



**CITY OF CHILlicoTHE
ROSS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

**CITY OF CHILLICOTHE
ROSS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Federal Awards Expenditures Schedule	1
Notes to the Federal Awards Expenditures Schedule.....	2
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	3
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program, Internal Control Over Compliance in Accordance with OMB Circular A-133, and Federal Awards Expenditure Schedule	5
Schedule of Findings	7

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF CHILLICOTHE
ROSS COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/States Program	A-C-03-104-1	14.228	\$4,074
Community Development Block Grants/States Program	A-F-04-104-1	14.228	186,809
Community Development Block Grants/States Program	A-F-05-104-1	14.228	<u>107,117</u>
Total U.S. Department of Housing and Urban Development			<u>298,000</u>
U.S. DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Office of the Attorney General:</i>			
Crime Victim Assistance	VAGENE539	16.575	<u>33,194</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation:</i>			
Formula Grants for other than Urbanized Areas	RPT-4071-025-061	20.509	<u>860,170</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Direct Award</i>			
Assistance to Firefighters Grant	N/A	97.044	<u>134,100</u>
Total Federal Awards Expenditures			<u><u>\$1,325,464</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF CHILLCOTHE
ROSS COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS

Cash receipts from the Ohio Department of Transportation are commingled with State grants and other local monies. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

City of Chillicothe
Ross County
35 South Paint Street
Chillicothe, Ohio 45601

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chillicothe, Ross County, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

35 N. Fourth St. / Second Floor / Columbus, OH 43215-3612
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated June 15, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 15, 2007.

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

We intend this report solely for the information and use of the finance committee, management, City Council, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 15, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE THE MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133, AND FEDERAL AWARDS EXPENDITURE SCHEDULE

City of Chillicothe
Ross County
35 South Paint Street
Chillicothe, Ohio 45601

To the City Council:

Compliance

We have audited the compliance of the City of Chillicothe, Ross County, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Chillicothe complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

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

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

Federal Awards Expenditures Schedule

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 Chillicothe as of and for the year ended December 31, 2006, and have issued our report thereon dated June 15, 2007. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intend this report solely for the information and use of the finance committee, management, City Council, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 15, 2007

**CITY OF CHILLICOTHE
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Formula Grants for other than Urbanized Areas CFDA 20.509
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2006-001

Water and Sewer Receipts – Non-compliance/Significant Deficiency

Ohio Rev. Code Section 5705.10 requires that all revenues derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. City Ordinance Nos. 46-03 and 142-06 established the rates for providing special services for sewer and water to the City's citizens. In fiscal year 2006, the City posted \$122,001 of water and sewer charges for service into the General Fund.

The lack of accurate posting of receipts leads to inaccurate financial information and in some cases understated and/or overstated City's fund balances.

We recommend the City monitor the water and sewer payments to determine the funds are being posted in the proper fund.

**CITY OF CHILLICOTHE
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-001 (Continued)

Water and Sewer Receipts – Non-compliance/Significant Deficiency (Continued)

Adjustments to reclassify charges for service revenues from the General Fund to the Water and Sewer Funds in the amounts of \$71,955 and \$50,046, respectively, were made to the basic financial statements.

Officials' Response:

The City implemented a new water and sewer billing system during 2006. The old system would transfer overpayments for water and sewer charges to the General Fund. Once the overpayments were credited the old system would then automatically transfer the monies back to the proper water and/or sewer fund. The City has recognized the issue and has implemented new procedures that would require the overpayments to be re-submitted on a monthly basis. The City reimbursed the water and sewer funds during 2007 for the aforementioned amounts.

FINDING NUMBER 2006-002

Expenditures Exceeding Appropriations – Non-compliance/Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states in part that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

Budgetary expenditures exceeded appropriations at December 31, 2006, in the Bus Transit Fund/Capital Outlay Object (legal level of control) by \$797,500.

The City Auditor should not certify the availability of funds and should deny payment requests exceeding appropriations. The City Auditor may request City Council to approve additional appropriations by amending estimated resources, if necessary. Failure to keep budgetary expenditures within appropriations could allow the City to overspend funds.

We recommend that the City only expend funds within the approved appropriations.

Officials' Response:

This occurred due to the bus transportation department carrying large capital outlay purchase orders at year end. We will monitor purchase orders more closely to ensure that budgetary expenditures do not exceed appropriations in the future.

3. FINDINGS FOR FEDERAL AWARDS

None

City of Chillicothe, Ohio Comprehensive Annual Financial Report

William D. Morrissey

Chillicothe City Auditor



For the Year Ended December 31, 2006

Prepared by the Office of the City of Chillicothe Auditor

CITY OF CHILLICOTHE, OHIO

Comprehensive Annual Financial Report
For the Year Ended December 31, 2006

TABLE OF CONTENTS	Page
<hr/>	
INTRODUCTORY SECTION	
Transmittal Letter	1
GFOA Certificate of Achievement	8
Elected Officials	9
Appointed Officials	10
Organizational Chart	11
City Auditor's Staff	12
<hr/>	
FINANCIAL SECTION	
<u>Independent Accountants' Report</u>	
Management's Discussion and Analysis	13
<u>Basic Financial Statements:</u>	
<u>Government-Wide Financial Statements:</u>	
Statements Of Net Assets	22
Statement of Activities	23
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds	25
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (Budget Basis) General Fund	29
Balances- Budget and Actual (Budget Basis) Street Construction Maintenance & Repair Fund	30
Balances- Budget and Actual (Budget Basis) Bus Transit Fund	31
Statement of Fund Net Assets - Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Assets - Fiduciary Funds	36
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	37
Notes to the Basic Financial Statements	38
<u>Combining Statements and Individual Fund Schedules:</u>	
<u>Combining Statements - Nonmajor Funds:</u>	
Description of Funds	67
Combining Balance Sheet - Nonmajor Governmental Funds	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds	72

CITY OF CHILLICOTHE, OHIO

Comprehensive Annual Financial Report
For the Year Ended December 31, 2006

TABLE OF CONTENTS - Cont'd

Page

Combining Balance Sheet - Nonmajor Special Revenue Funds	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	76
Combining Balance Sheet - Nonmajor Capital Project Funds	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	81
Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balances/Equity - Budget and Actual (Budget Basis):	
General Fund	83
Street Construction Maintenance & Repair Fund	88
Bus Transit Fund	89
State Highway Fund	90
Parks and Recreation Fund	91
HUD Fund	92
Grants Fund	93
Floodwall Fund	94
Cablevision Fund	95
Income Tax Fund	96
Law Enforcement Fund	97
Indigent Driver's Alcohol Treatment Fund	98
OMVI Enforcement and Education Fund	99
Mandatory Drug Fines Fund	100
Parking Fund	101
Police Pension Fund	102
Fire Pension Fund	103
Bond Retirement Fund	104
Capital Improvement Fund	105
Issue II Fund	106
Safety Levy Capital Fund	107
Landfill Closure Fund	108
Parks and Recreation Capital Fund	109
Streetscape Fund	110
Carlisle Hill Fund	111
Description of Enterprise Funds	112
Water Fund	113
Sewer Fund	114
Description of Fiduciary and Agency Funds	115
Unclaimed Monies Fund	116
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	117

STATISTICAL SECTION

Statistical Table Description	118
Net Assets by Component, Last Five Years, (Accrual Basis of Accounting)	119
Changes in Net Assets, Last Five Years (Accrual Basis of Accounting)	120
Fund Balances, Governmental Funds, Last Ten Years (Modified Accrual Basis of Accounting)	122
Changes in Fund Balances, Governmental Funds, Last Ten Years (Modified Accrual Basis of Accounting)	123

CITY OF CHILLICOTHE, OHIO

Comprehensive Annual Financial Report
For the Year Ended December 31, 2006

TABLE OF CONTENTS - Cont'd

Page

Assessed Valuation and Estimated Actual Values of Taxable Property,	
Last Ten Years	124
Property Tax Rates - Direct and Overlapping Governments,	
Last Ten Years	125
Property Tax Levies and Collections, Last Ten Years	126
Principal Taxpayers - Real Estate Tax, 2006 and 1997	127
Income Tax Revenue Base and Collections, Last Six Years	128
Ratio of Outstanding Debt to Total Personal Income and Debt Per Capita, Last Ten Years	129
Ratio of General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita, Last Ten Years	130
Computation of Direct and Overlapping Governmental Activities Debt	131
Legal Debt Margin, Last Ten Years	132
Pledged Revenue Coverage, Water System Mortgage Revenue Bonds, Last Ten Years	133
Pledged Revenue Coverage, Sewer System Mortgage Revenue Bonds, Last Ten Years	134
Demographic and Economic Statistics, Last Ten Years	135
Principal Employers, Current Year and Ten Years Ago	136
Capital Assets Statistics by Function Program, Last Year	137
Full-Time Equivalent City Government Employees by Function Program, Last Five Years	138
Operating Indicators by Function Program, Last Year	139

This Page is Intentionally Left Blank.



CITY OF CHILLICOTHE — Ohio's First Capital

WILLIAM D. MORRISSEY, City Auditor



35 SOUTH PAINT STREET • P. O. BOX 457
CHILLICOTHE, OHIO 45601-0457

TELEPHONE (740) 775-3955
FAX (740) 773-4535

June 15, 2007

TO: The Honorable Citizens of Chillicothe
Mayor, Law Director, Treasurer and Members of City Council

FROM: City Auditor William D. Morrissey and Staff

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Chillicothe for the year ended December 31, 2006. This report, prepared by the City Auditor's Office, contains a comprehensive analysis of the City's financial position and activities for the year 2006. It is intended to provide all pertinent and necessary information to the Citizens of Chillicothe.

Responsibility for both the accuracy of the data presented and the completeness of the presentation rests with the City's management. We believe this data to be accurate in all material aspects and that it is presented in a manner which fairly sets forth both the financial position of the City and the operation of the City. It is hoped that this report will enable our citizens to better understand all of our City's services and functions as we strive to better serve the people of Chillicothe.

This Comprehensive Annual Financial Report is based on Government Accounting Standards Board Statement No. 34. Statement No. 34 was implemented to make annual financial reports easier to understand and more comprehensive for those who analyze these governmental reports.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Chillicothe's MD&A can be found immediately following the State Auditor's opinion letter.

The CAFR Report

This CAFR is presented in three basic sections: The introductory section which includes the table of contents, this transmittal letter, a reproduction of the 2005 Certificate of Achievement Award, a list of City Officials and a complete organizational chart. The second section is the financial section, which contains the State Auditor's Office opinion letter, MD&A, basic financial statements, notes to these statements and all pertinent financial information for the year 2006. The third section is the statistical section.

State Audit

The 2006 basic financial statements were audited by the State of Ohio Auditor's Office. This audit was conducted according to generally accepted auditing standards and Government Auditing Standards and included a legal and financial compliance audit, a review of internal controls and tests of transactions. The State Auditor's opinion letter is at the beginning of the financial section.

Reporting Entity

In accordance with the Governmental Accounting Standards Board (GASB) Statement 14, the following is a brief definition of the reporting entity. This report includes all funds, agencies, boards and commissions for which the City is financially accountable. In considering that responsibility the City must determine whether an entity is fiscally independent of the City, and whether it has the ability to significantly influence operations, select the governing authority, designate management and maintain accountability over fiscal matters of the entity. The reporting entity is discussed in more detail in Note 1 of the Notes to the Basic Financial Statements.

History and City Organization

The City of Chillicothe, the first capital of the State of Ohio, was founded in 1796 and served as Ohio's Capital twice from 1803 to 1809 and from 1812 to 1816. Located in Ross County, at the intersection of Routes 23, 35 and 50 just 45 miles south of Columbus, Ohio, our City covers 11.07 square miles and has approximately 21,796 citizens according to the latest census. The City has 12 public parks consisting of 225 acres, six public schools, one parochial school, a branch of Ohio University and two public libraries.

The City has operated under the Mayor - Council form of Government since 1965 and functions as such under the Ohio Revised Code statutes of law.

The Mayor is elected to four year terms and serves as the Chief Executive and Administrative Officer of the City. The Mayor is charged with enforcing the laws of Ohio and all City ordinances and appoints and removes all heads of departments except other elected officials and their employees. The Mayor has the authority to veto any legislation passed by City Council. Such veto may be overturned by a two thirds vote of City Council.

The Auditor is elected to four year terms and serves as the Chief Fiscal Officer of the City and has all the powers and duties as imposed by the laws of the State of Ohio. The City Auditor keeps the books of the City, receives all funds for the City and all its departments, and deposits all monies belonging to the City or held in trust by it. The City Auditor is responsible for the Tax Auditor and the collection of City income tax.

The City Auditor is also responsible for the issuing of all bonds and notes of the City. The Investment Board, made up of the City Auditor, the Mayor and the Law Director, determines the investments of the City's monies. City monies are invested within the framework of our policy as established by Ordinance #100-96. We invest in certificates of deposit with our local approved banks through a bid process as conducted by the City Auditor's Office whenever monies are available to invest, Treasury Notes and Money Market Funds.

The Treasurer, also elected to four year terms, signs all receipts and vouchers for payment and serves as a check and balance to the City Auditor.

The Law Director is elected to four year terms and serves as legal counsel to Council, the Auditor, the Administration, Civil Service, City Schools and represents the City in all civil and criminal matters.

City Council consists of nine members plus the President of Council, all of whom are elected to two year terms, and serves as the legislative branch of City Government. They are responsible for enacting ordinances and resolutions, appropriating funds, levying taxes, and fixing compensation for all City Officials and employees. Council appoints a Clerk of Council to assist them in legislative matters.

