606	11,994,203	9,114,671
Restricted	1,829,859	-	1,427,022	-	1,829,859	1,427,022
Unrestricted	6,543,864	1,141,011	8,062,164	1,916,863	7,684,875	9,979,027
Total net assets	\$ 17,315,013	\$ 4,193,924	\$ 16,471,251	\$ 4,049,469	\$ 21,508,937	\$ 20,520,720

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2006, the City's assets exceeded liabilities by \$21,508,937. At year-end, net assets were \$17,315,013 and \$4,193,924 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 52.59% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2006, were \$8,941,290 and \$3,052,913 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of December 31, 2006, the City is able to report positive balances in total net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$1,829,859, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$6,543,864 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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The table below shows the changes in net assets for fiscal year 2006 and 2005.

	Change in Net Assets					
	Governmental Activities	Business-type Activities	Restated Governmental Activities	Business-type Activities	2006 Total	Restated 2005 Total
	<u>2006</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>		
Revenues						
Program revenues:						
Charges for services	\$ 1,144,504	\$ 4,269,637	\$ 1,376,705	\$ 4,313,567	\$ 5,414,141	\$ 5,690,272
Operating grants and contributions	983,470	-	713,759	-	983,470	713,759
Capital grants and contributions	296,154	-	-	471,773	296,154	471,773
Total program revenues	<u>2,424,128</u>	<u>4,269,637</u>	<u>2,090,464</u>	<u>4,785,340</u>	<u>6,693,765</u>	<u>6,875,804</u>
General revenues:						
Property taxes	1,783,927	-	1,715,714	-	1,783,927	1,715,714
Income taxes	5,548,521	-	6,268,512	-	5,548,521	6,268,512
Unrestricted grants and entitlements	2,410,278	-	3,136,814	-	2,410,278	3,136,814
Investment earnings	511,411	-	293,142	-	511,411	293,142
Gain on sale of capital assets					-	-
Miscellaneous	68,751	5,661	189,131	6,223	74,412	195,354
Total general revenues	<u>10,322,888</u>	<u>5,661</u>	<u>11,603,313</u>	<u>6,223</u>	<u>10,328,549</u>	<u>11,609,536</u>
Total revenues	<u>12,747,016</u>	<u>4,275,298</u>	<u>13,693,777</u>	<u>4,791,563</u>	<u>17,022,314</u>	<u>18,485,340</u>
Expenses						
General government	3,007,361	-	3,494,960	-	3,007,361	3,494,960
Security of persons and property	5,173,723	-	4,672,681	-	5,173,723	4,672,681
Public health and welfare	78,066	-	79,874	-	78,066	79,874
Transportation	1,418,089	-	1,420,092	-	1,418,089	1,420,092
Community environment	752,530	-	464,391	-	752,530	464,391
Leisure time activity	1,167,900	-	1,282,566	-	1,167,900	1,282,566
Economic development	-	-	1,526	-	-	1,526
Other	-	-	6,295	-	-	6,295
Interest and fiscal charges	176,228	-	181,512	-	176,228	181,512
Water	-	1,724,200	-	1,318,217	1,724,200	1,318,217
Sewer	-	1,647,486	-	1,525,619	1,647,486	1,525,619
Refuse	-	888,514	-	865,847	888,514	865,847
Total expenses	<u>11,773,897</u>	<u>4,260,200</u>	<u>11,603,897</u>	<u>3,709,683</u>	<u>16,034,097</u>	<u>15,313,580</u>
Increase in net assets before extraordinary items and transfers	973,119	15,098	2,089,880	1,081,880	3,171,760	4,253,640
Transfers	(129,357)	129,357	-	-	-	-
Change in net assets	843,762	144,455	2,089,880	1,081,880	988,217	3,171,760
Net assets at beginning of year	16,471,251	4,049,469	14,381,371	2,967,589	20,520,720	17,348,960
Net assets at end of year	<u>\$ 17,315,013</u>	<u>\$ 4,193,924</u>	<u>\$ 16,471,251</u>	<u>\$ 4,049,469</u>	<u>\$ 21,508,937</u>	<u>\$ 20,520,720</u>

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Governmental Activities

Governmental activities net assets increased \$843,762 in 2006. This increase is a result of decreased revenues being greater than increasing expenses versus amounts reported in the prior year.

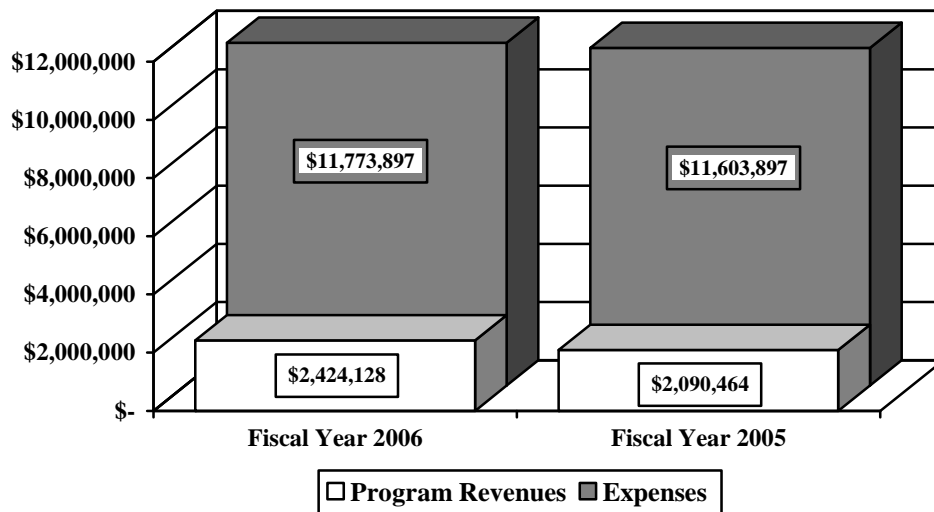
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,173,723 of the total expenses of the City. These expenses were partially funded by \$114,298 in direct charges to users of the services. General government expenses totaled \$3,007,361. General government expenses were partially funded by \$504,915 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$983,470 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$705,286 subsidized transportation programs, \$89,703 subsidized security of persons and property, and \$100,301 subsidized leisure time activity.

General revenues totaled \$10,322,888, and amounted to 80.98% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,332,448. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$2,410,278.

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

Governmental Activities – Program Revenues vs. Total Expenses



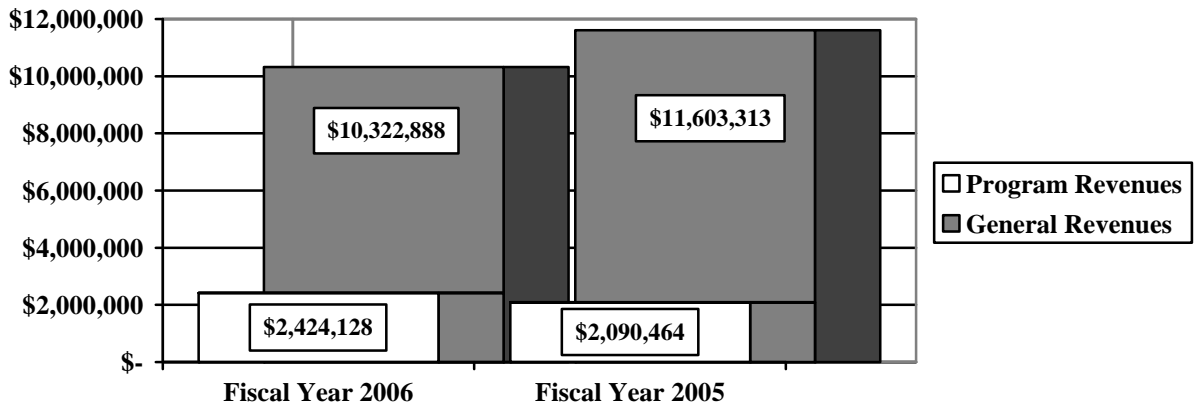
CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program Expenses:				
General government	\$ 3,007,361	\$ 2,502,446	\$ 3,494,960	\$ 3,190,647
Security of persons and property	5,173,723	4,969,722	4,672,681	4,250,585
Public health and welfare	78,066	63,228	79,874	73,009
Transportation	1,418,089	416,649	1,420,092	650,297
Community environment	752,530	668,326	464,391	432,684
Leisure time activity	1,167,900	857,863	1,282,566	726,879
Economic development	-	-	1,526	1,525
Other	-	-	6,295	6,295
Interest and fiscal charges	<u>176,228</u>	<u>176,228</u>	<u>181,512</u>	<u>181,512</u>
Total	<u>\$ 11,773,897</u>	<u>\$ 9,654,462</u>	<u>\$ 11,603,897</u>	<u>\$ 9,513,433</u>

The dependence upon general revenues for governmental activities is apparent, with 82.00% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues

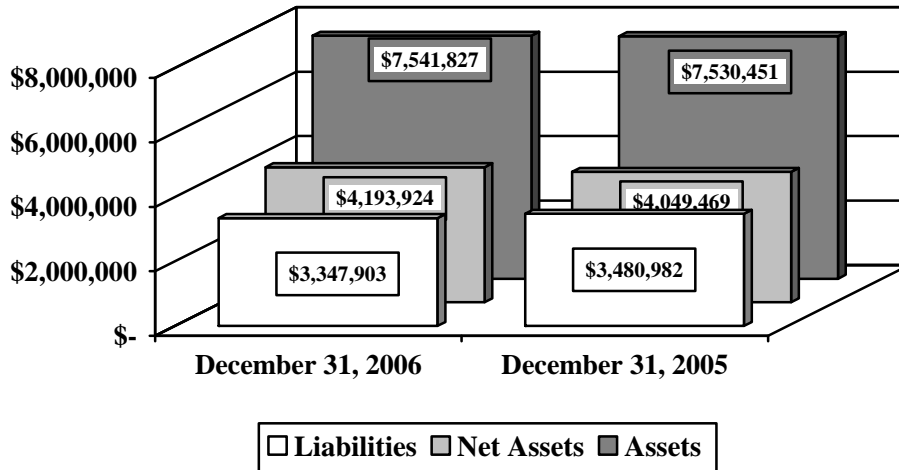


CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED

Business-type Activities

Business-type activities include the water, sewer, and refuse enterprise funds. These programs had program revenues of \$4,269,637 general revenues of \$5,661 and expenses of \$4,260,200 for 2006. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$7,818,880 which is \$1,136,965 below last year's restated total of \$8,955,845. The schedule on the next page indicates the fund balances and the total change in fund balances as of December 31, 2006 for all major and nonmajor governmental funds.