The City also operates a Municipal Court that employs two Judges, elected for six year terms, and a Municipal Clerk of Court.

A complete list of elected officials, department heads and an organizational chart are at the end of this section.

The City employs 296 people, both full-time and permanent part-time, to serve the citizens of Chillicothe in the various departments described as follows: Public Safety (Police, Fire and School Patrol), Recreation (Parks and Recreation), Utilities (Water, Sewer, Sanitation), Transportation (Bus System), Community Environment (Planning, Zoning, Economic Development), Streets (Engineering and Service Departments), General Government (Administrative services including Municipal Court), and Finance (including Auditor, Tax Auditor and Treasurer).

Economic Outlook

The economy in Chillicothe and Ross County was slightly down in some areas while up in others. Horizon Communications, after completing its restructuring in 2005, has positioned itself for future gains in 2006. Adena Regional Medical Center (ARMC) and Kenworth, along with parent company PACCAR did very well. The year was highlighted by the sale of NewPage paper company to Glatfelter, in April of 2006.

Adena Regional Medical Center continued the expansion of their services by opening the Adena Health Pavilion, a 75,000 square foot facility adjacent to the new Medical Office Building. Adena Regional Medical Center also added an open heart surgery and interventional cardiology unit and opened an urgent care for children unit.

Adena Regional Medical Center is planning a \$180 million expansion and renovation, which includes new maternity and pediatric units and an additional 40 bed inpatient nursing unit.

Kenworth had the best year in its history in 2006 achieving record build rates and employment levels. The Chillicothe plant was recognized as the "Plant of the Year" by Quality Magazine and received the trophy for being the safest plant in PACCAR.

It is anticipated that there will be a drop in demand for new trucks in the first half of 2007 because of significant changes in emission technology. Build rates are expected to return to previous levels by year end.

Glatfelter started their operations on April 3, 2006 ending what has been years of uncertainty about the future of the paper industry in Chillicothe. Many changes have taken place since, including moving the 125,000 ton per year book publishing paper production to Chillicothe from a plant in Neenah, Wisconsin.

Total paper production for 2006 under Glatfelter was 336,554 tons of which 85,322 tons were book paper and 188,548 tons were carbonless. In addition, the pulp mill produced 333,618 tons in 2006. The mill currently employs approximately 1,700 people with a payroll of approximately \$97 million. Glatfelter's Chillicothe operation is the company's largest and they look forward to a promising year in 2007.

Horizon Communications made many internal changes to address its goal of continued growth since 2005. They changed their health care plan to a Health Reimbursement Account program, froze its pension plans and instituted a more robust 401K plan with a company contribution.

Revenues increased as Horizon Communications rolled out new services in 2006. High Definition television has been a success and their ability to quickly respond to their customers' programming interests allowed them to significantly increase their cable television subscriber base. New very high speed data packages allow them to offer both residential and business customers the fastest internet speeds available. They expect to continue to offer even more beneficial new services in 2007.

The unemployment rate in Ross County at the end of 2006 was 6.2% as compared with 5.9% for the State.

City income tax revenue for 2006 was \$10,075,395, which was a decrease of \$134,440 or 1.33%. County sales taxes were \$11,219,814, an increase of \$551,444 or 5.17%. Strong growth continues to be evident in residential housing construction throughout the County and in the retail sector of our economy. The population of Ross County is currently estimated at 75,556.

In 2006, \$189,109 was collected in hotel-motel taxes. This was an increase of \$13,642 or 7.77%.

Major Initiatives

The year again saw many areas of our City and County's infrastructure and business community enhanced through efforts and projects such as the following:

- ▶ HUD grants totaling \$115,300 were utilized in areas such as fair housing, rental and private rehabilitation, and emergency home repair.
- ▶ The City's capital improvements included:
 - In Transit, a diagnostic scanner was purchased for \$6,500 and the radios in our buses were replaced for \$15,654. The department also acquired a used bus from Pickaway County. The Engineering department bought a G.P.S. system for \$9,980, a new plotter for \$9,600 and upgraded their CAD software computers including a server for \$37,950. The Fire department purchased a self contained breathing system for \$149,206 and a new rescue pumper for \$370,647. Municipal Court bought a video arraignment system for \$15,913. The Police department purchased five new patrol cars for \$108,004 and equipped thirteen vehicles with in car cameras thanks to a donation of \$50,635. They also upgraded their radio system with new equipment totaling \$21,715. The Service department replaced two refuse truck bodies for \$111,138. Traffic Control bought a used bucket truck for \$40,000. The Utility department replaced various equipment in the treatment plant totaling \$36,818. Distribution and Collection upgraded their facility and equipment with various purchases including a backup generator for a total of \$35,550. Utilities Administration purchased new software for \$62,895. They also purchased new computers, a server and five hand held meter readers for \$32,673.
- ▶ The Transit department continues to work toward a new facility on the corner of Watt and Seventh Streets with ground breaking expected in May or June, 2007. An additional \$119,500 was authorized to redo the plans for the new Transit facility.
- ▶ The City did \$456,689 in street and alley improvements.
- ▶ Building permits totaled \$97,684 in 2006 for \$21,179,322 in new construction and major rehab work.
- ▶ The local contractor registration ordinance that was passed in 1996 resulted in registering more than 345 contractors and fee revenue of \$21,800.
- ▶ A connector road and bridge has been constructed between Route 104 and Route 23 just north of Delano Road. Completion was December, 2006. This total project cost was \$30 million.
- ▶ The Jobs 2010 initiative was renamed "Economic Development Alliance of Southern Ohio" and is headed by Christopher Manegold, who was hired in July. They raised \$220,000 in 2006 to begin their operation dedicated to bringing jobs to Ross County.
- ▶ The C.I.C. is planning to build a 1,000,000 square foot spec building in 2007 funded by a state grant for \$500,000 and a \$500,000 zero interest loan for seven years. This building will be constructed in the Route 104 Industrial Park.
- ▶ The Armory in Yoctangee Park was sold to the City for \$1 and discussions are being held to determine its future use.
- ▶ \$43,200 was received from Ross County Jobs and Family Services to help open and operate the swimming pool in 2006.
- ▶ The City continues to work with Ross County Jobs and Family Services to utilize their personnel in various areas. Ross County Jobs and Family Services continues to lend support to the City in many ways including their Rossgo Program. This program is a coordinated effort between Ross County Jobs and Family Services, Chillicothe Transit, MRDD and other public and private transporters to provide transportation throughout Ross County. Ross County Jobs and Family Services total contribution for 2006 was \$584,661.

- ▶ The new Sam's Club on Bridge Street just south of Kmart opened in September 2006.
- ▶ \$25,000 was donated to the Ross-Chillicothe Visitor and Convention Bureau from the proceeds of the Hotel/Motel bed tax.
- ▶ 63.77 acres in the Yaples subdivision was annexed for future housing development.
- ▶ The City applied for a \$200,000 grant for relocating water and sewer lines in the Route 104 Industrial Park.
- ▶ An additional Assistant Law Director position was added for the sole purpose of collecting delinquent utility and income tax accounts.

Future Initiatives

The year 2007 is expected to see many new initiatives started which will enhance our City. Some other area developments that are planned to enhance our growth and progress are:

- ▶ It is planned to widen Rt. 104 to four lanes from Route 35 north to the Route 207 connector highway at a cost of \$9 to \$10 million.
- ▶The City is seeking grant revenue to build a pedestrian bike bridge over High Street to connect two portions of the bike path. This project should be completed in 2007.
- ▶ The addition of sewers for the Neenah Garden area is still in the planning stage.
 - ▶ Plans continue to develop the Herron property on Route 23 north, which is 800 acres and will include a full range of usage for jobs, retail and housing. It is planned to extend City sewer service to this site at a cost of \$250,000.
 - ▶ Expansion of our park facilities will continue with the addition of a 40 acre soccer complex west of our City on land donated by Sunrush Enterprises.
 - ▶ Plans are in place to improve the intersection of Bridge and Water Streets at a cost to the City of \$55,600, while the Ohio Department of Transportation will fund the remaining cost of the project.
 - ▶ A new Aquatech B-10 Flusher truck for Sewer Collection will be purchased in 2007 for \$193,000.
 - ▶ Annexation is planned for 9.1338 acres on the east side of North Bridge Street to provide further commercial development in the City.
 - ▶ Adena Regional Medical Center announced plans to partner with Wright State University to bring a four-year, prelicensure bachelor's degree in nursing (BSN) program to Chillicothe. The BSN program will be housed in a facility to be constructed on the campus of Adena Regional Medical Center, the Healthcare Education & Innovation Center. The Center will serve as the locus for healthcare education for nursing students, RNs working toward a bachelor's degree, continuing medical education for physicians, staff education and community education. The Center is tentatively set to open in the fall of 2009.

Budgetary Controls

The City Council adopts an annual appropriation ordinance at the beginning of each fiscal year (January 1st to December 31st). This appropriation is done in basic categories such as personal services (salaries and fringe benefits), travel transportation, materials and supplies, contractual services, capital outlay, miscellaneous expenditure/expense, transfers and debt service for each department. Within the travel transportation, materials and supplies, contractual services and miscellaneous expenditure/expense categories departments make needed adjustments throughout the course of the year as necessary. During the course of the year, only City Council may authorize by ordinance any additions, deletions or changes between funds as they have originally been appropriated.

Within each fund and/or department these dollars are maintained, as appropriated, on a daily basis by the Auditor's Office with weekly detailed budget expense reports distributed to all departments. Each department controls their own expenditures/expenses and budgets.

The City maintains its budgetary control by not allowing expenditures/expenses plus encumbrances to exceed appropriations at the fund level. All purchases by the City are processed through the computer system in two stages. A department first initiates a purchase by issuing a purchase requisition which is approved by the Purchasing Agent, the Mayor and then by the City Auditor. In turn this is then converted to a purchase order which again is signed by both the Purchasing Agent and the City Auditor and then forwarded to the appropriate vendor. It is important to note the Auditor approves as to availability of funds and reviews as to the legality of the expenditures. It should also be noted that any purchase in excess of \$500 must be approved by the Board of Control, which is made up of the Mayor, Service Director and the Safety Director.

Internal Controls

The City's accounting system has in place many internal controls to ensure reasonable, although not absolute, assurance that all of the City's assets are protected against loss from unauthorized or improper use or disposition. These controls require that all executed transactions follow set guidelines and are subject to multiple approvals. These controls are designed to ensure that explicit and complete financial records are maintained to the satisfaction of the City Auditor, the State Auditor and meet GAAP financial guidelines. It should be noted that the "reasonable assurance" concept recognizes that the cost of a control should not exceed the benefits likely to be derived therefrom and that it is the task of management to make that evaluation.

One of the objectives of the annual audit by the State Auditor's Office is a review of these internal controls to provide reasonable assurance over the City's financial reporting.

Cash Management

The City Auditor is responsible for investing all the City's funds and accomplishes this by investing in certificates of deposit, money markets and Treasury Notes with our local banks. These certificates of deposit range in length from thirty days to one year and are awarded on a bid basis to the institution having the best bid whenever an investment is to be made. In addition, our City takes advantage of every opportunity to earn interest on all other funds including the float on outstanding checks and funds being held by bond trustees. Interest earned on all investments is designated to the General Fund by law. The only exception being for specifically designated trustee funds and borrowed funds for major projects such as those within the Water and Sewer Funds.

On September 23, 1996 the City formally adopted, by Ordinance #100-96, an investment policy as required by Sub. Senate Bill #81.

Risk Management

The City maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for general liability, law enforcement liability, errors and omissions liability, vehicle/fleet liability, contractor's equipment, and boiler and machinery coverage are purchased through commercial carriers. Insurance coverages, small claims and settlements must be approved by the City's Insurance Committee which is made up of the City Auditor, Purchasing Agent and the Chair of the City Council Finance Committee.

The City manages health and dental benefits for its employees through a fully funded plan.

The City also participates in the Workers' Compensation Program offered by the State of Ohio.

More detailed information about the insurance programs in force at December 31, 2006 is included in Note 18 of the Notes to the Basic Financial Statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chillicothe for its **Comprehensive Annual Financial Report (CAFR)** for the year ended December 31, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized **Comprehensive Annual Financial Report**, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Chillicothe has now received a Certificate of Achievement for each of the years ended December 31, 1991 through December 31, 2005. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgment

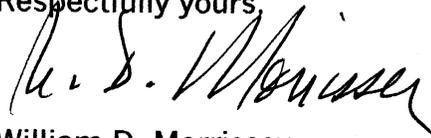
This Comprehensive Annual Financial Report for the City of Chillicothe is the sixteenth for our City and represents not only a tremendous effort on the part of the Auditor's staff but is indicative of the professionalism of all the people involved. With this report our taxpayers may now better understand the operation of our City and its basic financial structure.

I would first like to thank all members of my staff who are listed on page 12 and especially my Office Manager, Donna Taylor, who spent many hours compiling and entering the data for this report.

I would also like to thank J. L. Uhrig & Associates, C.P.A. for their efforts. Without their assistance, this project would have been extremely difficult to accomplish and certainly would not have achieved the high level of professionalism exhibited herein. Our thanks also to the State of Ohio Auditor, Mary Taylor's staff for their assistance and helpful service throughout the 22 years I have served as Chillicothe City Auditor.

Finally, I would like to thank our City Council Members and the Administration for their cooperation and support throughout the course of this project.

Respectfully yours,



William D. Morrissey
Chillicothe City Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chillicothe
Ohio

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

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



President

Executive Director

CITY OF CHILLICOTHE, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

Prepared by Office of City Auditor

CITY OFFICIALS

MAYOR

Joseph P. Sulzer
Term Expires 12-31-07

CITY COUNCIL

Robert L. Shoultz
President
Term Expires 12-31-07

Thomas Trutschel
Term Expires 12-31-07
Sixth Term - 1st Ward

Eric Rinehart
Term Expires 12-31-07
Fourth Term - 2nd Ward

Queen Lester
Term Expires 12-31-07
First Term - 3rd Ward

Jean Malone
Term Expires 12-31-07
Fifth Term - 4th Ward

William Bonner
Term Expires 12-31-07
Fifth Term - 5th Ward

Patricia Patrick
Term Expires 12-31-07
Second Term - 6th Ward

Diane Carnes
Term Expires 12-31-07
First Term - At Large

Cynthia Henderson
Term Expires 12-31-07
Second Term - At Large

Bartow Henshaw
Term Expires 12-31-07
Third Term - At Large

CITY AUDITOR

William D. Morrissey
21 years of Service
Term Expires 12-31-09

CITY TREASURER

David A. Neal
Fourth Term Expires 12-31-09

DIRECTOR OF LAW

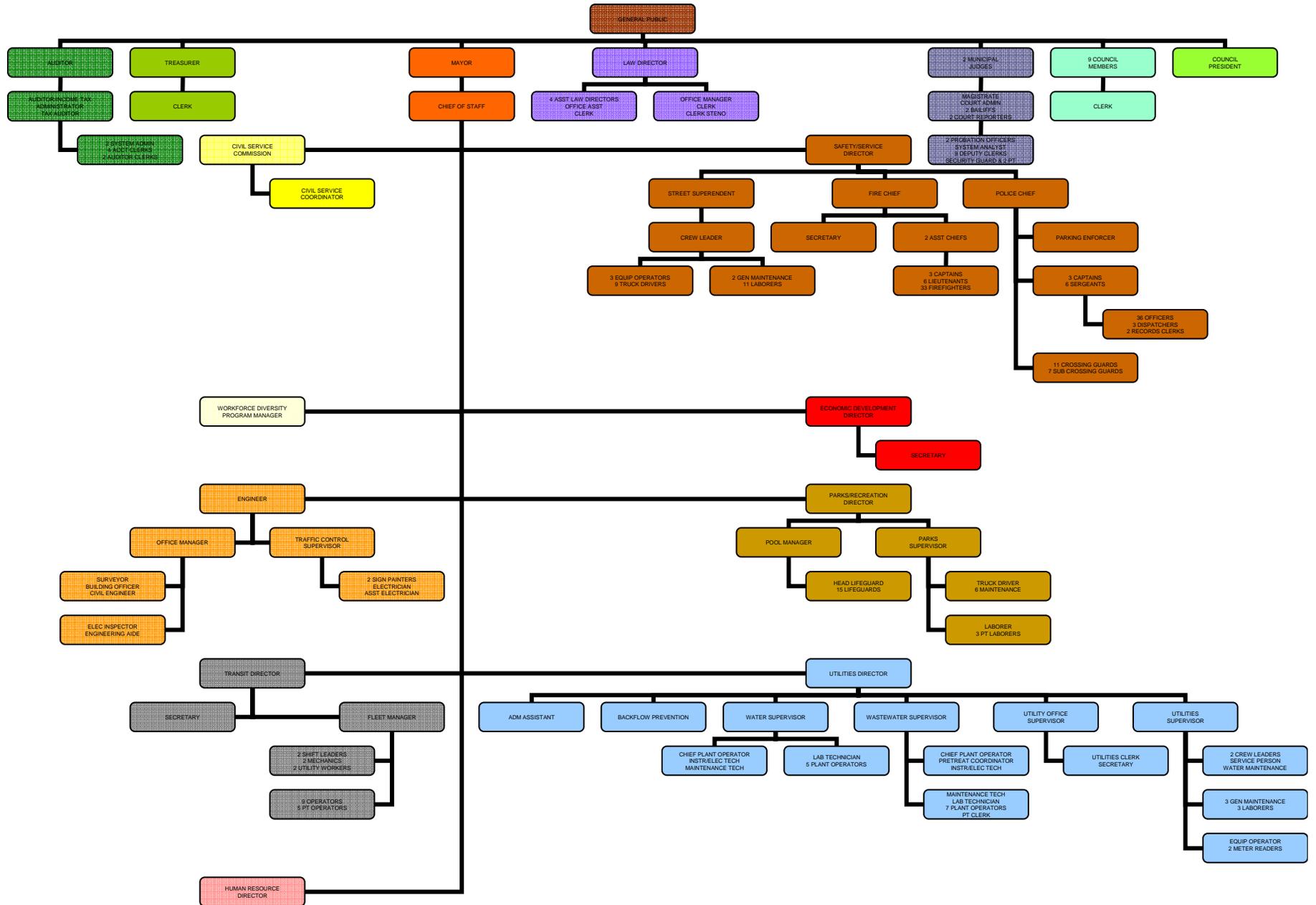
Toni Eddy
First Term Expires 12-31-07

CITY OF CHILLICOTHE, OHIO
LISTING OF APPOINTED OFFICIALS

ENGINEER	Thomas Day
CHIEF OF STAFF	Matthew Allen
UTILITIES DIRECTOR	Richard Johnson
SAFETY/SERVICE DIRECTOR	Michael Pfeiffer
PERSONNEL DIRECTOR	Nancy McNeeley
RECREATION DIRECTOR	Brad Cosenza
TRANSIT DIRECTOR	Michael Scholl
CLERK OF COUNCIL	John Fosson
ASSISTANT LAW DIRECTOR	Mark Preston
ASSISTANT LAW DIRECTOR	Edward Bunstine
ASSISTANT LAW DIRECTOR	Michelle Rout
ASSISTANT LAW DIRECTOR	Anna V. Jenkins

CITY OF CHILLICOTHE

ORGANIZATIONAL CHART



CITY OF CHILLICOTHE, OHIO
2006 CITY AUDITOR'S STAFF

CITY AUDITOR	William D. Morrissey
AUDITOR/INCOME TAX ADMINISTRATOR DEPUTY AUDITOR	Donna J. Taylor
TAX AUDITOR	Julie A. Parker
SYSTEM ADMINISTRATOR	Linda J. Tackett
SYSTEM ADMINISTRATOR	Kathy L. Knece
ACCOUNTING CLERK	Holly Cousins
ACCOUNTING CLERK	Mary Schmidt
ACCOUNTING CLERK	Heidi Leasure
AUDITOR'S CLERK	Sarah Miller
AUDITOR'S CLERK	Hudson Ward



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Chillicothe
Ross County
35 South Paint Street
Chillicothe, Ohio 45601

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chillicothe, Ross 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining non-major fund statements and schedules, and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining non-major fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and the statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 15, 2007

City of Chillicothe, Ohio

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

The discussion and analysis of the City of Chillicothe's financial performance provides an overall review of its financial activities for the year ended December 31, 2006. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader understand our performance.

Financial Highlights

1. The City of Chillicothe's total net assets increased \$858,716; net assets of the governmental activities decreased \$85,245; and net assets of the business-type activities increased \$943,961.
2. The General Fund balance of \$4,001,718 increased \$307,300 or 8.32% from the previous year's balance of \$3,694,418. This was a result of decreased expenses in Accounts Payable.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Chillicothe's basic financial statements. The City of Chillicothe's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Chillicothe's finances, in a manner similar to private-sector businesses.

The *statement of net assets* presents information on all of the City of Chillicothe's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Chillicothe is improving or deteriorating.

The *statement of activities* presents information showing how the City of Chillicothe's net assets changed during the recent fiscal year.

Both of the government-wide financial statements distinguish functions of the City of Chillicothe that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, security of persons and property, transportation, community environment, basic utility services and leisure time activities. The business-type activities include water and sewer operations.

The government-wide financial statements can be found starting on page 22 of this report.

City of Chillicothe, Ohio

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

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. Some funds are required to be established by State law and by bond covenants. However, the Auditor establishes many other funds to help control and manage money for particular purposes or to show that the City of Chillicothe is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Chillicothe can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Most of the City of Chillicothe's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of its general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the *statement of net assets* and the *statement of activities*) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Chillicothe maintains 25 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Street Construction Maintenance & Repair Fund, and Bus Transit fund, which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Chillicothe adopts an annual appropriated budget for each of its funds. A budgetary comparison schedule (budget basis) has been provided in the combining and individual fund section of this report for each governmental and proprietary fund to demonstrate budgetary compliance.

Proprietary Funds - The City of Chillicothe uses enterprise funds to account for its water and sewer operations. Proprietary funds are reported in the same way that all activities are reported in the *statement of net assets* and the *statement of activities* using the full accrual basis of accounting. The City of Chillicothe has two funds that are considered to be major funds, the water and sewer funds.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City of Chillicothe to provide services to our citizens, the view as a whole looks at all financial transactions.

The *statement of net assets* and the *statement of activities* include all assets and liabilities using the full accrual basis of accounting similar to the accounting used by the private sector.

City of Chillicothe, Ohio

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

The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

The City of Chillicothe as a Whole

The following two statements reflect the net assets of the City of Chillicothe as a whole and are divided into the following categories:

assets
liabilities
net assets (assets minus liabilities)
revenues
expenses
increase (decrease) in net assets

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005 Restated	2006	2005 Restated	2006	2005 Restated
Assets						
Current and Other Assets	\$11,798,344	\$10,533,886	\$10,545,455	\$10,527,060	\$22,343,799	\$21,060,946
Capital Assets, Net	<u>43,490,930</u>	<u>45,383,554</u>	<u>41,114,918</u>	<u>41,794,701</u>	<u>84,605,848</u>	<u>87,178,255</u>
<i>Total Assets</i>	<u>55,289,274</u>	<u>55,917,440</u>	<u>51,660,373</u>	<u>52,321,761</u>	<u>106,949,647</u>	<u>108,239,201</u>
Liabilities						
Current and Other Liabilities	2,867,982	3,532,763	560,924	1,198,372	3,728,906	4,731,135
Long-Term Liabilities:						
Due within One Year	1,185,963	1,136,261	1,540,538	1,493,833	2,726,501	2,630,094
Due in More Than One Year	<u>4,019,403</u>	<u>3,947,245</u>	<u>10,582,806</u>	<u>11,597,412</u>	<u>13,902,209</u>	<u>15,544,657</u>
<i>Total Liabilities</i>	<u>8,073,348</u>	<u>8,616,269</u>	<u>12,684,268</u>	<u>14,289,617</u>	<u>20,757,616</u>	<u>22,905,886</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	42,148,445	43,667,909	29,514,918	28,629,701	71,663,363	72,297,610
Restricted for:						
Debt Service	0	0	1,784,142	1,717,558	1,784,142	1,717,558
Capital Projects	860,236	852,087	1,712,772	1,817,822	2,573,008	2,669,909
Permanent Fund Purpose:						
Expendable	2,067	2,027	0	0	2,067	2,027
Nonexpendable	1,000	1,000	0	0	1,000	1,000
Other Purposes	2,537,400	1,776,992	0	0	2,537,400	1,776,992
Unrestricted (Deficit)	<u>1,666,778</u>	<u>1,001,156</u>	<u>5,964,273</u>	<u>5,867,063</u>	<u>7,631,051</u>	<u>6,868,219</u>
Total Net Assets	<u>\$47,215,926</u>	<u>\$47,301,171</u>	<u>\$38,976,105</u>	<u>\$38,032,144</u>	<u>\$86,192,031</u>	<u>\$85,333,315</u>

Current and other assets of governmental activities increased by \$1,264,458 or 12.00% due mostly to an increase in intergovernmental receivable. Capital assets and investments in capital assets, net of the related debt of the governmental activities decreased due to depreciation expenses exceeding current capital asset additions. Total liabilities of the governmental activities decreased by \$542,921 or 6.30% due to the City of Chillicothe making scheduled debt payments and decreases in contracts payable and intergovernmental payable.

City of Chillicothe, Ohio

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

Current and other assets of business-type activities increased by \$18,395 or 0.17% due to an increase in cash and cash equivalents used to retire debt. Capital assets decreased by \$679,783 or 1.63% due to depreciation expense exceeding current capital asset additions.

Total liabilities of business-type activities decreased by \$1,605,349 or 11.23% due to principal retirement of debt. Investment in capital assets, net of related debt increased \$885,217 or 3.09% due to principal retirement of debt.

The City of Chillicothe's total net assets increased from \$85,333,315 in 2005 to \$86,192,031 in 2006, a change of \$858,716 or 1.00%.

This increase in the City of Chillicothe's total net assets is the result of a decrease in the net assets of the governmental activities of \$85,245 or 0.18% and an increase in the net assets of the business-type activities of \$943,961 or 2.48%.

For the governmental activities, the City of Chillicothe is optimistic that the implementation of changes to the income tax filing process will enhance revenues, and it continues to review expenses for various cost containment measures in an effort to prevent any decrease in future net assets. For the business-type activities, the City of Chillicothe increased water and sewer rates during 2006 to aid in the support of the water and sewer operations.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for years 2006 and 2005.