CITY OF BEXLEY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

	<u>Fund Balances</u> <u>12/31/06</u>	<u>Restated</u> <u>Fund Balances</u> <u>12/31/05</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 6,766,804	\$ 7,758,817	\$ (992,013)
Police pension	(73,364)	(59,334)	(14,030)
Roads and sidewalks	416,489	463,689	(47,200)
Cassady Avenue	(27)	2,665	(2,692)
Other nonmajor governmental funds	<u>708,978</u>	<u>790,008</u>	<u>(81,030)</u>
Total	<u>\$ 7,818,880</u>	<u>\$ 8,955,845</u>	<u>\$ (1,136,965)</u>

General Fund

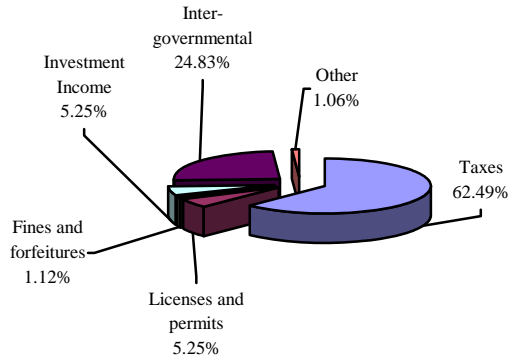
The City's general fund balance decreased \$992,013, primarily due to an increase in leisure time activity expenditures and an 7.91% decrease in revenues. The table that follows assists in illustrating the revenues of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,125,724	\$ 6,503,272	(5.80) %
Licenses and permits	514,431	584,769	(12.03) %
Fines and forfeitures	109,302	141,971	(23.01) %
Investment income	514,226	268,564	91.47 %
Intergovernmental	2,435,558	3,091,543	(21.22) %
Other	<u>103,451</u>	<u>54,332</u>	90.41 %
Total	<u>\$ 9,802,692</u>	<u>\$ 10,644,451</u>	(7.91) %

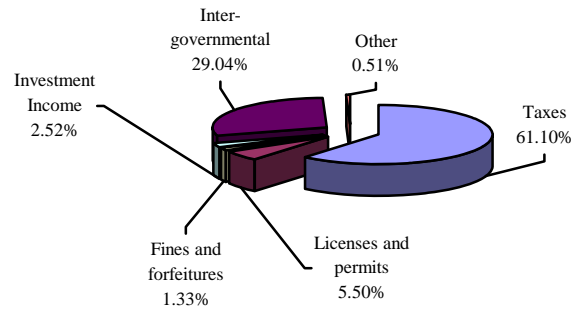
Tax revenue represents 62.49% of all general fund revenue. Tax revenue decreased by 5.80% over prior year. The increase in investment income is due to the increase in the amount of money the City had to invest throughout the year. The decrease in intergovernmental revenue is due to a decrease in the number of grants the City received.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Revenues - Fiscal Year 2006



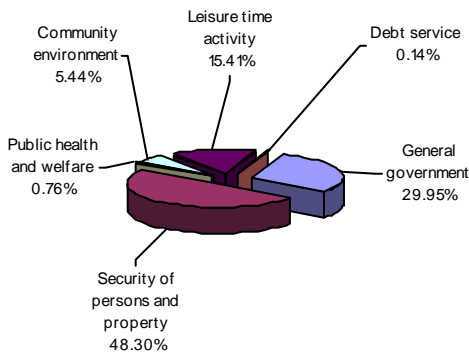
Revenues - Fiscal Year 2005



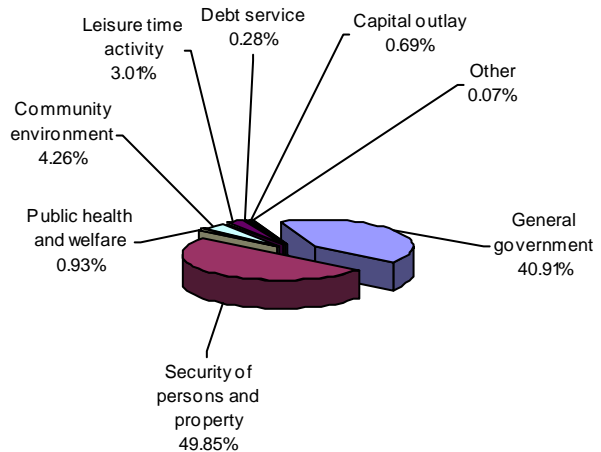
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,969,169	\$ 3,467,240	(14.37) %
Security of persons and property	4,789,331	4,225,624	13.34 %
Public health and welfare	75,647	78,449	(3.57) %
Community environment	539,094	361,274	49.22 %
Leisure time activity	1,528,396	255,217	498.86 %
Other	-	6,295	(100.00) %
Capital outlay	-	58,888	(100.00) %
Debt service	14,160	23,890	(40.73) %
Total	<u>\$ 9,915,797</u>	<u>\$ 8,476,877</u>	16.97 %

Expenditures - Fiscal Year 2006



Expenditures - Fiscal Year 2005



CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

The most significant increase was in the area of leisure time activity. The increase is primarily due to the beginning construction on a new City pool. Debt service expenditures decreased due to payments on capital leases. Community environment expenditures increased, while it is a good percentage increase the amount when analyzed is not material. All other expenditures remained comparable to 2005. The largest expenditure line item, security of persons and property, increased, which is primarily attributed to wage and benefit increases and overall cost increase in goods and services.

Police Pension Fund

The police pension fund is a City major fund. The police pension fund had revenues of \$431,490 in 2006. The expenditures of the police pension fund, totaled \$445,520 in 2006. The net increase in fund deficit was \$14,030 or 23.64%.

Roads and Sidewalks Fund

The roads and sidewalks fund is a City major fund. The roads and sidewalks fund had revenues of \$842,483 in 2006. The expenditures of the roads and sidewalks fund, totaled \$889,683 in 2006. The net decrease in fund balance for the roads and sidewalks fund was \$47,200 or 10.18%.

Cassady Avenue Fund

The Cassady Avenue fund is a City major fund. The Cassady Avenue fund had revenues and other financing sources of \$1,793,090 in 2006. The expenditures of the Cassady Avenue fund, totaled \$1,795,782 in 2006. The net decrease in fund balance for the Cassady Avenue fund was \$2,692 or 101.01%.

Budgeting Highlights

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

Budgetary information is presented for the general fund, police pension fund, and roads and sidewalks fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$4,704,448 from \$9,753,178 to \$14,457,626. Actual revenues and other financing sources of \$9,959,487 were greater than final budgeted revenues by \$279,078. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$4,084,714 lower than the final budgeted amounts because the commitment to the pool was budgeted, however significant construction did not occur until after year-end.

Actual revenues for the police pension fund were less than final budgeted revenues by \$57,624 while actual expenditures were \$22,305 lower than final budgeted expenditures. Actual revenues and other financing sources for the Roads and Sidewalks Fund exceeded final budgeted revenues by \$1,303 while actual expenditures were \$68,702 less than final budgeted expenditures.

CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED

Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the City had \$18,782,877 (net of accumulated depreciation) invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$13,542,409 was reported in governmental activities and \$5,240,468 was reported in business-type activities. The following table shows fiscal 2006 balances compared to 2005:

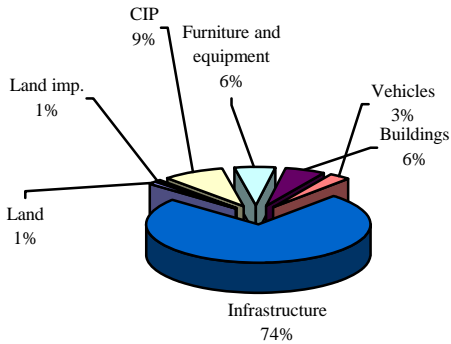
**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 90,500	\$ 90,500	\$ -	\$ -	\$ 90,500	\$ 90,500
Construction in progress	1,188,726	-	-	-	1,188,726	-
Land improvements	50,727	11,951	34	45	50,761	11,996
Buildings and improvements	770,642	678,266	11,365	8,910	782,007	687,176
Furniture and equipment	759,580	781,660	12,499	1,481	772,079	783,141
Vehicles	351,711	405,671	94,619	115,886	446,330	521,557
Infrastructure	<u>10,330,523</u>	<u>8,312,530</u>	<u>5,121,951</u>	<u>4,470,784</u>	<u>15,452,474</u>	<u>12,783,314</u>
Totals	<u>\$ 13,542,409</u>	<u>\$ 10,280,578</u>	<u>\$ 5,240,468</u>	<u>\$ 4,597,106</u>	<u>\$ 18,782,877</u>	<u>\$ 14,877,684</u>

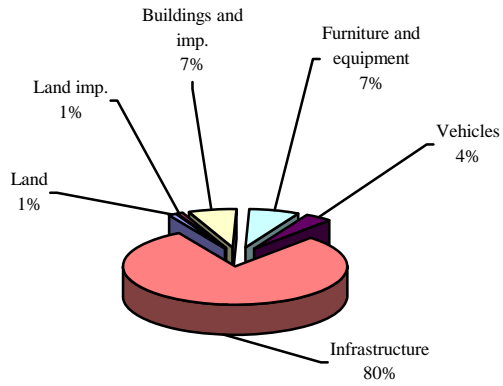
CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
UNAUDITED

The following graphs show the breakdown of governmental capital assets by category for 2006 and 2005.

Capital Assets - Governmental Activities 2006



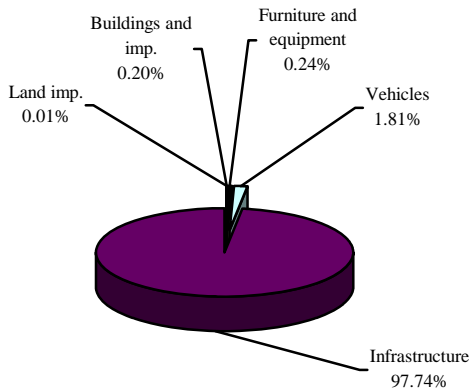
Capital Assets - Governmental Activities 2005



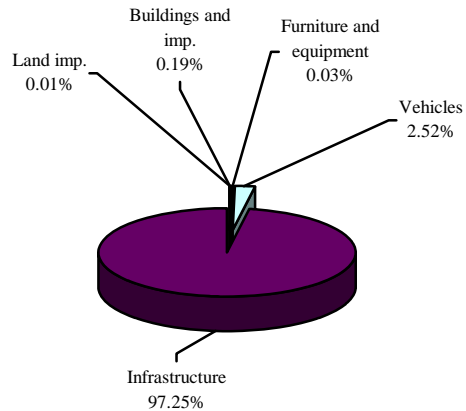
The City's largest capital asset category is infrastructure which includes roads, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 74% of the City's total governmental capital assets. See Note 8 for further details on the City's governmental assets.

The following graphs show the breakdown of business-type capital assets by category for 2006 and 2005.

Capital Assets - Business-Type Activities 2006



Capital Assets - Business-Type Activities 2005



CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
UNAUDITED

The City's largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 97.74% of the City's total business-type capital assets. See Note 8 for further details on the City's business-type activities assets.

Debt Administration

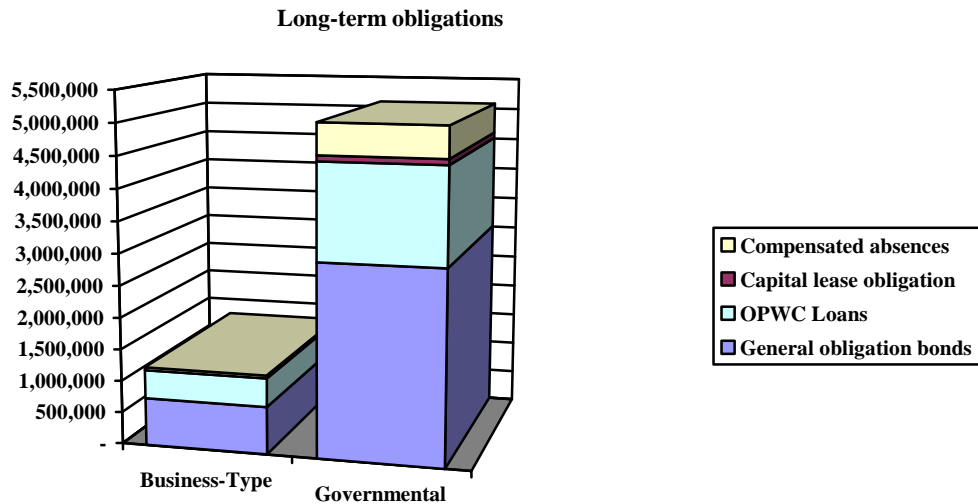
The City had the following long-term obligations outstanding at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 3,015,000	\$ 3,195,000
Capital lease obligation	89,183	103,513
OPWC Loan	1,496,936	-
Police and Fire pension liability	390,643	397,611
Compensated absences	<u>484,281</u>	<u>460,633</u>
Total long-term obligations	<u>\$ 5,476,043</u>	<u>\$ 4,156,757</u>

Business-type Activities

	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 745,000	\$ 790,000
OPWC Loans	450,775	474,500
Compensated absences	<u>43,994</u>	<u>45,444</u>
Total long-term obligations	<u>\$ 1,239,769</u>	<u>\$ 1,309,944</u>

A comparison of the long-term obligations by category is depicted in the chart below.



CITY OF BEXLEY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
UNAUDITED

See Note 10 for further details on the City's long-term obligations.

Economic Conditions and Outlook

The City's Administration considers the impact of various economic factors when establishing the fiscal year 2006 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2006 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local income taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2006 budget, the City is aggressively pursuing new sources of revenue.

The average unemployment rate for Franklin County in 2006 was 4.7%, and the City Auditor anticipates the unemployment rate for 2007 to be similar to the 2006 rate. In order to meet these challenges, a strong and a balanced commitment to cost containment and continued revenue enhancement actions is essential. The City's financial position is anticipated to remain stable if conservative financial management is practiced.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Larry A. Heiser, Auditor, City of Bexley, 2242 E. Main Street, Bexley, Ohio 43209.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF BEXLEY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash, cash equivalents and investments . . .	\$ 7,146,468	\$ 1,593,653	\$ 8,740,121
Cash in segregated accounts	4,701	-	4,701
Receivables (net of allowances for uncollectibles):			
Income taxes	1,636,770	-	1,636,770
Real and other taxes	1,881,568	-	1,881,568
Accounts	142,075	691,154	833,229
Accrued interest	41,904	-	41,904
Due from other governments	1,192,692	-	1,192,692
Materials and supplies inventory	32,165	8,332	40,497
Unamortized bond issue costs	-	8,220	8,220
Restricted assets:			
Cash with fiscal agents	131,919	-	131,919
Capital assets:			
Land	90,500	-	90,500
Construction in progress	1,188,726	-	1,188,726
Depreciable capital assets, net	12,263,183	5,240,468	17,503,651
Total capital assets	<u>13,542,409</u>	<u>5,240,468</u>	<u>18,782,877</u>
Total assets	<u>25,752,671</u>	<u>7,541,827</u>	<u>33,294,498</u>
Liabilities:			
Accounts payable	310,287	1,075,289	1,385,576
Contracts payable	333,966	-	333,966
Accrued wages and benefits	298,390	23,241	321,631
Deferred revenue	1,817,483	-	1,817,483
Accrued interest payable	12,359	-	12,359
Pension obligation payable	189,130	9,604	198,734
Notes payable	-	1,000,000	1,000,000
Long-term liabilities:			
Due within one year	458,765	73,376	532,141
Due in more than one year	5,017,278	1,166,393	6,183,671
Total liabilities	<u>8,437,658</u>	<u>3,347,903</u>	<u>11,785,561</u>
Net assets:			
Invested in capital assets, net of related debt	8,941,290	3,052,913	11,994,203
Restricted for:			
Debt service	205,711	-	205,711
Street construction, maintenance and repairs	1,336,214	-	1,336,214
Other purposes	287,934	-	287,934
Unrestricted	<u>6,543,864</u>	<u>1,141,011</u>	<u>7,684,875</u>
Total net assets	<u>\$ 17,315,013</u>	<u>\$ 4,193,924</u>	<u>\$ 21,508,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 3,007,361	\$ 504,915	\$ -	\$ -
Security of persons and property.	5,173,723	114,298	89,703	-
Public health and welfare	78,066	10,862	3,976	-
Transportation	1,418,089		705,286	296,154
Community environment.	752,530		84,204	-
Leisure time activity.	1,167,900	514,429	100,301	-
Interest and fiscal charges.	176,228	-	-	-
Total governmental activities	11,773,897	1,144,504	983,470	296,154
Business-type Activities:				
Water	1,724,200	1,455,179	-	-
Sewer	1,647,486	1,906,580	-	-
Refuse	888,514	907,878	-	-
Total business-type activities	4,260,200	4,269,637	-	-
Total primary government.	\$ 16,034,097	\$ 5,414,141	\$ 983,470	\$ 296,154

General Revenues:

Property taxes levied for:

- General purposes.
 - Police pension
 - Road and sidewalk.
- Municipal income taxes levied for:
- General purposes.
 - Capital projects
 - Grants and entitlements not restricted to specific programs
 - Investment earnings
 - Miscellaneous

Total general revenues.

Transfers.

Change in net assets.