Changes in Net Assets

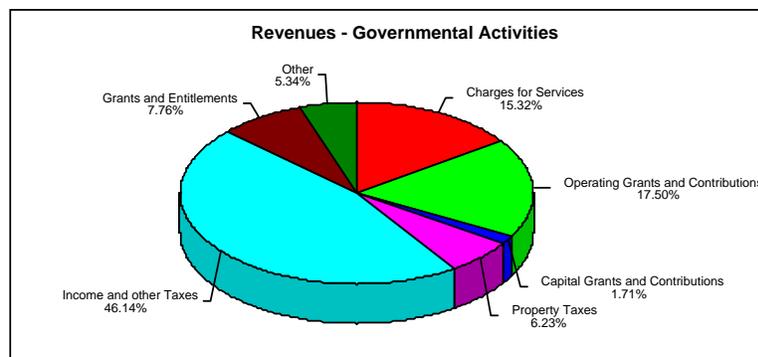
	Governmental Activities		Business-Type Activities		Total	
	2006	2005 Restated	2006	2005 Restated	2006	2005 Restated
Revenues						
Program Revenues:						
Charges for Services	\$3,507,755	\$4,485,076	\$7,461,299	\$7,561,515	\$10,969,054	\$12,046,591
Operating Grants and Contributions	4,006,861	2,251,441	0	0	4,006,861	2,251,441
Capital Grants and Contributions	390,873	0	0	0	390,873	0
General Revenues:						
Property Taxes	1,425,510	1,466,655	0	0	1,425,510	1,466,655
Income and other Taxes	10,564,465	10,374,825	0	0	10,564,465	10,374,825
Grants and Entitlements	1,775,562	1,661,266	0	0	1,775,562	1,661,266
Other	1,223,271	701,572	200,701	100,349	1,423,972	801,921
Total Revenues	22,894,297	20,940,835	7,662,000	7,661,864	30,556,297	28,602,699
Program Expenses						
General Government	4,021,651	5,207,638	0	0	4,021,651	5,207,638
<i>Security of Persons and Property:</i>						
Police	4,895,745	4,576,143	0	0	4,895,745	4,576,143
Fire	4,751,817	4,233,574	0	0	4,751,817	4,233,574
Transportation	6,446,996	5,814,354	0	0	6,446,996	5,814,354
Community Environment	698,547	1,113,876	0	0	698,547	1,113,876
Basic Utility Services	1,006,902	792,471	0	0	1,006,902	792,471
Leisure Time Activities	1,040,184	1,070,174	0	0	1,040,184	1,070,174
Interest and Fiscal Charges	101,033	100,026	0	0	101,033	100,026

City of Chillicothe, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Water and Sewer	0	0	6,734,706	7,193,225	6,734,706	7,193,225
<i>Total Expenses</i>	<u>22,962,875</u>	<u>22,908,256</u>	<u>6,734,706</u>	<u>7,193,225</u>	<u>29,697,581</u>	<u>30,101,481</u>
Increase (Decrease) in Net Assets Before Transfers	(68,578)	(1,967,421)	927,294	468,639	858,716	(1,498,782)
Net Transfers In (Out)	<u>(16,667)</u>	<u>(22,060)</u>	<u>16,667</u>	<u>22,060</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	(85,245)	(1,989,481)	943,961	490,699	858,716	(1,498,782)
Net Assets at Beginning of Year	<u>47,301,171</u>	<u>49,290,652</u>	<u>38,032,144</u>	<u>37,541,445</u>	<u>85,333,315</u>	<u>86,832,097</u>
Net Assets at End of Year	<u><u>\$47,215,926</u></u>	<u><u>\$47,301,171</u></u>	<u><u>\$38,976,105</u></u>	<u><u>\$38,032,144</u></u>	<u><u>\$86,192,031</u></u>	<u><u>\$85,333,315</u></u>

Governmental Activities

Governmental activities decreased the City of Chillicothe's net assets by \$85,245. The primary reason for the decrease in net assets relates to a slight increase in expenses compared to revenues. The major cost factors involved in the increase in police, fire, transportation, and basic utility services are salaries and fringe benefits, including medical insurance. Revenues were relatively stable except for charges for services which decreased 21.79%, capital grants which increased 100.0%, and operating grants and contributions which increased 77.97% for the year.

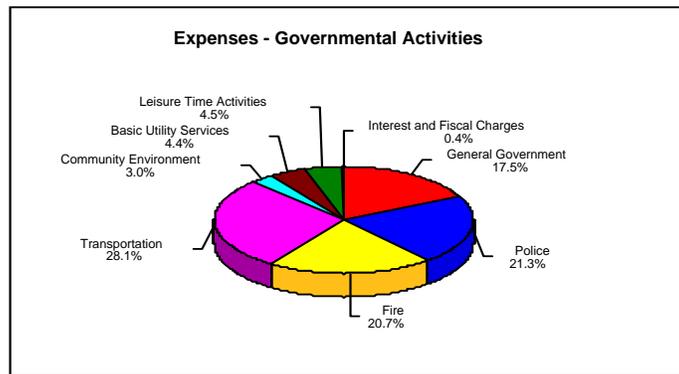


The income and other tax revenue for 2006 was \$10,564,465. Of the \$22,894,297 in total revenues, income and other tax accounts for 46.14% of that total. Charges for services of \$3,507,755 account for 15.32% of total revenues. Operating and capital grants and contributions account for 19.21% of the total and grants and entitlements, property taxes, and other revenue make up the remaining 19.33%.

In 2006 income and other tax increased \$189,640 from 2005. This was mainly the result of mandatory tax filing that began in 2004. Operating grants and contributions increased \$1,755,420 in 2006. This was due to an increase in intergovernmental receivable and bus transit grant funding. Capital grants and contributions increased \$390,873 in 2006. This was the result of new Issue II grant funding received in 2006.

The City of Chillicothe monitors its source of revenues very closely for fluctuations.

City of Chillicothe, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2006
 Unaudited

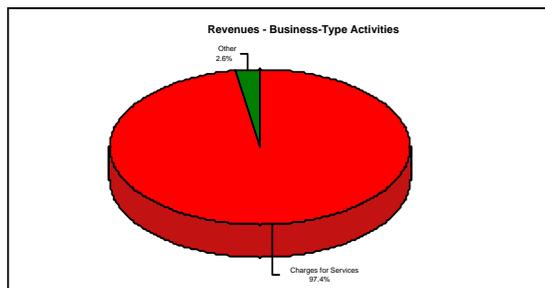


In 2006 community environment expenses decreased \$415,329 due to a decrease in HUD activity. Transportation and Security of Persons and Property expenses increased due to an increase in salaries and fringe benefits.

The largest functional expense for the City of Chillicothe was for security of persons and property, which include the Police and Fire departments.

Business-Type Activities

The business-type activities of the City of Chillicothe, which include its water and sewer operations, increased the net assets by \$943,961. The majority of the increase in net assets is the result of the decrease in operating expenses for the water and sewer operations and an increase in the water and sewer rates.



Financial Analysis of the City of Chillicothe's Funds

Governmental Funds

The focus of the City of Chillicothe's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting. The General Fund is the chief operating fund of the City of Chillicothe. At the end of 2006, the total fund balance for the General Fund was \$4,001,718 of which \$3,801,025 was unreserved.

City of Chillicothe, Ohio

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

During the current year, the fund balance of the General Fund increased by \$307,300. The increase in the General Fund balance is due to an increase in various revenues and a decrease in various expenditures.

At the end of 2006, the Street Construction Maintenance & Repair Fund had a fund balance of \$463,794, which was the result of the City reissuing \$600,000 of bond anticipation notes in this fund.

At the end of 2006, the Bus Transit Fund had a fund balance of \$655,371. This was the result of an increase in grant funds received during 2006.

Proprietary Funds

During the current year, the net assets of the City of Chillicothe's water fund increased by \$747,391 or 3.88%. The increase in the Water Fund net assets is due mostly to an increase in the water rates and less interest and fiscal charges.

During the current year, the net assets of the Sewer Fund increased by \$196,570 or 1.05%. The increase in the Sewer Fund net assets is due mostly to an increase in the sewer rates and less interest and fiscal charges.

General Fund Budgeting Highlights

The City of Chillicothe's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. During 2006, the City of Chillicothe amended its General Fund budget on various occasions. All recommendations for budget changes come to the Finance Committee of City Council for review before going to the whole Council for an ordinance on the change. The City of Chillicothe does allow small interdepartmental budget changes that modify line items within departments within the same fund.

For the General Fund, the original budgeted revenues were \$15,419,068 and the final budgeted revenue amount was \$15,639,132.

The differences between the General Fund's original budget and final amended budget of expenditures amounted to a \$857,040 increase, which included the changes that follow:

- One significant change was \$203,474 additional appropriation in security of persons and property.
- The most significant change was \$319,482 additional appropriation in general government.

City of Chillicothe, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2006

Unaudited

Capital Assets and Debt Administration

CAPITAL ASSETS AT DECEMBER 31 (NET OF DEPRECIATION)

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	\$6,641,050	\$6,641,050	\$1,889,017	\$1,889,017
Land Improvements	129,213	260,403	0	101
Buildings, Structures and Improvements	6,673,335	6,949,206	2,316,334	2,427,453
Plant and Facilities	0	0	16,855,757	17,355,489
Furniture, Fixtures, & Equipment	1,620,898	1,164,726	169,816	153,274
Infrastructure	28,426,434	30,368,169	19,883,994	19,969,367
Total	<u>\$43,490,930</u>	<u>\$45,383,554</u>	<u>\$41,114,918</u>	<u>\$41,794,701</u>

Total capital assets for governmental activities of the City of Chillicothe for the year 2006 were \$43,490,930 or \$1,892,624 less than in 2005. This decrease was mostly due to the annual depreciation expense.

The decrease in capital assets for business-type activities of \$679,783 was due primarily to the annual depreciation expense.

Additional information concerning its capital assets can be found in Note 7 of the notes to the basic financial statements.

As of December 31, 2006, the City of Chillicothe had \$13,960,900 in bonds, OPWC loan, and notes outstanding with \$2,127,607 due within one year.

OUTSTANDING DEBT AT DECEMBER 31

	2006	2005
Governmental Activities		
General Obligation Bond Retirement Bonds:		
Various Purpose	\$1,195,000	\$1,435,000
Police and Fire Pension	465,000	480,000
Street Improvement Note	600,000	800,000
OPWC Loan	100,900	113,513
Total Governmental Activities	<u>2,360,900</u>	<u>2,828,513</u>
Business-Type Activities		
Water Revenue Bonds	8,625,000	9,570,000
Sewer Revenue Bonds	520,000	760,000
Sewer General Obligation Bonds	1,855,000	1,935,000
Water and Sewer Notes	600,000	900,000
Total Business-Type Activities	<u>11,600,000</u>	<u>13,165,000</u>
Total	<u>\$13,960,900</u>	<u>\$15,993,513</u>

City of Chillicothe, Ohio

Management's Discussion and Analysis

For the Year Ended December 31, 2006

Unaudited

The general obligation bonds issued for various purposes are comprised of (1) #1 fire house, (2) jail complex, and (3) landfill closure obligations and sewer project. In 2003 the City of Chillicothe refunded the various purpose general obligation bonds and water revenue bonds.

In 1999 the City of Chillicothe issued general obligation bonds to pay off its debt to the Ohio Police and Fire Pension Fund.

There is \$8,625,000 in water revenue bonds and \$520,000 in sewer revenue bonds.

The \$600,000 general obligation note is for street improvements.

The \$600,000 water note is for the water tower.

The \$100,900 OPWC loan was for street improvements.

Additional information concerning the City of Chillicothe's debt can be found in Note 8 and Note 9 of the notes to the basic financial statements.

Current Known Facts and Conditions

In spite of continuing reductions in employment levels at Glatfelter and Horizon Communications in 2006, City income tax collections increased. Much of this increase is due to the impact of mandatory tax filing. These figures make it difficult to evaluate the impact of our job losses.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Chillicothe's finances and to show the it's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Auditor's Office, 35 S. Paint Street, Chillicothe, Ohio 45601.