Net assets at beginning of year (restated)

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,502,446)	\$ -	\$ (2,502,446)
(4,969,722)	-	(4,969,722)
(63,228)	-	(63,228)
(416,649)	-	(416,649)
(668,326)	-	(668,326)
(553,170)	-	(553,170)
(176,228)	-	(176,228)
<u>(9,349,769)</u>	<u>-</u>	<u>(9,349,769)</u>
-	(269,021)	(269,021)
-	259,094	259,094
-	19,364	19,364
<u>-</u>	<u>9,437</u>	<u>9,437</u>
<u>(9,349,769)</u>	<u>9,437</u>	<u>(9,340,332)</u>
657,276	-	657,276
380,131	-	380,131
746,520	-	746,520
5,433,489	-	5,433,489
115,032	-	115,032
2,410,278	-	2,410,278
511,411	-	511,411
68,751	5,661	74,412
<u>10,322,888</u>	<u>5,661</u>	<u>10,328,549</u>
<u>(129,357)</u>	<u>129,357</u>	<u>-</u>
843,762	144,455	988,217
<u>16,471,251</u>	<u>4,049,469</u>	<u>20,520,720</u>
<u>\$ 17,315,013</u>	<u>\$ 4,193,924</u>	<u>\$ 21,508,937</u>

CITY OF BEXLEY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>	<u>Cassady Avenue</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash, cash equivalents and investments	\$ 6,068,580	\$ 41,778	\$ 513,826	\$ -	\$ 522,284	\$ 7,146,468
Cash in segregated accounts	4,701	-	-	-	-	4,701
Receivables (net of allowance for Income taxes.	1,636,770	-	-	-	-	1,636,770
Real and other taxes.	715,442	392,260	773,866	-	-	1,881,568
Accounts	122,075	-	-	-	20,000	142,075
Accrued interest	41,904	-	-	-	-	41,904
Due from other funds	27	-	-	-	-	27
Due from other governments	831,191	24,982	48,522	-	287,997	1,192,692
Materials and supplies inventory	4,812	-	-	-	27,353	32,165
Restricted assets: Cash with fiscal agents	-	-	-	-	131,919	131,919
Total assets	<u>\$ 9,425,502</u>	<u>\$ 459,020</u>	<u>\$ 1,336,214</u>	<u>\$ -</u>	<u>\$ 989,553</u>	<u>\$ 12,210,289</u>
Liabilities:						
Accounts payable	\$ 177,225	\$ 2,734	\$ 97,447	\$ -	\$ 32,881	\$ 310,287
Contracts payable	333,966	-	-	-	-	333,966
Accrued wages and benefits.	275,222	-	-	-	23,168	298,390
Due to other funds	-	-	-	27	-	27
Deferred revenue	1,809,307	417,200	822,278	-	210,824	3,259,609
Pension obligation payable	62,978	112,450	-	-	13,702	189,130
Total liabilities	<u>2,658,698</u>	<u>532,384</u>	<u>919,725</u>	<u>27</u>	<u>280,575</u>	<u>4,391,409</u>
Fund Balances:						
Reserved for encumbrances.	2,960,046	-	24,614	-	58,915	3,043,575
Reserved for materials and supplies inventory .	4,812	-	-	-	27,353	32,165
Reserved for debt service.	-	-	-	-	205,711	205,711
Reserved for restricted assets	-	-	-	-	131,919	131,919
Unreserved: Designated for budget stabilization	1,000,000	-	-	-	-	1,000,000
Undesignated, reported in: General fund.	2,801,946	-	-	-	-	2,801,946
Special revenue funds.	-	(73,364)	391,875	-	253,275	571,786
Capital projects funds.	-	-	-	(27)	31,805	31,778
Total fund balances (deficit)	<u>6,766,804</u>	<u>(73,364)</u>	<u>416,489</u>	<u>(27)</u>	<u>708,978</u>	<u>7,818,880</u>
Total liabilities and fund balances.	<u>\$ 9,425,502</u>	<u>\$ 459,020</u>	<u>\$ 1,336,214</u>	<u>\$ -</u>	<u>\$ 989,553</u>	<u>\$ 12,210,289</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund balances	\$	7,818,880
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,542,409
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	\$	631,719	
Income taxes		64,085	
Intergovernmental revenues		717,654	
Accrued interest		28,668	
 Total			1,442,126

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:

Accrued interest payable		12,359	
OPWC notes		1,496,936	
Compensated absences		484,281	
General obligation bonds		3,015,000	
Police and Fire pension liability		390,643	
Capital lease payable		89,183	
			(5,488,402)

Net assets of governmental activities		17,315,013
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>	<u>Cassady Avenue</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Municipal income taxes	\$ 5,443,459	\$ -	\$ -	\$ -	\$ 115,032	\$ 5,558,491
Property and other taxes	682,265	380,362	746,975	-	-	1,809,602
Charges for services	-	-	-	-	514,429	514,429
Licenses and permits	514,431	-	-	-	1,347	515,778
Fines and forfeitures	109,302	-	-	-	4,995	114,297
Intergovernmental	2,435,558	51,128	95,508	296,154	551,216	3,429,564
Investment income	514,226	-	-	-	-	514,226
Donations	-	-	-	-	149,805	149,805
Other	103,451	-	-	-	-	103,451
Total revenues	<u>9,802,692</u>	<u>431,490</u>	<u>842,483</u>	<u>296,154</u>	<u>1,336,824</u>	<u>12,709,643</u>
Expenditures:						
Current:						
General government	2,969,169	-	-	-	2,039	2,971,208
Security of persons and property	4,789,331	421,727	-	-	-	5,211,058
Public health and welfare	75,647	-	-	-	-	75,647
Transportation	-	-	9,294	-	677,449	686,743
Community environment	539,094	-	-	-	211,568	750,662
Leisure time activity	1,528,396	-	-	-	801,735	2,330,131
Capital outlay	-	-	880,389	1,795,782	137,177	2,813,348
Debt service:						
Principal retirement	10,276	6,968	-	-	223,723	240,967
Interest and fiscal charges	3,884	16,825	-	-	156,328	177,037
Total expenditures	<u>9,915,797</u>	<u>445,520</u>	<u>889,683</u>	<u>1,795,782</u>	<u>2,210,019</u>	<u>15,256,801</u>
Excess (deficiency) of revenues over (under) expenditures	(113,105)	(14,030)	(47,200)	(1,499,628)	(873,195)	(2,547,158)
Other financing sources (uses):						
OPWC Loan Proceeds	-	-	-	1,496,936	-	1,496,936
Transfers in	-	-	-	-	878,908	878,908
Transfers out	(878,908)	-	-	-	(126,412)	(1,005,320)
Capital lease transaction	-	-	-	-	39,669	39,669
Total other financing sources (uses)	<u>(878,908)</u>	<u>-</u>	<u>-</u>	<u>1,496,936</u>	<u>792,165</u>	<u>1,410,193</u>
Net change in fund balances	(992,013)	(14,030)	(47,200)	(2,692)	(81,030)	(1,136,965)
Fund balances (deficit) at beginning of year (restated)						
	<u>7,758,817</u>	<u>(59,334)</u>	<u>463,689</u>	<u>2,665</u>	<u>790,008</u>	<u>8,955,845</u>
Fund balances (deficit) at end of year	<u>\$ 6,766,804</u>	<u>\$ (73,364)</u>	<u>\$ 416,489</u>	<u>\$ (27)</u>	<u>\$ 708,978</u>	<u>\$ 7,818,880</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net change in fund balances - total governmental funds \$ (1,136,965)

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

Government funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which capital
outlays (\$4,174,578) exceeded depreciation expense
(\$912,747) in the current period. 3,261,831

Proceeds of loans and capital leases are recorded as revenue in the funds,
however on the statement of activities, they are not reported as revenues
as they increase the liabilities on the statement of net assets. (1,536,605)

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues in
the funds. This amount is the net effect of the reversal or prior year
items against current year accruals 37,373

Repayment of bond, capital lease, and long-term pension principal is
an expenditure in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net assets. 240,967

In the statement of activities, interest is accrued on
outstanding bonds, whereas in governmental funds, an
interest expenditure is reported when due. 809

Some expenses reported in the statement of activities, such
as compensated absences, do not require the use of current
financial resources and therefore are not reported as expenditures
in governmental funds. (23,648)