THIS PAGE LEFT BLANK INTENTIONALLY

City of Chillicothe, Ohio

Statement of Net Assets

December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash & Cash Equivalents	\$6,044,922	\$5,638,901	\$11,683,823
Cash and Cash Equivalents in Segregated Accounts	31,610	0	31,610
Investment in City Treasury	1,000	0	1,000
Accounts Receivable	184,775	1,189,947	1,374,722
Internal Balances	1,007	(1,007)	0
Intergovernmental Receivable	2,570,911	0	2,570,911
Income Tax Receivable	1,336,195	0	1,336,195
Property Tax Receivable	1,329,356	0	1,329,356
Other Taxes Receivable	67,540	0	67,540
Special Assessments Receivable	39,430	9,852	49,282
Materials and Supplies Inventory	75,380	32,381	107,761
Prepaid Items	116,218	44,803	161,021
<i>Restricted Assets:</i>			
Equity in Pooled Cash & Cash Equivalents	0	1,712,772	1,712,772
Cash & Cash Equivalents with Fiscal and Trustees	0	1,784,142	1,784,142
Deferred Charges	0	133,664	133,664
Nondepreciable Capital Assets	6,641,050	1,889,017	8,530,067
Depreciable Capital Assets, Net	36,849,880	39,225,901	76,075,781
Total Assets	55,289,274	51,660,373	106,949,647
Liabilities			
Accounts Payable	208,036	55,327	263,363
Contracts Payable	257,638	35,291	292,929
Accrued Wages Payable	211,566	42,102	253,668
Intergovernmental Payable	691,555	80,933	772,488
Accrued Interest Payable	18,026	47,219	65,245
Retainage Payable	27,057	0	27,057
Claims Payable	242	52	294
Unearned/Deferred Revenue	1,253,862	0	1,253,862
Notes Payable	200,000	300,000	500,000
<i>Noncurrent Liabilities:</i>			
<i>Long-Term Liabilities:</i>			
Due within One Year	1,185,963	1,540,538	2,726,501
Due in More Than One Year	4,019,403	10,582,806	14,602,209
Total Liabilities	8,073,348	12,684,268	20,757,616
Net Assets			
Investments in Capital Assets, Net of Related Debt	42,148,445	29,514,918	71,663,363
<i>Restricted for:</i>			
Debt Service	0	1,784,142	1,784,142
Capital Projects	860,236	1,712,772	2,573,008
Housing and Urban Development Program	564,022	0	564,022
Bus Transit	537,217	0	537,217
Street Maintenance and Repair	241,458	0	241,458
Other Purposes	1,194,703	0	1,194,703
<i>Permanent Fund Purpose:</i>			
Expendable	2,067	0	2,067
Nonexpendable	1,000	0	1,000
Unrestricted	1,666,778	5,964,273	7,631,051
Total Net Assets	\$47,215,926	\$38,976,105	\$86,192,031

See accompanying notes to the basic financial statements

Statement of Activities

For the Year Ended December 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$4,021,651	\$1,314,164	\$24,617	\$0
<i>Security of Persons and Property:</i>				
Police	4,895,745	59,875	0	0
Fire	4,751,817	923,551	0	0
Transportation	6,446,996	132,002	3,217,282	390,873
Community Environment	698,547	0	719,748	0
Basic Utility Services	1,006,902	1,002,555	0	0
Leisure Time Activities	1,040,184	75,608	45,214	0
Interest and Fiscal Charges	101,033	0	0	0
Total Governmental Activities	22,962,875	3,507,755	4,006,861	390,873
Business-Type Activities				
Water	3,722,375	4,327,931	0	0
Sewer	3,012,331	3,133,368	0	0
Total Business-Type Activities	6,734,706	7,461,299	0	0
Totals	\$29,697,581	\$10,969,054	\$4,006,861	\$390,873

General Revenues

Property Taxes Levied for:

 General Purposes

Municipal Income Taxes Levied for:

 General Purposes

 Capital Outlay

 Other Taxes

Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and 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
(\$2,682,870)	\$0	(\$2,682,870)
(4,835,870)	0	(4,835,870)
(3,828,266)	0	(3,828,266)
(2,706,839)	0	(2,706,839)
21,201	0	21,201
(4,347)	0	(4,347)
(919,362)	0	(919,362)
<u>(101,033)</u>	<u>0</u>	<u>(101,033)</u>
<u>(15,057,386)</u>	<u>0</u>	<u>(15,057,386)</u>
0	605,556	605,556
<u>0</u>	<u>121,037</u>	<u>121,037</u>
0	726,593	726,593
<u>(15,057,386)</u>	<u>726,593</u>	<u>(14,330,793)</u>
1,425,510	0	1,425,510
9,452,405	0	9,452,405
691,474	0	691,474
420,586	0	420,586
1,775,562	0	1,775,562
544,065	127,267	671,332
<u>679,206</u>	<u>73,434</u>	<u>752,640</u>
14,988,808	200,701	15,189,509
<u>(16,667)</u>	<u>16,667</u>	<u>0</u>
<u>14,972,141</u>	<u>217,368</u>	<u>15,189,509</u>
(85,245)	943,961	858,716
<u>47,301,171</u>	<u>38,032,144</u>	<u>85,333,315</u>
\$47,215,926	\$38,976,105	\$86,192,031

City of Chillicothe, Ohio

Balance Sheet
Governmental Funds

December 31, 2006

	General	Street Construction Maintenance & Repair	Bus Transit Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash & Cash Equivalents	\$2,646,611	\$472,657	\$591,937	\$2,333,717	\$6,044,922
Cash and Cash Equivalents in Segregated Accounts	27,057	0	0	4,553	31,610
Investment in City Treasury	0	0	0	1,000	1,000
Accounts Receivable	183,446	0	455	874	184,775
Interfund Receivable	92,392	0	0	163,000	255,392
Intergovernmental Receivable	1,068,027	556,484	364,322	582,078	2,570,911
Income Tax Receivable	1,085,659	0	83,512	167,024	1,336,195
Property Tax Receivable	1,074,428	0	0	254,928	1,329,356
Other Taxes Receivable	67,540	0	0	0	67,540
Special Assessments Receivable	39,430	0	0	0	39,430
Materials and Supplies Inventory	58,976	8,761	7,643	0	75,380
Prepaid Items	99,049	942	9,689	6,538	116,218
Total Assets	\$6,442,615	\$1,038,844	\$1,057,558	\$3,513,712	\$12,052,729
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$104,654	\$11,342	\$61,258	\$30,782	\$208,036
Contracts Payable	6,342	420	250,456	420	257,638
Accrued Wages Payable	172,968	10,928	18,518	9,152	211,566
Intergovernmental Payable	349,613	21,737	37,206	282,999	691,555
Retainage Payable	27,057	0	0	0	27,057
Interfund Payable	0	0	30,449	223,936	254,385
Claims Payable	193	15	20	14	242
Accrued Interest Payable	0	13,322	0	0	13,322
Notes Payable	0	200,000	0	0	200,000
Deferred Revenue	1,780,070	317,286	4,280	789,966	2,891,602
Total Liabilities	2,440,897	575,050	402,187	1,337,269	4,755,403
Fund Balances					
Reserved for Permanent Fund	0	0	0	1,000	1,000
Reserved for Encumbrances	101,644	0	698,393	51,759	851,796
Reserved for Prepaid Items	99,049	942	9,689	6,538	116,218
<i>Unreserved Reported in:</i>					
General Fund	3,801,025	0	0	0	3,801,025
Special Revenue Funds	0	462,852	(52,711)	1,291,491	1,701,632
Debt Service Fund	0	0	0	13,085	13,085
Capital Projects Funds	0	0	0	810,503	810,503
Permanent Fund	0	0	0	2,067	2,067
Total Fund Balances	4,001,718	463,794	655,371	2,176,443	7,297,326
Total Liabilities and Fund Balances	\$6,442,615	\$1,038,844	\$1,057,558	\$3,513,712	\$12,052,729

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities

December 31, 2006

Total Governmental Fund Balances \$7,297,326

**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 43,490,930

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds:

Property and Other Taxes	41,637
Income Taxes	68,484
Intergovernmental	1,508,009
Special Assessments	<u>19,610</u>

Total 1,637,740

Some interest is not due and payable in the current period and
therefore is not reported in the funds. (4,704)

Some liabilities, including the bonds and loan payable, are not due
and payable in the current period and therefore are not
reported in the funds:

General Obligation Bonds	(1,195,000)
Police & Fire Pension Bonds	(465,000)
OPWC Loan Payable	(100,900)
Notes Payable	(400,000)
Premium on Bonds Issued	(10,402)
Capital Leases Payable	(162,223)
Landfill Postclosure Costs	(688,728)
Compensated Absences Payable	(2,183,113)

Total (5,205,366)

Net Assets of Governmental Activities \$47,215,926

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2006

	General	Street Construction Maintenance & Repair	Bus Transit Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$1,155,898	\$0	\$0	\$274,638	\$1,430,536
Municipal Income Taxes	8,040,218	0	629,714	1,405,463	10,075,395
Other Taxes	420,586	0	0	0	420,586
Charges for Services	1,966,615	0	78,018	91,066	2,135,699
Fines, Licenses, and Permits	1,327,309	0	0	44,747	1,372,056
Intergovernmental	1,718,067	1,037,788	2,131,644	797,834	5,685,333
Special Assessments	5,017	0	0	0	5,017
Investment Earnings	543,748	0	0	317	544,065
Miscellaneous	489,491	32,446	41,751	169,316	733,004
Total Revenue	15,666,949	1,070,234	2,881,127	2,783,381	22,401,691
Expenditures					
<i>Current:</i>					
General Government	4,142,510	0	0	487,093	4,629,603
<i>Security of Persons and Property:</i>					
Police	4,085,624	0	0	449,408	4,535,032
Fire	3,619,069	0	0	563,283	4,182,352
Transportation	199,039	1,019,694	2,764,246	323,096	4,306,075
Community Environment	1,997	0	0	380,106	382,103
Basic Utility Services	1,009,378	0	0	0	1,009,378
Leisure Time Activities	133,467	0	0	655,236	788,703
Capital Outlay	0	0	0	1,156,485	1,156,485
<i>Debt Service:</i>					
Principal Retirement	47,383	0	4,061	269,631	321,075
Interest and Fiscal Charges	13,986	27,189	1,178	61,225	103,578
Total Expenditures	13,252,453	1,046,883	2,769,485	4,345,563	21,414,384
Excess of Revenues Over (Under) Expenditures	2,414,496	23,351	111,642	(1,562,182)	987,307
Other Financing Sources (Uses):					
Inception of Capital Lease	56,359	0	4,676	0	61,035
Issuance of Notes	0	400,000	0	0	400,000
Proceeds from Sale of Capital Assets	3,818	0	519	155	4,492
Transfers-In	108,700	400,000	0	2,242,093	2,750,793
Transfers-Out	(2,276,073)	(12,613)	(21,101)	(457,673)	(2,767,460)
Total Other Sources (Uses)	(2,107,196)	787,387	(15,906)	1,784,575	448,860
Net Change in Fund Balances	307,300	810,738	95,736	222,393	1,436,167
Fund Balances at Beginning of Year, Restated	3,694,418	(346,944)	559,635	1,954,050	5,861,159
Fund Balances at End of Year	\$4,001,718	\$463,794	\$655,371	\$2,176,443	7,297,326

See accompanying notes to the basic financial statements

City of Chillicothe, 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 \$1,436,167

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation expense.
This is the amount by which depreciation exceeded capital outlays in
the current period.

Capital Asset Additions	1,370,532	
Current Year Depreciation	<u>(3,227,492)</u>	
Total		(1,856,960)

Governmental funds only report the disposal of capital assets to the
extent proceeds are received from the sale. In the statement of
activities, a gain or loss is reported for each disposal.

(35,664)

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

Delinquent Property Taxes	(5,026)	
Income Taxes	68,484	
Intergovernmental	418,132	
Special Assessments	<u>11,016</u>	
Total		492,606

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

321,075

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

2,546

Other financing sources in the governmental funds that increase long-term
liabilities in the statement of net assets are not reported as
revenues in the statement of activities.

(461,035)

Landfill Closure expenditures that are reported as a reduction of a
liability as a change in estimate and are reported in the statement of activities

111,041

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.

Compensated Absences	<u>(95,021)</u>	
----------------------	-----------------	--

Change in Net Assets - Governmental Activities

(\$85,245)

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$9,278,669	\$9,278,639	\$9,439,325	\$160,686
Charges for Services	2,753,700	2,760,826	3,148,876	388,050
Fines, Licenses and Permits	1,273,000	1,403,000	1,492,329	89,329
Intergovernmental	1,567,199	1,605,953	1,619,917	13,964
Special Assessments	0	0	5,017	5,017
Investment Earnings	350,000	350,000	543,654	193,654
Miscellaneous	196,500	240,714	390,508	149,794
Total Revenue	15,419,068	15,639,132	16,639,626	1,000,494
Expenditures				
<i>Current:</i>				
General Government	5,435,410	5,754,892	5,283,960	470,932
Security of Persons and Property				
Police	4,018,965	4,171,297	4,064,669	106,628
Fire	3,670,850	3,721,992	3,672,874	49,118
Transportation	211,000	211,000	198,741	12,259
Community Environment	585	605	310	295
Basic Utility Services	1,157,487	1,172,966	1,007,284	165,682
Leisure Time Activities	119,242	148,437	134,591	13,846
Total Expenditures	14,613,539	15,181,189	14,362,429	818,760
Excess of Revenues Over Expenditures	805,529	457,943	2,277,197	1,819,254
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	3,818	3,818
Transfers - In	78,402	78,402	108,700	30,298
Transfers - Out	(2,074,372)	(2,363,762)	(2,276,073)	87,689
Total Other Sources (Uses)	(1,995,970)	(2,285,360)	(2,163,555)	121,805
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,190,441)	(1,827,417)	113,642	1,941,059
Fund Balances at Beginning of Year	2,068,022	2,068,022	2,068,022	0
Prior Year Encumbrances Appropriated	254,635	254,635	254,635	0
Fund Balances at End of Year	\$1,132,216	\$495,240	\$2,436,299	\$1,941,059

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Street Construction Maintenance & Repair Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$915,000	\$915,000	\$973,309	\$58,309
Miscellaneous	4,980	4,980	34,945	29,965
Total Revenue	919,980	919,980	1,008,254	88,274
Expenditures				
<i>Current:</i>				
Transportation	1,259,792	1,367,183	1,087,338	279,845
<i>Debt Service:</i>				
Principal Retirements	200,000	800,000	800,000	0
Interest and Fiscal Charges	26,100	26,100	24,917	1,183
Total Expenditures	1,485,892	2,193,283	1,912,255	281,028
Excess of Revenues (Under) Expenditures	(565,912)	(1,273,303)	(904,001)	369,302
Other Financing Sources (Uses)				
Issuance of Notes	0	600,000	600,000	0
Transfers-In	400,000	400,000	400,000	0
Transfers-Out	(12,650)	(12,650)	(12,613)	37
Total Other Sources (Uses)	387,350	987,350	987,387	37
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	(178,562)	(285,953)	83,386	369,339
Fund Balances at Beginning of Year	205,499	205,499	205,499	0
Prior Year Encumbrances Appropriated	183,771	183,771	183,771	0
Fund Balances at End of Year	\$210,708	\$103,317	\$472,656	\$369,339