Change in net assets of governmental activities \$ 843,762

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, 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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 4,886,846	\$ 5,733,725	\$ 5,774,679	\$ 40,954
Property and other taxes	686,557	693,961	682,265	(11,696)
Licenses and permits.	360,000	497,000	501,356	4,356
Fines and forfeitures.	90,996	90,996	107,477	16,481
Intergovernmental	1,985,000	2,154,432	2,344,662	190,230
Investment income	250,000	303,033	395,558	92,525
Other	147,500	156,262	95,640	(60,622)
Total revenues.	<u>8,406,899</u>	<u>9,629,409</u>	<u>9,901,637</u>	<u>272,228</u>
Expenditures:				
Current:				
General government	2,974,005	3,404,194	2,866,881	537,313
Security of persons and property	4,811,921	5,113,974	4,744,679	369,295
Public health and welfare.	74,800	82,800	74,957	7,843
Community environment	625,693	653,765	534,745	119,020
Leisure time activity	270,661	4,206,795	1,272,742	2,934,053
Total expenditures	<u>8,757,080</u>	<u>13,461,528</u>	<u>9,494,004</u>	<u>3,967,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(350,181)</u>	<u>(3,832,119)</u>	<u>407,633</u>	<u>4,239,752</u>
Other financing sources (uses):				
Sale of capital assets	1,000	1,000	7,850	6,850
Transfers out	(996,098)	(996,098)	(878,908)	117,190
Advances in.	50,000	50,000	50,000	-
Total other financing sources (uses).	<u>(945,098)</u>	<u>(945,098)</u>	<u>(821,058)</u>	<u>124,040</u>
Net change in fund balance	(1,295,279)	(4,777,217)	(413,425)	4,363,792
Fund balance at beginning of year.	6,146,682	6,146,682	6,146,682	-
Prior year encumbrances appropriated (Restated)	<u>296,503</u>	<u>296,503</u>	<u>296,503</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 5,147,906</u>	<u>\$ 1,665,968</u>	<u>\$ 6,029,760</u>	<u>\$ 4,363,792</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 POLICE PENSION
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 377,737	\$ 377,737	\$ 380,362	\$ 2,625
Intergovernmental	111,768	111,768	51,519	(60,249)
Total revenues.	<u>489,505</u>	<u>489,505</u>	<u>431,881</u>	<u>(57,624)</u>
Expenditures:				
Current:				
Security of persons and property	422,247	422,247	399,942	22,305
Debt service:				
Principal retirement	6,968	6,968	6,968	-
Interest and fiscal charges	<u>16,825</u>	<u>16,825</u>	<u>16,825</u>	<u>-</u>
Total expenditures	<u>446,040</u>	<u>446,040</u>	<u>423,735</u>	<u>22,305</u>
Excess of revenues over (under) expenditures	<u>43,465</u>	<u>43,465</u>	<u>8,146</u>	<u>(35,319)</u>
Net change in fund balance	43,465	43,465	8,146	(35,319)
Fund balance at beginning of year	<u>33,632</u>	<u>33,632</u>	<u>33,632</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 77,097</u>	<u>\$ 77,097</u>	<u>\$ 41,778</u>	<u>\$ (35,319)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ROADS AND SIDEWALKS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes	\$ 744,672	\$ 744,672	\$ 746,975	\$ 2,303
Intergovernmental	97,534	97,534	96,534	(1,000)
Total revenues.	<u>842,206</u>	<u>842,206</u>	<u>843,509</u>	<u>1,303</u>
Expenditures:				
Current:				
Transportation	<u>954,858</u>	<u>954,858</u>	<u>886,156</u>	<u>68,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(112,652)</u>	<u>(112,652)</u>	<u>(42,647)</u>	<u>70,005</u>
Net change in fund balance	(112,652)	(112,652)	(42,647)	70,005
Fund balance at beginning of year	431,616	431,616	431,616	-
Prior year encumbrances appropriated	<u>124,857</u>	<u>124,857</u>	<u>124,857</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 443,821</u>	<u>\$ 443,821</u>	<u>\$ 513,826</u>	<u>\$ 70,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2006

	Business-type Activities -Enterprise Funds			
	Water	Sewer	Refuse	Total
Assets:				
Current assets:				
Equity in pooled cash, cash equivalents and investments	\$ 487,480	\$ 875,221	\$ 230,952	\$ 1,593,653
Receivables (net of allowance for uncollectibles):				
Accounts	284,927	406,227	-	691,154
Unamortized bond issue costs	8,220	-	-	8,220
Materials and supplies inventory	1,049	1,049	6,234	8,332
Total current assets	<u>781,676</u>	<u>1,282,497</u>	<u>237,186</u>	<u>2,301,359</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	2,367,304	2,870,055	3,109	5,240,468
Total assets	<u>3,148,980</u>	<u>4,152,552</u>	<u>240,295</u>	<u>7,541,827</u>
Liabilities:				
Current liabilities:				
Accounts payable	573,954	430,838	70,497	1,075,289
Accrued wages and benefits	11,574	9,388	2,279	23,241
Current portion of compensated absences	6,794	2,857	-	9,651
Pension obligation	4,313	4,253	1,038	9,604
Current portion of general obligation bonds payable	40,000	-	-	40,000
Notes payable	229,000	771,000	-	1,000,000
Current portion of OPWC loans		23,725	-	23,725
Total current liabilities	<u>865,635</u>	<u>1,242,061</u>	<u>73,814</u>	<u>2,181,510</u>
Long-term liabilities:				
OPWC loans	-	427,050	-	427,050
General obligation bonds	705,000	-	-	705,000
Compensated absences	20,269	14,074	-	34,343
Total long-term liabilities	<u>725,269</u>	<u>441,124</u>	<u>-</u>	<u>1,166,393</u>
Total liabilities	<u>1,590,904</u>	<u>1,683,185</u>	<u>73,814</u>	<u>3,347,903</u>
Net assets:				
Invested in capital assets, net of related debt	1,401,524	1,648,280	3,109	3,052,913
Unrestricted	156,552	821,087	163,372	1,141,011
Total net assets	<u>\$ 1,558,076</u>	<u>\$ 2,469,367</u>	<u>\$ 166,481</u>	<u>\$ 4,193,924</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Operating revenues:				
Charges for services	\$ 1,455,179	\$ 1,898,822	\$ 907,878	\$ 4,261,879
Tap-in fees.	-	7,758	-	7,758
Other.	5,634	27	-	5,661
Total operating revenues	<u>1,460,813</u>	<u>1,906,607</u>	<u>907,878</u>	<u>4,275,298</u>
Operating expenses:				
Personal services	232,930	262,545	33,616	529,091
Contract services	1,313,866	1,241,274	819,929	3,375,069
Materials and supplies	52,581	22,611	34,832	110,024
Depreciation and amortization.	76,802	92,168	137	169,107
Total operating expenses.	<u>1,676,179</u>	<u>1,618,598</u>	<u>888,514</u>	<u>4,183,291</u>
Operating income (loss)	<u>(215,366)</u>	<u>288,009</u>	<u>19,364</u>	<u>92,007</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	<u>(48,021)</u>	<u>(28,888)</u>	<u>-</u>	<u>(76,909)</u>
Total nonoperating revenues (expenses)	<u>(48,021)</u>	<u>(28,888)</u>	<u>-</u>	<u>(76,909)</u>
Income (loss) before contributions and transfers	<u>(263,387)</u>	<u>259,121</u>	<u>19,364</u>	<u>15,098</u>
Capital contributions	1,071	1,071	803	2,945
Transfers in.	59,924	66,488	-	126,412
Change in net assets.	(202,392)	326,680	20,167	144,455
Net assets at beginning of year	<u>1,760,468</u>	<u>2,142,687</u>	<u>146,314</u>	<u>4,049,469</u>
Net assets at end of year.	<u>\$ 1,558,076</u>	<u>\$ 2,469,367</u>	<u>\$ 166,481</u>	<u>\$ 4,193,924</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Refuse	Total
Cash flows from operating activities:				
Cash received from customers.	\$ 1,459,606	\$ 1,917,009	\$ 907,878	\$ 4,284,493
Cash received from tap-in fees.	-	7,758	-	7,758
Cash received from other operations	5,634	27	-	5,661
Cash payments for personal services	(232,613)	(301,284)	(29,630)	(563,527)
Cash payments for contract services.	(1,127,006)	(1,251,787)	(825,790)	(3,204,583)
Cash payments for materials and supplies.	(44,321)	(23,660)	(39,513)	(107,494)
Net cash provided by operating activities.	<u>61,300</u>	<u>348,063</u>	<u>12,945</u>	<u>422,308</u>
Cash flows from noncapital financing activities:				
Cash received from transfers in	59,924	66,488	-	126,412
Cash used in repayment of interfund loans	(50,000)	-	-	(50,000)
Net cash provided by noncapital financing activities	<u>9,924</u>	<u>66,488</u>	<u>-</u>	<u>76,412</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets.	(75,139)	(734,385)	-	(809,524)
Principal retirement on bonds.	(45,000)	-	-	(45,000)
Principal retirement on OPWC note	-	(23,725)	-	(23,725)
Principal retirement on notes.	(275,000)	(925,000)	-	(1,200,000)
Proceeds from sale of notes.	229,000	771,000	-	1,000,000
Interest and fiscal charges.	(47,336)	(28,888)	-	(76,224)
Net cash used in capital and related financing activities	<u>(213,475)</u>	<u>(940,998)</u>	<u>-</u>	<u>(1,154,473)</u>
Net increase (decrease) in cash and cash equivalents	(142,251)	(526,447)	12,945	(655,753)
Cash, cash equivalents and investments at beginning of year.	<u>629,731</u>	<u>1,401,668</u>	<u>218,007</u>	<u>2,249,406</u>
Cash, cash equivalents and investments at end of year.	<u>\$ 487,480</u>	<u>\$ 875,221</u>	<u>\$ 230,952</u>	<u>\$ 1,593,653</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (215,366)	\$ 288,009	\$ 19,364	\$ 92,007
Adjustments:				
Depreciation and amortization.	76,802	92,168	137	169,107
Changes in assets and liabilities:				
(Increase) decrease in materials and supplies inventory	8,260	(1,049)	(4,277)	2,934
(Increase) decrease in accounts receivable	4,427	18,187	-	22,614
Increase (decrease) in accounts payable	186,860	(10,513)	(5,596)	170,751
Increase in accrued wages and benefits	3,601	300	2,279	6,180
Increase (decrease) in compensated absences payable.	(4,137)	2,687	-	(1,450)
(Decrease) in due to other governments.	-	(41,586)	-	(41,586)
Increase (decrease) in pension obligation payable.	853	(140)	1,038	1,751
Net cash provided by operating activities	<u>\$ 61,300</u>	<u>\$ 348,063</u>	<u>\$ 12,945</u>	<u>\$ 422,308</u>
Non-cash transactions:				
The water, sewer and refuse funds received \$1,071, \$1,071 and \$803, respectively, in capital contributions:				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2006

	<u>Agency</u>
Assets:	
Cash in segregated accounts	\$ 6,150
Total assets.	<u>\$ 6,150</u>
Liabilities:	
Undistributed monies	\$ 6,150
Total liabilities	<u>\$ 6,150</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE CITY

The City of Bexley (the "City") is a home rule corporation established under the laws of the State of Ohio that operates under its own Charter. The current Charter, which provides for the mayor-council form of government, was adopted November 8, 1996, and became effective December 31, 1996.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The primary government of the City consists of all funds, agencies, departments and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, refuse collection, street maintenance and repairs, building inspection, parks and recreation and water and sewer utilities. The preceding financial statements include all funds of the City (the primary government). The City has no component units, but is a member of workers' compensation insurance purchasing pool, described in Note 14C.