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Bus Transit

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$610,000	\$610,000	\$633,630	\$23,630
Charges for Services	69,000	69,000	78,018	9,018
Intergovernmental	1,241,280	2,511,177	1,819,390	(691,787)
Other	34,840	34,840	41,296	6,456
Total Revenue	<u>1,955,120</u>	<u>3,225,017</u>	<u>2,572,334</u>	<u>(652,683)</u>
Expenditures				
<i>Current:</i>				
Transportation	<u>1,823,432</u>	<u>3,696,606</u>	<u>3,415,175</u>	<u>281,431</u>
Total Expenditures	<u>1,823,432</u>	<u>3,696,606</u>	<u>3,415,175</u>	<u>281,431</u>
Excess of Revenues (Under) Expenditures	131,688	(471,589)	(842,841)	(371,252)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	519	519
Transfers-Out	<u>(23,500)</u>	<u>(23,500)</u>	<u>(21,101)</u>	<u>2,399</u>
Total Other Sources (Uses)	<u>(23,500)</u>	<u>(23,500)</u>	<u>(20,582)</u>	<u>2,918</u>
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	108,188	(495,089)	(863,423)	(368,334)
Fund Balances at Beginning of Year	<u>517,618</u>	<u>517,618</u>	<u>517,618</u>	<u>0</u>
Fund Balances at End of Year	<u>\$625,806</u>	<u>\$22,529</u>	<u>(\$345,805)</u>	<u>(\$368,334)</u>

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Statement of Fund Net Assets
Proprietary Funds

December 31, 2006

	Enterprise Funds		Total
	Water	Sewer	
Assets			
<i>Current:</i>			
Equity in Pooled Cash & Cash Equivalents	\$3,828,949	\$1,809,952	\$5,638,901
Accounts Receivable	690,257	499,690	1,189,947
Special Assessments Receivable	7,395	2,457	9,852
Materials and Supplies Inventory	29,063	3,318	32,381
Prepaid Items	28,352	16,451	44,803
Total Current Assets	4,584,016	2,331,868	6,915,884
<i>Noncurrent:</i>			
<i>Restricted Assets:</i>			
Equity in Pooled Cash & Cash Equivalents	894,398	818,374	1,712,772
Cash & Cash Equivalents with Fiscal and Trustees	1,462,043	322,099	1,784,142
Deferred Charges	133,664	0	133,664
Nondepreciable Capital Assets	1,412,520	476,497	1,889,017
Depreciable Capital Assets, Net	21,352,152	17,873,749	39,225,901
Total Noncurrent Assets	25,254,777	19,490,719	44,745,496
Total Assets	29,838,793	21,822,587	51,661,380
Liabilities			
<i>Current:</i>			
Accounts Payable	38,685	16,642	55,327
Contracts Payable	29,602	5,689	35,291
Accrued Wages Payable	18,524	23,578	42,102
Compensated Absences Payable	98,307	137,231	235,538
Interfund Payable	500	507	1,007
Intergovernmental Payable	42,451	38,482	80,933
Accrued Interest Payable	39,548	7,671	47,219
Claims Payable	30	22	52
Notes Payable	300,000	0	300,000
General Obligation Bonds Payable	0	85,000	85,000
Revenue Bonds Payable	965,000	255,000	1,220,000
Total Current Liabilities	1,532,647	569,822	2,102,469
<i>Noncurrent:</i>			
Compensated Absences Payable	158,301	248,339	406,640
General Obligation Bonds Payable	0	1,770,000	1,770,000
Revenue Bonds Payable	7,841,166	265,000	8,106,166
Notes Payable	300,000	0	300,000
Total Noncurrent Liabilities	8,299,467	2,283,339	10,582,806
Total Liabilities	9,832,114	2,853,161	12,685,275
Net Assets			
Investments in Capital Assets, Net of Related Debt	13,539,672	15,975,246	29,514,918
<i>Restricted for:</i>			
Debt Service	1,462,043	322,099	1,784,142
Capital Projects	894,398	818,374	1,712,772
Unrestricted	4,110,566	1,853,707	5,964,273
Total Net Assets	\$20,006,679	\$18,969,426	\$38,976,105

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds

For the Year Ended December 31, 2006

	Enterprise Funds		Total
	Water	Sewer	
Operating Revenues			
Charges for Services	\$4,327,931	\$3,133,368	\$7,461,299
Other Operating Revenue	62,383	11,051	73,434
Total Operating Revenues	4,390,314	3,144,419	7,534,733
Operating Expenses			
Personal Services	1,038,091	944,942	1,983,033
Fringe Benefits	531,666	526,425	1,058,091
Contractual Services	133,157	76,995	210,152
Transportation	373	100	473
Materials and Supplies	607,333	376,486	983,819
Depreciation	672,406	588,327	1,260,733
Other Operating Expense	221,610	368,254	589,864
Total Operating Expenses	3,204,636	2,881,529	6,086,165
Operating Income (Loss)	1,185,678	262,890	1,448,568
Non-Operating Revenues (Expenses)			
Bond Issue Costs	(22,792)	0	(22,792)
Interest Income	86,087	41,180	127,267
Loss on Disposal of Capital Assets	(164,226)	(27,496)	(191,722)
Interest and Fiscal Charges	(330,721)	(103,306)	(434,027)
Total Non-Operating Revenues (Expenses)	(431,652)	(89,622)	(521,274)
Income (Loss) Before Transfers	754,026	173,268	927,294
Transfers - In	0	30,000	30,000
Transfers - Out	(6,635)	(6,698)	(13,333)
Change in Net Assets	747,391	196,570	943,961
Net Assets at Beginning of Year	19,259,288	18,772,856	38,032,144
Net Assets at End of Year	\$20,006,679	\$18,969,426	\$38,976,105

See accompanying notes to the basic financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

City of Chillicothe, Ohio

Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2006

	Enterprise Funds		Total
	Water	Sewer	
Cash Flows from Operating Activities			
Cash Received from Customers	\$4,380,233	\$3,161,019	\$7,541,252
Cash Received from Other Receipts	62,400	10,392	72,792
Cash Payments to Employees	(1,574,942)	(1,429,456)	(3,004,398)
Cash Payments for Contractual Services	(122,673)	(64,036)	(186,709)
Cash Payments for Supplies & Materials	(335,212)	(398,924)	(734,136)
Cash Payments for Other Expenses	(539,819)	(374,764)	(914,583)
Net Cash from Operating Activities	1,869,987	904,231	2,774,218
Cash Flows from Noncapital Financing Activities			
Transfers-In from Other Funds	0	30,000	30,000
Transfers-Out to Other Funds	(6,635)	(6,698)	(13,333)
Net Cash from Noncapital Financing Activities	(6,635)	23,302	16,667
Cash Flows from Capital and Related Financing Activities			
Proceeds Received from Notes	600,000	0	600,000
Interest Paid on Bonds and Notes	(358,195)	(103,540)	(461,735)
Principal Paid on Bonds and Notes	(1,845,000)	(320,000)	(2,165,000)
Cash Paid to Acquire/Construct Capital Assets	(555,349)	(217,543)	(772,892)
Cash Received from Sale of Assets	178	42	220
Net Cash from Capital Related and Financing Activities	(2,158,366)	(641,041)	(2,799,407)
Cash Flows from Investing Activities			
Interest Received on Investments	86,087	41,180	127,267
Net Cash from Investing Activities	86,087	41,180	127,267
Net Increase (Decrease) In Cash and Cash Equivalents	(208,927)	327,672	118,745
Cash and Cash Equivalents at Beginning of Year	6,394,317	2,622,753	9,017,070
Cash and Cash Equivalents at End of Year	<u>\$6,185,390</u>	<u>\$2,950,425</u>	<u>\$9,135,815</u>

See accompanying notes to the basic financial statements

continued

City of Chillicothe, Ohio

Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2006

	Enterprise Funds		Total
	Water	Sewer	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating Income (Loss)	\$1,185,678	\$262,890	\$1,448,568
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:			
Depreciation Expense	672,406	588,327	1,260,733
<i>Changes in Assets & Liabilities:</i>			
(Increase) Decrease in Accounts Receivable	52,302	27,651	79,953
(Increase) Decrease in Special Assessments Receivable	17	(659)	(642)
(Increase) Decrease in Material & Supply Inventory	(368)	19	(349)
(Increase) Decrease in Prepaid Items	(3,380)	3,238	(142)
Increase (Decrease) in Accounts Payable	(20,811)	(5,195)	(26,006)
Increase (Decrease) in Contracts Payable	(10,040)	(13,321)	(23,361)
Increase (Decrease) in Accrued Wages Payable	2,840	4,692	7,532
Increase (Decrease) in Compensated Absences Payable	(10,415)	33,395	22,980
Increase (Decrease) in Interfund Payable	(632)	(630)	(1,262)
Increase (Decrease) in Intergovernmental Payable	4,252	5,286	9,538
Increase (Decrease) in Claims Payable	(1,862)	(1,462)	(3,324)
Net Cash from Operating Activities	<u>\$1,869,987</u>	<u>\$904,231</u>	<u>\$2,774,218</u>

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Statement of Fiduciary Net Assets
Fiduciary Funds

December 31, 2006

	Private Purpose Trust	
	Unclaimed Monies	Agency Funds
Assets		
Equity in Pooled Cash & Cash Equivalents	\$50,324	\$33,392
Cash and Cash Equivalents in Segregated Accounts	<u>0</u>	<u>219,833</u>
Total Assets	<u>50,324</u>	<u>253,225</u>
Liabilities		
Intergovernmental Payable	0	38,295
Undistributed Monies	0	179,748
Deposits Held and Due to Others	<u>0</u>	<u>35,182</u>
Total Liabilities	<u>0</u>	<u>\$253,225</u>
Net Assets		
Held in Trust for Potential Claimants	<u><u>\$50,324</u></u>	

See accompanying notes to the basic financial statements

City of Chillicothe, Ohio

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

For the Year Ended December 31, 2006

	Private Purpose Trust Unclaimed Monies
Additions	
Miscellaneous	\$5,579
Deductions	
Amounts Paid to Claimants	417
Amounts Paid to Funds - Expired Claims	<u>19,922</u>
Total Deductions	<u>20,339</u>
Change in Net Assets	(14,760)
Net Assets at Beginning of Year	<u>65,084</u>
Net Assets at End of Year	<u><u>\$50,324</u></u>

See accompanying notes to the basic financial statements

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE CITY OF CHILLICOTHE

The City of Chillicothe (the City) was founded in 1796 and is a municipal corporation under the laws of the State of Ohio. The City operates under a Mayor-Council form of government. Legislative power is vested in a ten member council, each elected to two year terms. The Mayor, Auditor, Treasurer and Law Director are elected to four year terms.

The major services provided by the City include police and fire protection, civil and criminal justice system, street maintenance and repair, community environment, transportation, recreation, litter control and recycling, sanitation, and water and sewer services. The operation and control of these services is governed by the city council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

As required by generally accepted accounting principles, the basic financial statements present the City of Chillicothe (the primary government) and any component units.

In determining whether to include a governmental department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City.

In applying the above criteria, there are no component units to present outside the scope of the primary government (City).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (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 provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements 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 CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

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. For the most part, the effect of interfund activity has been removed from these statements. 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, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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.

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

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Street Construction Maintenance & Repair Fund - This fund accounts for specific revenues that are legally restricted to expenditure for maintenance and repair of City streets.

Bus Transit Fund - This fund accounts for the operation of the City Bus Transit System. Principal sources of revenue are income tax revenue and grants.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose for special revenue, debt service, permanent and capital projects funds.

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 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.

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. The City's trust fund is a private-purpose trust fund established to account for assets (escheat property) held for individuals as unclaimed funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for assets that are held pending determination of their disposition and the City's Municipal Court balances.

Measurement Focus

Government-Wide Financial Statements

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

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

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 statements for governmental funds.

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

The private-purpose trust fund is reported using the economic resources measurement focus.

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 Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned (See Note 14).

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 13). 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: municipal income taxes, state-levied locally shared taxes (including gasoline tax), grants and interest.

Unearned/Deferred Revenue

Unearned/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 year 2007 operations, have been recorded as unearned/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 unearned/deferred revenue.

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

Expenditures/Expenses

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.

Budgetary Accounting and Control

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund, department, and object.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each final budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by object and ordinance does not permit expenditures and encumbrances to exceed appropriations for each object. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds.

Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and final budget amounts shown in the budget-to-actual comparisons.

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except the HUD fund, are maintained in this pool. Monies in the HUD fund are maintained in separate bank accounts. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

Investments are reported at fair value which is based on quoted market prices.

Following the local ordinance of the City as well as Ohio statutes, the City has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2006 amounted to \$543,748, which includes \$426,715 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's treasury accounts. These interest-bearing depository accounts are presented on the statement of net assets and balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City's treasury. The cash of the Municipal Court is included in this line item.

The City has bank accounts for monies held by a trustee which is used to make debt payments. These accounts are presented on the statement of net assets as "cash and cash equivalents with fiscal and trustees."

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis.

Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds and as an expense in the proprietary funds when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

Restricted Assets

Restricted assets in the enterprise funds represent cash and cash equivalents that are restricted in their use by legal or contractual requirements.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions 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 five hundred dollars. The City's infrastructure consists of streets, traffic signals, floodwall, park lighting, water and sewer lines, valves and meters.

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. 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:

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	5 years	5 years
Buildings, Structures and Improvements	20-50 years	20-50 years
Plant and Facilities	50 years	50 years
Furniture, Fixtures, Equipment, and Vehicles	5-15 years	5-15 years
Infrastructure	20-50 years	20-50 years

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences."

Vacation and compensatory time 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 employer 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 includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City's termination policy.

The City records a liability for all accumulated unused vacation and compensatory time when earned for all employees. The City records a liability for accumulated unused sick leave for employees of the Police Department after eight years of accumulated service, and for all other employees of the City after five years of accumulated service, except for employees of the Fire Department where no requirement exists for years of accumulated service. The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. The noncurrent portion of the liability is not reported on the fund financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

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.

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and matured compensated absences, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure.

As a result, encumbrances, prepaids, and principal portion of the permanent fund are recorded as a reservation of fund balance.

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

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 and sanitary sewer services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Interfund Transactions

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 CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the government-wide financial statements. On the government-wide statements, "internal balances" represent short-term interfund loans between governmental and business-type activities.

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.

Estimates

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

NOTE 3 - 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 balance - budget and actual (budget basis) is presented for the General Fund, Street Construction Maintenance and Repair Fund and the Bus Transit Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund, Street Construction Maintenance & Repair Fund, and Bus Transit Fund.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

**Net Change in Fund Balance/Excess of Revenue and Other Sources
Over (Under) Expenditures and Other Uses**

	General	Street Construction Maintenance & Repair Fund	Bus Transit Fund
GAAP Basis	\$307,300	\$810,738	\$95,736
Adjustments:			
Net Adjustment for Revenue Accruals	972,677	(61,980)	(308,793)
Net Adjustment for Expenditure Accruals	(1,001,161)	(865,372)	292,050
Encumbrances	(108,815)	0	(937,740)
Net Adjustment for Other Sources (Uses)	(56,539)	600,000	(4,676)
Budget Basis	<u>\$113,642</u>	<u>\$83,386</u>	<u>(\$863,423)</u>

NOTE 3A - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

<u>Nonmajor Funds</u>	<u>Deficit</u>
Police Pension	\$116,230
Fire Pension	136,206

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

Compliance

The following funds had budgetary expenditures in excess of appropriations at the legal level of control for the year ended December 31, 2006:

<u>Fund/Function/Department/Object</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund			
Leisure Time Activities			
Swimming Pool			
Other	\$2,037	\$785	(\$1,252)
Bus Transit Fund			
Transportation			
Bus Transit System			
Capital Outlay	940,951	143,451	(797,500)

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 4 - NEW GASB PRONOUNCEMENTS AND ACCOUNTING ADJUSTMENTS

For fiscal year 2006, the City has implemented Governmental Accounting Standards Board (GASB) Statement 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement 44, "Economic Condition Reporting: The Statistical Section", GASB Statement 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement 47, "Accounting for Termination Benefits". GASB Statement 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement 44 amends the portions of NCGA Statement 1, "Governmental Accounting and Financial Accounting Principles", that guide the preparation of the statistical section. GASB Statement 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the City's financial statements, nor did their implementation require a restatement of prior year balances.

The City restated net assets in the Governmental Activities, Business-Type Activities, General Fund, Water Fund, and Sewer Fund, at December 31, 2005. The City had previously reported Municipal Court activity in the General Fund. It was determined that the Municipal Court should be reclassified as an Agency Fund. As a result, the City determined that net assets/fund balances in the Governmental Activities and General Fund were overstated as noted below. The City had previously overstated cash held with trustees to make future debt payments. As a result, the City determined that net assets in the Business-Type Activities, Water Fund, and Sewer Fund were overstated as noted below.

	Governmental Activities	General	
Governmental Activities			
Net Assets at December 31, 2005	\$47,511,075	\$3,904,322	
Adjustment Due to Fund Reclassification	(209,904)	(209,904)	
Net Assets at December 31, 2005	<u>47,301,171</u>	<u>3,694,418</u>	
	Water	Sewer	Business-Type Activities
Business-Type Activities			
Net Assets at December 31, 2005	\$19,330,195	\$18,992,572	\$38,322,767
Adjustment Due to Cash with Trustees	(70,907)	(219,716)	(290,623)
Net Assets at December 31, 2005	<u>19,259,288</u>	<u>18,772,856</u>	<u>38,032,144</u>

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

Monies held in the City Treasury are pooled for the purpose of investment management. The City is authorized to invest in those instruments identified in sections 135.14, 135.45, and 133.03 of the Ohio Revised Code. Specifically, these authorized instruments consist of:

- (1) Bonds, notes or other obligations guaranteed by the United States or those for which the full faith and credit of the United States is pledged;

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

- (2) Bonds, notes, debentures or other obligations or securities insured by any federal government agency;
- (3) Written repurchase agreements in the securities listed above;
- (4) Bonds and other obligations of Ohio, its political subdivisions, or other units or agencies of Ohio or its political subdivisions;
- (5) Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- (6) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investment in securities are made only through eligible institutions.
- (7) The State Treasurer's investment pool (Star Ohio).

The amount available for deposit and investment are as follows:

Cash and Cash Equivalents	
-Pooled	\$13,480,311
-Segregated	251,443
-Fiscal & Escrow Agents	1,784,142
Investment (Carrying Amount)	1,000
Reconciling items (net) to arrive at bank balances for deposits	<u>132,864</u>
Total available for deposit and investment	<u><u>\$15,649,760</u></u>

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.

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

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

At fiscal year end, the City had \$1,000 in undeposited cash on hand which is included on the financial statements as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At December 31, 2006, the carrying amount of all City deposits was \$14,053,803. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2006, \$14,076,340 of the City's bank balance of \$14,476,340 was exposed to custodial risk as discussed above while \$400,000 was covered by Federal Deposit Insurance.

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

Investment Type	Fair Value	One Year or Less
U.S. Treasury Bond	\$1,000	\$1,000
Money Market Mutual Fund	1,462,043	1,462,043
Totals	\$1,463,043	\$1,463,043

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City limits its investments to those authorized by state statute. Standard and Poor's and Moody's has assigned the U.S. Treasury Bond an "Aaa" rating. Moody's has assigned the Fifth Third U.S. Treasury Mutual Fund an "Aaa" rating.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by the counter party as trust department or agent, and may be held in the name of the City or not. All of the City's securities are either insured and registered in the name of the City or at least registered in the name of the City.

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006 consisted of property taxes, municipal income taxes, accounts (billings for user charged services) and intergovernmental grants. All receivables are considered fully collectible. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities

General Fund:

Local Government Distributions	\$853,591
State Property Tax Reimbursements	41,509
Estate Taxes and Other Revenues	<u>172,927</u>

Total General Fund 1,068,027

Street Construction Maintenance & Repair Distributions	556,484
Bus Transportation Grants	364,322

Nonmajor Special Revenue Funds:

State Highway Distributions	38,589
Housing and Urban Development Grants	500,000
Grants	19,290
Police & Fire Pension State Property Reimbursements	<u>9,854</u>

Total Nonmajor Special Revenue Funds 567,733

Nonmajor Capital Project Funds:

Issue II Grant	<u>14,345</u>
----------------	---------------

Total Intergovernmental Receivables \$2,570,911

NOTE 7- CAPITAL ASSETS

A summary of changes in general capital assets during 2006 are as follows:

	Balance		Balance	
12/31/2006	01/01/2006	Additions	Deletions	
Governmental Activities:				
Nondepreciable Capital Assets				
Land	<u>\$6,641,050</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,641,050</u>
Total Nondepreciable Capital Assets	<u>6,641,050</u>	<u>0</u>	<u>0</u>	<u>6,641,050</u>
Depreciable Capital Assets				
Land Improvements	4,621,537	718	0	4,622,255
Buildings, Structures and Improvements	13,331,553	4,935	0	13,336,488
Furniture, Fixtures, Equipment, & Vehicles	7,726,582	1,086,039	(225,974)	8,586,647
Infrastructure	<u>53,103,243</u>	<u>278,840</u>	<u>0</u>	<u>53,382,083</u>
Total Depreciable Capital Assets	78,782,915	1,370,532	(225,974)	79,927,473

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

Less Accumulated Depreciation:

Land Improvements	(4,361,134)	(131,908)	0	(4,493,042)
Buildings, Structures and Improvements	(6,382,347)	(280,806)	0	(6,663,153)
Furniture, Fixtures, Equipment, & Vehicles	(6,561,856)	(594,203)	190,310	(6,965,749)
Infrastructure	(22,735,074)	(2,220,575)	0	(24,955,649)
Total Accumulated Depreciation	(40,040,411)	(3,227,492)	190,310	(43,077,593)
Total Capital Assets Being Depreciated, Net	38,742,504	(1,856,960)	(35,664)	36,849,880
Governmental Activities Capital Assets, Net	<u>\$45,383,554</u>	<u>(\$1,856,960)</u>	<u>(\$35,664)</u>	<u>\$43,490,930</u>

For governmental activities, depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$155,047
<i>Security of Persons and Property:</i>	
Police	185,033
Fire	210,923
Transportation	2,164,894
Community Environment	316,652
Leisure Time Activities	194,943

Governmental Activities Depreciation Expense

\$3,227,492

	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006
Business-Type Activities:				
Nondepreciable Capital Assets:				
Land	\$1,889,017	\$0	\$0	\$1,889,017
Total Nondepreciable Capital Assets	<u>1,889,017</u>	<u>0</u>	<u>0</u>	<u>1,889,017</u>
Depreciable Capital Assets:				
Land Improvements	272,721	0	0	272,721
Buildings, Structures and Improvements	3,836,557	17,676	(39,211)	3,815,022
Plant and Facilities	25,072,722	0	0	25,072,722
Furniture, Fixtures, & Equipment	2,024,681	109,025	(29,837)	2,103,869
Infrastructure	27,417,183	646,191	(265,124)	27,798,250
Total Depreciable Capital Assets	<u>58,623,864</u>	<u>772,892</u>	<u>(334,172)</u>	<u>59,062,584</u>
Less Accumulated Depreciation:				
Land Improvements	(272,620)	(101)	0	(272,721)
Buildings, Structures and Improvements	(1,408,404)	(124,602)	34,318	(1,498,688)
Plant and Facilities	(7,717,933)	(499,165)	133	(8,216,965)
Furniture, Fixtures, & Equipment	(1,871,407)	(84,299)	21,653	(1,934,053)
Infrastructure	(7,447,816)	(552,566)	86,126	(7,914,256)
Total Accumulated Depreciation	<u>(18,718,180)</u>	<u>(1,260,733)</u>	<u>142,230</u>	<u>(19,836,683)</u>
Depreciable Capital Assets, Net	<u>39,905,684</u>	<u>(487,841)</u>	<u>(191,942)</u>	<u>39,225,901</u>
Business-Type Activities Capital Assets, Net	<u><u>\$41,794,701</u></u>	<u><u>\$(487,841)</u></u>	<u><u>\$(191,942)</u></u>	<u><u>\$41,114,918</u></u>

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

The business-type activities of the City are the water and sanitary sewer operations.

NOTE 8 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2006, were as follows:

Purpose	Balance 1/1/06	Additions	Deletions	Balance 12/31/06
Governmental Activities:				
Bond Anticipation Notes Payable:				
Street Improvement, 3.25%	\$800,000	\$0	\$800,000	\$0
Street Improvement, 4.185%	<u>0</u>	<u>600,000</u>	<u>0</u>	<u>600,000</u>
Governmental Activities Note Payable	<u><u>\$800,000</u></u>	<u><u>\$600,000</u></u>	<u><u>\$800,000</u></u>	<u><u>\$600,000</u></u>
Business-Type Activities:				
Bond Anticipation Notes Payable:				
Municipal Water System, 3.12%	\$900,000	\$0	\$900,000	\$0
Municipal Water System, 4.12%	<u>0</u>	<u>600,000</u>	<u>0</u>	<u>600,000</u>
Business-Type Activities Notes Payable	<u><u>\$900,000</u></u>	<u><u>\$600,000</u></u>	<u><u>\$900,000</u></u>	<u><u>\$600,000</u></u>

According to State statute, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. All of the City's notes are backed by the full faith and credit of the City, and mature within one year.

During 2006, the City paid \$200,000 of the outstanding \$800,000 Street Improvement bond anticipation note and reissued \$600,000. In June 2007, the City paid \$200,000 against the \$600,000 note and refinanced the remaining \$400,000 into a new note. Therefore, the \$600,000 liability outstanding at December 31, 2006 will be split with \$400,000 presented as a long-term liability and \$200,000 presented as a fund liability in the financial statements.