B. Basis of Presentation - Fund Accounting

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

C. Fund Accounting

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

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

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

Police Pension Fund - The police pension fund accounts for all transactions relating to police officers' pension.

Roads and Sidewalks Fund - The roads and sidewalks fund accounts for all transactions relating to street and sidewalk maintenance and construction.

Cassady Avenue Fund - The Cassady Avenue fund is a capital improvement fund used to account for all transactions relating to the reconstruction of Cassady Avenue.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. The City's proprietary funds are classified as enterprise funds.

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

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

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

Refuse Fund - This fund accounts for the operations providing refuse waste removal to the residents and commercial users located within the City.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund used to account for the City's flexible spending insurance monies.

D. Measurement Focus and Basis of Accounting

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

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

Like the government-wide statements, all enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increase (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

E. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance 2007 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

F. Budgetary Data

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

Tax Budget - During the first Council meeting in June, the City Auditor presents the annual operating budget for the following 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 20 of each year, for the period January 1 to December 31 of the following year.

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

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the line item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

G. Cash and Cash Equivalents

To improve cash management, cash received by the City, except cash held by a fiscal agent, is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and federal agency securities.

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 December 31, 2006.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

Under City Charter all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2006, interest revenue credited to the general fund amounted to \$514,226, which includes \$179,468 assigned from other funds of the City.

For purpose of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent that the investment was purchased from a specific fund.

The City has segregated bank accounts for Mayor's Court monies and employee benefits held separate from the City's central bank account. These interest bearing depository accounts are presented on the financial statements as "Cash in Segregated Accounts" since they are not required to be deposited into the City treasury.

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

H. Inventories of Materials and Supplies

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies held for consumption.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	15 - 20 years	15 - 20 years
Buildings and improvements	20 - 50 years	20 - 45 years
Equipment	5 - 15 years	5 - 30 years
Vehicles	8 years	8 years
Infrastructure	25 - 50 years	25 - 50 years

J. Compensated Absences

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

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

M. Interfund Activity

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

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

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

N. Unamortized Issuance Cost

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

On the governmental fund financial statements, issuance costs are recognized in the current period.

O. Fund Balance Reserves and Designations

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

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, debt service, restricted assets, and materials and supplies inventory. The City reports amounts set-aside by City Council for budget stabilization as a designation of fund balance in the governmental funds.

P. Estimates

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

Q. Net Assets

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

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and refuse programs. 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.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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

S. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

T. Restricted Assets

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

Restricted assets represent certain resources which are segregated from other resources of the City. These assets are generally held in separate accounts of the City or by a trustee. Restricted assets represent permissive tax monies held by Franklin County.

U. 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 Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2006, the City has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the City as previously reported at December 31, 2005.

B. Restatement of Fund Balances/Net Assets

Fund balances/net assets have been restated as of December 31, 2005 for the Roads and Sidewalk Fund, Street Construction Maintenance and Repairs Fund, and the Mayors' Court Computer fund. In prior years, cash held with Franklin County Auditor's Office for permissive tax was recorded in the Roads and Sidewalk Fund and has been reclassified to the Street Construction Maintenance and Repairs Fund. In prior years the Mayors' Court Computer fund was reported as an agency fund and has been reclassified as a nonmajor governmental (special revenue fund type) fund. These restatements had the following effects on net assets as previously reported:

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	Roads and Sidewalk Major Fund	Nonmajor Governmental Funds
Fund Balances, 12/31/05	\$ 550,689	\$ 691,613
Reclassify fund	-	14,060
Cassady Avenue (major fund 2006)	-	(2,665)
Cash held with fiscal agent	(87,000)	87,000
Restated fund balances, 1/1/06	\$ 463,689	\$ 790,008

	Governmental Activities
Net Assets, 12/31/05	\$ 16,457,191
Reclassify fund	14,060
Restated fund balances, 1/1/06	\$ 16,471,251

The General fund prior year encumbrances on the budget versus actual statement has been restated to conform with current year fund reclassifications.

C. Deficit Fund Balances/Net Assets

The following funds had deficit fund balances as of December 31, 2006:

Major Funds	Deficit
Police Pension	\$ 73,364
Cassady Avenue	27

The Police Pension fund complied with Ohio state law, which does not permit a cash-basis deficit at year-end. The Cassady Avenue fund did not comply with state law, which does not permit a cash-basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The police pension deficit fund balance was the result of adjustments for accrued liabilities. For GAAP purposes for Cassady Avenue fund, the negative cash balance has been reported as a fund liability in the respective fund.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each fund's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments." Statutes require the classification of monies held by the City into three categories:

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Active Monies: those monies required to be kept in a “cash” or “near-cash” status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury; in depository accounts payable or withdrawable on demand; including negotiable order of withdrawal (NOW) account; or in money market deposit accounts.

Inactive Monies: those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories or as savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer’s investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City’s interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City’s interim monies available for investment.

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

1. Bonds of the State of Ohio;

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Cash with Fiscal Agent – At year-end, the City had \$131,919 on deposit with the Franklin County Treasurer for permissive funds collected but not yet distributed to the City. The data regarding insurance and collateralization can be obtained from the Franklin County's financial statements. This amount is not included in the City's depository balance reported below.

Cash in Segregated Accounts - At year-end, \$10,851 (\$4,701 in the Mayor's Court fund and \$6,150 in the employee flexible spending insurance fund) was on deposit in segregated accounts and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the financial statements as "Equity in Pooled Cash, Cash Equivalents and Investments".

A. Deposits with Financial Institutions

At December 31, 2006, the carrying amount of all City deposits was \$511,096. As of December 31, 2006, \$277,842 of the City's bank balance of \$616,904 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$339,062 was exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of December 31, 2006, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 4,221,440	\$ 499,745	\$ 988,800	\$ 495,350	\$ 494,845	\$ 1,742,700
FHLMC	1,475,966	-	492,110	495,750	-	488,106
FNMA	2,481,400	995,550	-	494,550	-	991,300
STAR Ohio	50,219	50,219	-	-	-	-
Total	\$ 8,229,025	\$ 1,545,514	\$ 1,480,910	\$ 1,485,650	\$ 494,845	\$ 3,222,106

The weighted average maturity of investments is 0.98 years.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

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. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The City's investment in federal agency securities is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's other investments except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2006:

Investment type	Fair Value	% of Total
FHLB	\$ 4,221,440	51.30%
FHLMC	1,475,966	17.94%
FNMA	2,481,400	30.15%
STAR Ohio	50,219	0.61%
Total	\$ 8,229,025	100.00%

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

Cash and Investments per footnote

Carrying amount of deposits	\$ 511,096
Investments	8,229,025
Cash in segregated accounts	10,851
Cash with fiscal agent	<u>131,919</u>
Total	<u>\$ 8,882,891</u>

Cash and investments per Statement of Net Assets

Governmental activities	\$ 7,283,088
Business type activities	1,593,653
Agency funds	<u>6,150</u>
Total	<u>\$ 8,882,891</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2006, consisted of the following, as reported in the fund financial statements:

<u>Transfers out of General fund to:</u>	<u>Amount</u>
Nonmajor Governmental Funds:	
Street Construction, Maintenance and Repair	\$ 140,000
Recreation	405,000
Bond Retirement	<u>333,908</u>
Total	<u>878,908</u>
<u>Transfers out of Nonmajor Governmental Funds to:</u>	
Water	59,924
Sewer	<u>66,488</u>
Total	<u>126,412</u>
Grand Total	<u>\$ 1,005,320</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers out of the bond retirement fund to the Water and Sewer funds were to payoff debt that was recorded in the funds that received the proceeds. Debt service fund balances were primarily from general fund transfers and income tax proceeds in prior years. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every three years. The last revaluation was completed in 2005. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88% of its true value; public utility real property is assessed at 35% of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Bexley. 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 \$7.85 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real property tax	\$ 447,205,660
Public utility tangible personal property	3,415,330
Tangible personal property	<u>983,730</u>
Total	<u>\$ 451,604,720</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 6 - TAXES - (Continued)

Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007. Although total property tax collections for the next year are measurable, they are generally not collected during the available period.

B. Income Taxes

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 80 percent of the tax paid to another municipality to a maximum of the total amount assessed. Tax receipts are collected and distributed to the City by the Regional Income Tax Authority. During 2006, income tax proceeds were distributed to the general fund and capital projects funds, in the amount of \$5,443,459 and \$115,032, respectively in the fund financial statements.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2006, consisted of taxes, accrued interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2006, as well as intended to finance fiscal 2006 operations.

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

Governmental Activities:

Income taxes	\$ 1,636,770
Real and other taxes	1,881,568
Accounts	142,075
Due from other governments	1,192,692
Accrued interest	41,904

Business-type Activities:

Accounts	\$ 691,154
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Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/06</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 90,500	\$ -	\$ -	\$ 90,500
Construction in progress	<u>-</u>	<u>1,188,726</u>	<u>-</u>	<u>1,188,726</u>
Total capital assets, not being depreciated	<u>90,500</u>	<u>1,188,726</u>	<u>-</u>	<u>1,279,226</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	597,885	41,770	-	639,655
Buildings and improvements	1,840,545	120,531	-	1,961,076
Equipment	1,745,743	108,840	(36,076)	1,818,507
Vehicles	1,075,429	39,320	(90,793)	1,023,956
Infrastructure	<u>15,613,537</u>	<u>2,675,391</u>	<u>-</u>	<u>18,288,928</u>
Total capital assets, being depreciated	<u>20,873,139</u>	<u>2,985,852</u>	<u>(126,869)</u>	<u>23,732,122</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(585,934)	(2,994)	-	(588,928)
Buildings and improvements	(1,162,279)	(28,155)	-	(1,190,434)
Equipment	(964,083)	(130,920)	36,076	(1,058,927)
Vehicles	(669,758)	(93,280)	90,793	(672,245)
Infrastructure	<u>(7,301,007)</u>	<u>(657,398)</u>	<u>-</u>	<u>(7,958,405)</u>
Total accumulated depreciation	<u>(10,683,061)</u>	<u>(912,747)</u>	<u>126,869</u>	<u>(11,468,939)</u>
Total capital assets, being depreciated, net	<u>10,190,078</u>	<u>2,073,105</u>	<u>-</u>	<u>12,263,183</u>
Governmental activities capital assets, net	<u>\$ 10,280,578</u>	<u>\$ 3,261,831</u>	<u>\$ -</u>	<u>\$ 13,542,409</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - CAPITAL ASSETS - (Continued)

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

<u>Governmental Activities:</u>	
General government	\$ 27,016
Security of persons and property	69,782
Public health and welfare	4,150
Transportation	760,139
Community environment	1,076
Leisure time activities	<u>50,584</u>
 Total depreciation expense	 <u><u>\$ 912,747</u></u>

<u>Business-type Activities:</u>	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/06</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	\$ 36,421	\$ -	\$ -	\$ 36,421
Buildings and improvements	45,947	2,945	-	48,892
Equipment	20,118	12,196	-	32,314
Vehicles	166,665	-	-	166,665
Infrastructure	<u>6,904,740</u>	<u>797,328</u>	<u>-</u>	<u>7,702,068</u>
Total capital assets, being depreciated	<u>7,173,891</u>	<u>812,469</u>	<u>-</u>	<u>7,986,360</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(36,376)	(11)	-	(36,387)
Buildings and improvements	(37,037)	(490)	-	(37,527)
Equipment	(18,637)	(1,178)	-	(19,815)
Vehicles	(50,779)	(21,267)	-	(72,046)
Infrastructure	<u>(2,433,956)</u>	<u>(146,161)</u>	<u>-</u>	<u>(2,580,117)</u>
Total accumulated depreciation	<u>(2,576,785)</u>	<u>(169,107)</u>	<u>-</u>	<u>(2,745,892)</u>
Business-type activities capital assets, net	<u>\$ 4,597,106</u>	<u>\$ 643,362</u>	<u>\$ -</u>	<u>\$ 5,240,468</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - CAPITAL ASSETS - (Continued)

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

<u>Business-type activities:</u>	
Water	\$ 76,802
Sewer	92,168
Refuse	<u>137</u>
Total depreciation expense	<u><u>\$ 169,107</u></u>

NOTE 9 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police and dispatchers may carry over 40 hours for use during the first three months of the following year. Sick leave accrual is continuous, with a limit of 960 hours. Overtime worked is always paid to employees on the paycheck for the period in which it was worked.

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$175,601 at December 31, 2006. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Accumulated Unpaid Sick Leave

Upon retirement an employee is paid for one half of his/her accumulated hours of sick leave, except fire department employees, who are part time and do not accumulate sick leave. The total obligation for sick leave accrual for the City as a whole amounted to \$352,674 at December 31, 2006. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 10 - LONG-TERM OBLIGATIONS

Governmental Activities

On May 1, 1998, the City issued \$4,240,000 in Various Purpose Capital Improvement Bonds for the purpose of improving City streets at a rate of 4.875%. Principal and interest is paid out of the debt service fund (a nonmajor governmental fund) with a final maturity in 2018.

In 2006 the City received loan proceeds from Ohio Public Works Commission (OPWC) for North Cassady Avenue reconstruction. This is a zero percent interest loan. Principal payments are due semi annually with its first payment due on July 1, 2007. Principal and interest will be paid out of the Cassady Avenue (a major fund) with final maturity in 2027.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Capitalized leases are further disclosed in Note 12.

The Ohio Police and Fire Pension Liability is paid from taxes, and is recorded as principal retirement and interest from the Police Pension fund (a major fund).

Business-type Activities

On April 1, 1999, the City issued \$1,000,000 in Water Meter and Equipment bonds for the purpose of upgrading its Water meters and equipment at varying interest rates (4.60% - 4.90%). Principal and interest is paid from the Water fund (a major fund) with a final maturity in 2019.

In 2005 the City received loan proceeds from OPWC for the Main Street Sewer Project. This is a zero percent interest loan. Principal payments are due semiannually. Principal and interest are paid out of the Sewer fund (a major fund) with final maturity in 2025.

A. During 2006, the following changes occurred in governmental activities long-term obligations:

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/06</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
General obligation bonds:					
Street construction bond - 4.875%	\$ 3,195,000	\$ -	\$ (180,000)	\$ 3,015,000	\$ 195,000
Total general obligations	<u>3,195,000</u>	<u>-</u>	<u>(180,000)</u>	<u>3,015,000</u>	<u>195,000</u>
Capital lease obligation	103,513	39,669	(53,999)	89,183	40,891
<u>OPWC loans:</u>					
OPWC loans	-	1,496,936	-	1,496,936	37,423
Ohio Police and Fire pension liability	397,611	-	(6,968)	390,643	7,266
Compensated absences	<u>460,633</u>	<u>48,512</u>	<u>(24,864)</u>	<u>484,281</u>	<u>178,185</u>
Total	<u>\$ 4,156,757</u>	<u>\$ 1,585,117</u>	<u>\$ (265,831)</u>	<u>\$ 5,476,043</u>	<u>\$ 458,765</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

During 2006, the following changes occurred in the business-type activities long-term obligations:

<u>Business-type Activities:</u>	<u>Balance</u> <u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/06</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
General obligation bonds	\$ 790,000	\$ -	\$ (45,000)	\$ 745,000	\$ 40,000
Total general obligation bonds	<u>790,000</u>	<u>-</u>	<u>(45,000)</u>	<u>745,000</u>	<u>40,000</u>
<u>OPWC loans:</u>					
OPWC loans	474,500	-	(23,725)	450,775	23,725
Compensated absences	<u>45,444</u>	<u>1,673</u>	<u>(3,123)</u>	<u>43,994</u>	<u>9,651</u>
Total	<u>\$ 1,309,944</u>	<u>\$ 1,673</u>	<u>\$ (71,848)</u>	<u>\$ 1,239,769</u>	<u>\$ 73,376</u>

B. The following is a summary of the City's future annual debt service requirements to maturity.

<u>Year</u>	<u>Governmental Activities</u> <u>General Obligation Bonds</u>			<u>Governmental Activities</u> <u>Ohio Police and Fire Pension Liability</u>			<u>Governmental Activities</u> <u>OPWC Loans</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 195,000	\$ 144,459	\$ 339,459	\$ 7,266	\$ 16,526	\$ 23,792	\$ 37,423	\$ -	\$ 37,423
2008	200,000	134,221	334,221	7,579	16,214	23,793	74,847	-	74,847
2009	210,000	124,621	334,621	7,904	15,889	23,793	74,847	-	74,847
2010	220,000	114,961	334,961	8,244	15,549	23,793	74,847	-	74,847
2011	235,000	104,841	339,841	8,598	15,195	23,793	74,847	-	74,847
2012 - 2016	1,330,000	409,285	1,739,285	48,856	70,107	118,963	374,235	-	374,235
2017 - 2021	625,000	46,069	671,069	60,290	58,675	118,965	374,235	-	374,235
2022 - 2026	-	-	-	74,397	44,566	118,963	374,235	-	374,235
2027 - 2031	-	-	-	91,809	27,155	118,964	37,420	-	37,420
2032 - 2035	-	-	-	<u>75,700</u>	<u>6,504</u>	<u>82,204</u>	-	-	-
Totals	<u>\$ 3,015,000</u>	<u>\$ 1,078,457</u>	<u>\$ 4,093,457</u>	<u>\$ 390,643</u>	<u>\$ 286,380</u>	<u>\$ 677,023</u>	<u>\$ 1,496,936</u>	<u>\$ -</u>	<u>\$ 1,496,936</u>

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Year	Business-Type Activities General Obligation Bonds			Business-Type Activities OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 40,000	\$ 35,158	\$ 75,158	\$ 23,725	\$ -	\$ 23,725
2008	45,000	33,317	78,317	23,725	-	23,725
2009	50,000	31,248	81,248	23,725	-	23,725
2010	50,000	28,947	78,947	23,725	-	23,725
2011	50,000	26,748	76,748	23,725	-	23,725
2012 - 2016	295,000	96,033	391,033	118,625	-	118,625
2017 - 2021	215,000	21,280	236,280	118,625	-	118,625
2022 - 2025	-	-	-	94,900	-	94,900
Totals	<u>\$ 745,000</u>	<u>\$ 272,731</u>	<u>\$ 1,017,731</u>	<u>\$ 450,775</u>	<u>\$ -</u>	<u>\$ 450,775</u>

C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2006, the City's legal voted debt margin was \$43,864,207, and the legal unvoted debt margin was \$24,298,971; both amounts include available funds of \$205,711.

NOTE 11 - NOTES PAYABLE

During fiscal 2006, the City issued bond anticipation notes in the amount of \$1,000,000 in order to provide financing for improvements to water lines and sewer lines. The Series 2006 bond anticipation notes were issued on May 3, 2006, mature on May 3, 2007, and have an interest rate of 5.50%. These notes are a liability of the Water fund (\$229,000) and the Sewer fund (\$771,000). The bond anticipation notes will be retired with the proceeds of bonds or notes issued in the subsequent fiscal year, with any difference to be paid from operating revenues of the Water fund and Sewer fund. The following note activity occurred during 2006:

Bond Anticipation Notes	Balance 12/31/05	Additions	Reductions	Balance 12/31/06
Enterprise Funds:				
2006 Water Line Improvements	\$ -	\$ 229,000	\$ -	\$ 229,000
2006 Sewer Line Improvements	-	771,000	-	771,000
2005 Water Line Improvements	275,000	-	(275,000)	-
2005 Sewer Line Improvements	925,000	-	(925,000)	-
Total Notes Payable	<u>\$ 1,200,000</u>	<u>\$ 1,000,000</u>	<u>\$ (1,200,000)</u>	<u>\$ 1,000,000</u>

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the City entered into capitalized leases for the acquisition of vehicles. During fiscal year 2006, the City entered into capitalized leases for the acquisition of vehicles and copiers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements.

General capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$299,241. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2006 totaled \$10,276 in the general fund and \$43,723 in the capital improvement fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2006:

<u>Year Ending December 31.</u>	<u>Amount</u>
2007	\$ 46,538
2008	28,237
2009	14,160
2010	<u>10,620</u>
Total future minimum lease payments	99,555
Less: amount representing interest	<u>(10,372)</u>
Present value of future minimum lease payments	<u>\$ 89,183</u>

NOTE 13 - INTERFUND ASSETS/LIABILITIES

Due from/to other funds consisted of the following at December 31, 2006, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Cassady Avenue	\$ 27

Amounts "due from/to other funds" between governmental funds are eliminated for reporting on the statement of net assets.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was part of the Ohio Municipal Alliance, an insurance purchasing pool, for all property, crime, liability, boiler and machinery, and public official liability. The City has transferred its risk of loss to the insurance carrier to the extent of the limits shown below. The limits of coverage reported below include umbrella coverage purchased by the City.

<u>Limits of Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>	
Property	\$ 500	\$4,159,900	
General Liability	0	3,000,000	per occurrence/
		5,000,000	annual aggregate
Inland Marine	500	1,048,127	
EDP	500	152,500	
Vehicles		3,000,000	
Comprehensive	500		
Collision	500		
Wrongful Acts	10,000	5,000,000	per occurrence/
		7,000,000	annual aggregate
Police	1,000	5,000,000	per occurrence,
		7,000,000	annual aggregate
Public Officials Bond	0	10,000	

B. Health Insurance

During 2006, the City provided its employees group health, life, dental, vision, and drug insurance in a traditionally-funded manner through commercial carriers.

C. Workers' Compensation

The City also participates in the Ohio Municipal League public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald Company. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 15 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement under the traditional plan, were required to contribute 9.0% of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1% of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 9.20%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 12.43% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions. The City's pension contributions to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$332,620, \$347,496, and \$339,469, respectively; 96.27% has been contributed for 2006 and 100% has been contributed for 2005 and 2004. The unpaid portion for 2006 of \$12,394 is recorded as a liability. The City and plan members did not make any contributions to the member-directed plan for 2006.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% for police officers. The portion of the City's contributions to fund pension obligations was 11.75% for police officers. The City's contributions to fund pension obligations for OP&F for the years ended December 31, 2006, 2005, and 2004 were \$259,025, \$235,128, and \$248,869, respectively; 73.84% has been contributed for 2006 and 100% for 2005 and 2004. The unpaid contribution to fund pension obligations for 2006, in the amount of \$67,758, is recorded as a liability.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll (16.93% for public safety and law enforcement); 4.50% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate (4.00%) plus an additional factor ranging from .50% to 6.00% for the next nine years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4.00%.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 362,130 as of December 31, 2006. The City's actual employer contributions for 2006 which were used to fund postemployment benefits were \$162,694. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 were \$12.0 billion. At December 31, 2006, the actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005 and 2006. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$170,846 for police. The OP&F's total health care expense for the year ended December 31, 2006 was \$120.374 million, which was net of member contributions of \$58.533 million. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

CITY OF BEXLEY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General</u>	<u>Police Pension</u>	<u>Roads and Sidewalks</u>
Budget basis	\$ (413,425)	\$ 8,146	\$ (42,647)
Net adjustment for revenue accruals	(98,945)	(391)	(1,026)
Net adjustment for expenditure accruals	(421,793)	(21,785)	(3,527)
Net adjustment for other sources/uses	<u>(57,850)</u>	<u>-</u>	<u>-</u>
GAAP basis	<u><u>\$ (992,013)</u></u>	<u><u>\$ (14,030)</u></u>	<u><u>\$ (47,200)</u></u>

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2006.

B. Litigation

The City is not currently involved in any litigation.

CITY OF BEXLEY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 19 - CONTRACTUAL COMMITMENTS

The City's significant construction project at December 31, 2006 was building a new City pool. At December 31, 2006, the City's commitments to contractors were as follows:

<u>Contractor</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Central Ohio Building Co., Inc.	\$ 106,967	\$ 1,347,833
Thomas & Marker Construction Co.	603,000	1,007,875
Total	<u>\$ 709,967</u>	<u>\$ 2,355,708</u>

NOTE 20 - SUBSEQUENT EVENT NOTE

On May 2, 2007, the City issued \$4,525,000 of bond anticipation notes at an interest rate of 3.8% and maturity date of May 1, 2008.

On April 30th, 2008, the city issued \$8,930,000 of various purpose capital improvement refunding bonds with varying interest rates and a final maturity date of December 1, 2027.



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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***

Members of Council and Mayor
City of Bexley
2242 East Main Street
Bexley, OH 43209

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 Bexley, as of and for the year ended December 31, 2006, which collectively comprise the City of Bexley's basic financial statements and have issued our report thereon dated June 30, 2008. As disclosed in Note 3B to the basic financial statements, fund balances and net assets have been restated due to the reclassification of a fund and reclassification of restricted assets. 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 of Bexley'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 of Bexley's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Bexley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 of Bexley'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 of Bexley's financial statements that is more than inconsequential will not be prevented or detected by the City of Bexley's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as 2007-COB-001, 2007-COB-002 and 2007-COB-003.

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 of Bexley's internal control.

Members of Council and Mayor
City of Bexley

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. However, we believe that 2007-COB-002 of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Bexley in a separate letter dated June 30, 2008.

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

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



Julian & Grube, Inc.
June 30, 2008

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2006-COB-001
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Significant Deficiency

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

The City did not maintain sufficient controls in place to report financial data for fund classification and cash with fiscal agent in prior years. Specifically, cash held with the Franklin County Auditor's Office for permissive tax was recorded in the Roads and Sidewalks fund instead of the Street Construction, Maintenance and Repair fund. Also, the Mayor's Court Computer fund was recorded as an Agency fund and should be recorded as a nonmajor governmental special revenue fund.

In addition to the above, the City's financial report and supporting documentation contained numerous errors, requiring the following adjustments:

Overall governmental activities net assets were increased \$364,940 and business type assets were decreased \$9,542. In addition the City's major funds required the following net audit adjustments:

<u>Major Funds</u>	<u>Fund Balance</u>
General fund	\$8,032 decrease
Police pension fund balances were decreased	\$73,364 decrease
Cassady Avenue	\$27 decrease

Nonmajor funds in total required a net overall fund balance increase of \$16,370.

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-COB-001 - (Continued)

The compilation and presentation of financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason.

In either case, it is important that control procedures are developed related to drafting financial statements and footnotes that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. In addition, management should not rely on its auditors to perform this control procedure as auditors must remain independent.

We recommend the City implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatement or oversights in the financial statements and footnotes. We further recommend that the City Auditor review in detail with the consultant (if applicable) the financial report and notes to those financial statements to insure proper inclusion of activities in the City's financial statements and notes.

Client Response: The City has implemented internal control procedures to address this significant deficiency regarding fund classification and cash with fiscal agent, and overall financial reporting.

Finding Number	2006-COB-002
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Significant Deficiency/Material Weakness

The City lacks controls over timely and accurate financial reports. The City prepares its own financial statements; however, the final documentation to complete that process was not received until 2008, well beyond the deadline for filing the financial report with the Auditor of State's Office.

In addition, there were constant delays in receiving timely and current financial information and supporting documentation. This could significantly impact management's ability to effectively guide the City. Critical areas such as financial analysis could be negatively impacted.

We recommend the City management take a more active role in overseeing the timeliness of the financial reporting process. We further recommend that they evaluate steps necessary to ensure financial reports are issued in a timely manner. This will help ensure that reports are submitted as required.

Client's Response: The City Auditor is aware of the requirements and is making an effort to be timely for 2007.

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006**

1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2006-COB-003

Significant Deficiency

The City's internal cash reports lack interest earnings in the amount of \$68,062 on their Huntington National Bank public funds accounts.

This lack of internal control to ensure all amounts agree to bank statements may cause the City to misrepresent their cash balances. An adjustment has been made on the City's financial statements to reflect this interest earned and the accurate cash balance as evidenced by the bank statement.

We recommend the City implement policies, procedures and additional internal controls to help ensure all bank account balances are properly recorded on the City's records. This should aide in the monthly reconciliation process and help Council when determining funds available for budgeting purposes.

Client Response: The City has closed this bank account and transferred all monies to its regular checking account and recorded all interest earned in 2008. In addition, the City will implement additional policies, procedures and review internal controls related to the bank reconciliation function.

**CITY OF BEXLEY
FRANKLIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-COB-001	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A



Mary Taylor, CPA
Auditor of State

CITY OF BEXLEY
FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 18, 2008