NOTE 9 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2006, was as follows:

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Governmental Activities General Obligation Bonds and Other Long-Term Obligations

Purpose	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable:					
Various Purpose G.O. Refunding Bonds, \$2,125,000, 3.31%, 2003 - 2012	\$1,435,000	\$ 0	(\$240,000)	\$1,195,000	\$240,000
Issuance Premium on Bonds	12,482	0	(2,080)	10,402	0
Police & Fire Pension Bonds, \$575,000, 3.75-5.625%, 1999 - 2024	480,000	0	(15,000)	465,000	15,000
OPWC Term Loan Payable, \$126,126, 0.00%, 2005 - 2014	113,513	0	(12,613)	100,900	12,613
Other Long-Term Obligations:					
Compensated Absences	2,088,092	1,050,400	(955,379)	2,183,113	815,594
Capital Leases	154,650	61,035	(53,462)	162,223	54,994
Landfill Post-Closure Care	799,769	0	(111,041)	688,728	47,762
Governmental Activities Long-Term Obligations	<u>\$5,083,506</u>	<u>\$1,111,435</u>	<u>(\$1,389,575)</u>	<u>\$4,805,366</u>	<u>\$1,185,963</u>

In 2003, the City issued \$2,125,000 of general obligation bonds for governmental activities. The \$16,642 premium on this issue is being amortized over the life of this debt.

General obligation bonds issued for governmental activities of the City are retired through the Bond Retirement Debt Service Fund using monies transferred from the General, Safety Levy Capital, and Police and Fire Pension Funds. General obligation bonds are secured by the City's ability to levy a voted or unvoted property tax levy within the limitations of the Ohio law. These bonds are also backed by the full faith and credit of the City as additional security.

In 2005, the City of Chillicothe borrowed \$126,126 Issue II funds for street improvements. The OPWC loan will be paid from the Street Construction Maintenance & Repair Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the fund that maintains custody of the related asset. The landfill post-closure care liability will be paid from the General Fund.

Business-Type Activities Bonds and Other Long-Term Obligations

Purpose	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006	Amounts Due Within One Year
Business-Type Activities:					
Revenue Bonds Payable:					
Municipal Water System Refunding \$11,350,000, 5.22%, 2003 - 2014	\$9,570,000	\$ 0	(\$945,000)	\$8,625,000	\$965,000
Issuance Premium on Bonds	207,047	0	(25,881)	181,166	0
Municipal Sewer System, \$3,010,000, 2.75-5.10%, 1993 - 2008	760,000	0	(240,000)	520,000	255,000
General Obligation Bonds Payable:					
\$2,095,000, Sewer Bonds, 3.31%, 2003-2023	1,935,000	0	(80,000)	1,855,000	85,000
Compensated Absences	619,198	160,745	(137,765)	642,178	235,538
Business-Type Activities Long-Term Obligations	<u>\$13,091,245</u>	<u>\$160,745</u>	<u>(\$1,428,646)</u>	<u>\$11,823,344</u>	<u>\$1,540,538</u>

In 2003, the City issued \$11,350,000 of revenue refunding bonds for business-type activities. The \$258,809 premium on this issue is being amortized over the life of this debt.

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

Revenue and general obligation bonds issued for business-type activities are retired through the respective enterprise funds. Revenue bonds are secured by the revenues generated from the enterprise operations. General obligation bonds also require the City to generate revenues from the enterprise operations that are sufficient to meet debt service requirements.

Enterprise fund assets, whose use is restricted under bond indentures, are presented as restricted assets on the statement of net assets. Restricted assets relating to the revenue bonds at December 31, 2006 are as follows:

Business-Type Activities

Restricted Assets Held by the City For:

Water System Replacement and Improvement	\$894,398
Sewer System Replacement and Improvement	818,374

Restricted Assets Held by the Trustee for:

Water System Bond Debt Service	1,462,043
Sewer System Bond Debt Service	322,099

Business-Type Activities Restricted Assets

\$3,496,914

Compensated absences for business-type activities will be paid from the fund from which the employees' salaries are paid.

Debt service requirements are as follows:

For year Ended Dec 31	General Obligation Bonds		Police & Fire Pension Bonds	
	Various Principal	Interest	Principal	Interest
2007	\$240,000	\$30,020	\$15,000	\$25,369
2008	250,000	25,220	15,000	24,664
2009	250,000	19,595	20,000	23,944
2010	190,000	13,345	20,000	22,963
2011	190,000	8,025	20,000	21,964
2012 - 2016	75,000	2,325	115,000	93,160
2017 - 2021	0	0	150,000	57,375
2022 - 2024	0	0	110,000	12,656
	<u><u>\$1,195,000</u></u>	<u><u>\$98,530</u></u>	<u><u>\$465,000</u></u>	<u><u>\$282,095</u></u>

For Year Ended Dec 31	Water Revenue Bonds		Sewer Revenue Bonds		Sewer G.O. Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$965,000	\$311,215	\$255,000	\$26,265	\$85,000	\$64,052
2008	985,000	290,950	265,000	13,515	85,000	62,353
2009	1,010,000	266,818	0	5	90,000	60,440
2010	1,050,000	226,417	0	0	85,000	58,190
2011	1,095,000	184,418	0	0	95,000	55,810
2012 - 2016	3,520,000	312,750	0	0	510,000	232,948
2017 - 2021	0	0	0	0	620,000	134,885
2022 - 2023	0	0	0	0	285,000	17,920
	<u><u>\$8,625,000</u></u>	<u><u>\$1,592,568</u></u>	<u><u>\$520,000</u></u>	<u><u>\$39,780</u></u>	<u><u>\$1,855,000</u></u>	<u><u>\$686,598</u></u>

CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

For Year Ended Dec 31	OPWC Loan Payable Principal Only
2007	\$12,613
2008	12,613
2009	12,613
2010	12,612
2011	12,612
2012 - 2014	37,837
	\$100,900

NOTE 10 - CAPITAL LEASES

The City has entered into various agreements to lease equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the statement of revenues, expenditures and changes in fund balance for governmental funds as a functional expenditure and "inception of capital lease". Capital lease payments are reflected as debt service expenditures in the governmental funds. These capital leased assets, consisting of equipment, have been capitalized in the amount of \$392,117 in the governmental funds, which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2006 were \$53,462 in the governmental funds.

The City's future minimum lease payments and present value of net minimum lease payments required under these capital lease obligations as of December 31, 2006 are as follows:

Year Ended December 31,	Capital Lease Payments
2007	\$66,207
2008	55,657
2009	34,293
2010	23,651
2011	3,760
Total Future Minimum Lease Payments	183,568
Less: Amount Representing Interest	(21,345)
Present Value of Net Minimum Lease Payments	\$162,223

NOTE 11 - PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description: The City of Chillicothe contributes to the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State. OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

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 OPERS to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement and disability benefits, annual cost-of-living adjustments, survivor and death benefits to plan members of the Traditional Pension and Combined Plans. Members of the Member- Directed Plan do not qualify for ancillary benefits. Benefits are established and amended by state statute and are contained in Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contribution rates. For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. Plan members, other than those engaged in law enforcement, are required to contribute 9.0% of their annual covered salary.

In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. The employer contribution rate for pension benefits for 2006 was 9.2%, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contribution was 13.7% of covered payroll. The City's required contributions to OPERS for the years ending December 31, 2006, 2005, and 2004 were \$635,804, \$637,484, and \$632,621, respectively; 92.8% has been contributed for 2006, 100% for years 2005 and 2004. Of the 2006 amount, \$45,726 was unpaid at December 31, 2006 and is recorded as a fund liability in the basic financial statements.

Postemployment Benefits: The OPERS also provides postretirement health care benefits to age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program was separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

For local government employer units the rate was 13.7% of covered payroll; 4.5% was the portion used to fund health care for the year. The 2006 employer rate was 16.93% and 4.5% was used to fund health care for both the law enforcement and public safety divisions.

Of the employer contributions made by the City for the year 2006, \$310,991 was the amount used to fund postemployment health care. The actual contribution and the actuarially required contribution amounts are the same.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Benefits are advance-funded using the entry age normal actuarial cost method. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). As of December 31, 2006, the number of active contributing participants was 369,214. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2005 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was \$358,804.

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

Ohio Police and Fire Pension Fund

Plan Description: The City of Chillicothe 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.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information. This report may be obtained by writing to Ohio Police & Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43125-5164 or by calling (614) 228-2975.

Funding Policy: Plan members are required to contribute 10.0% of their annual covered salary to fund pension benefits, while the City is required to contribute 19.5% and 24.0%, respectively, for police officers and firefighters. Contributions are authorized by state statute. The City's contributions to OP&F for the years ending December 31, 2006, 2005 and 2004 were \$629,462, \$599,006, and \$620,728, respectively; 72.9% has been contributed for 2006 and 100% for years 2005 and 2004. Of the 2006 amount \$170,271 was unpaid at December 31, 2006 and is recorded as a fund liability in the basic financial statements.

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate, which is 19.5% of covered payroll for police officers and 24.0% of covered payroll for firefighters. Of these employer contribution rates for the City, 7.75% was applied to the postemployment health care program.

Of the employer contributions made by the City for the year 2006, \$347,659 was the amount used to fund postemployment health care.

The Ohio Revised Code provides the statutory authority allowing the OP&F Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 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.

As of December 31, 2005, the latest information available, the number of participants eligible to receive health care benefits was 13,922 for police officers and 10,537 for firefighters. OP&F's total health care expenses for the year ended December 31, 2005, the date of the last actuarial valuation available, was \$108,039,499, which was net of member contributions of \$55,271,881.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 12 - COMPENSATED ABSENCES

Upon retirement, employees of the Police Department with at least eight years of credited service are paid 75% of their accrued sick leave if hired prior to January 1, 1988. Those hired after January 1, 1988 will be paid 50% of their accrued sick leave. Vacation time is vested for these employees after one year of credited service. Unused vacation may be accumulated and carried over with out limit. Compensatory time may also be accumulated by employees but must be used within specified limits. No provision exists for these employees to be compensated for overtime worked in lieu of compensatory time off. All sick leave, vacation and compensatory time off is compensated at the employee's current rate of pay at the time of retirement or termination. Employees of the Fire Department have no requirement for years of credited service in order to be compensated for accrued sick leave, and are paid 75% of their sick leave if earned prior to April 1, 1987, and 60% of sick leave earned after April 1, 1987. Vacation time is vested for these employees after six months of credited service. Unused vacation time may be accumulated and carried over up to 1,440 hours. Compensatory time may also be accumulated for overtime worked in lieu of compensatory time off. Employees may elect to be compensated for overtime worked in lieu of compensatory time off.

All other full time employees of the City with at least five years of credited service upon retirement, are paid 75% of their accrued sick leave if earned prior to September 1, 1987, and 60% of accrued sick leave after September 1, 1987. Vacation time is vested for these employees after six months of credited service. Unused vacation may be accumulated and carried over up to three years accrual. Compensatory time may also be accumulated up to specified limits.

Employees may elect to be compensated for over time worked in lieu of compensatory time off. All sick leave, vacation and compensatory time is compensated at the employee's current rate of pay at the time of retirement or termination.

NOTE 13 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value by property classification upon which the 2006 tax levy was based follows:

<u>Property Tax Classification</u>	<u>Assessed Value</u>
Real Property	\$359,476,340
Tangible Personal Property	60,785,720
Public Utility Property	<u>19,197,300</u>
Total	<u><u>\$439,459,360</u></u>

Ohio law prohibits taxation of property from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Presently, the City levies differing millages of 2.60 mills and 1.60 mills of the first 10 mills of assessed for the General Fund, which is dependent upon the various taxing districts within the City. In addition to the 2.60 mills and 1.60 mills, the City has levied .30 and .30 mills of non-voted millage for the Police Pension and Fire Pension levies respectively.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

In 2006, real property taxes were levied on January 1, 2006, on assessed values as of January 1, 2005, the lien date. Real estate taxes were due and payable on February 9 and July 8, 2006. Personal property taxes were due and payable on May 10 and September 20, 2006, on assessed values as of the lien date, December 31, 2005.

The County Treasurer collects property taxes on behalf of all taxing districts within the City. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Accrued property taxes receivable represent current taxes which were levied, measurable and unpaid, as well as, delinquent taxes outstanding as of December 31, 2006.

Although total property tax collections for the next ensuing fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are intended to finance the subsequent year's operations. Therefore, the total property taxes receivable at year end are credited to deferred revenue on the governmental fund statement.

NOTE 14 - MUNICIPAL INCOME TAXES

The City levies an income tax of 1.6% on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income they earn outside the City. However, a credit is allowed for income taxes paid to other municipalities. In 1993, an additional .1% became effective for the Parks & Recreation Fund, which is inclusive in the 1.6% City income tax.

Employers within the City are required to withhold income tax on employees compensation and remit this tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration of tax liability annually.

As of December 31, 2006 there were \$374,958 in delinquent income taxes for which collection is uncertain, therefore these taxes are not accrued. In 2006, these municipal income taxes generated a combined total of \$10,075,395 in local tax revenue.

NOTE 15 - INTERFUND ACTIVITY

As of December 31, 2006, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivables	Interfund Payables
	_____	_____
Governmental Activities		
General Fund	\$92,392	\$0
Bus Transit Fund	0	30,449
<i>Nonmajor Special Revenue Funds:</i>		
Income Tax	163,000	0
Parks and Recreation	0	50
Total Nonmajor Special Revenue Funds	163,000	50
<i>Nonmajor Capital Projects Funds:</i>		
Safety Levy Capital	0	30,443
Parks and Recreation Capital	0	193,443
Total Nonmajor Capital Projects Funds	0	223,886

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

Business-Type Activities:

Water	0	500
Sewer	0	507
Total Business-Type Funds	0	1,007
<hr/>		<hr/>
Total	<u>\$255,392</u>	<u>\$255,392</u>

All balances are scheduled to be collected in the subsequent year. All balances resulted from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of interfund transfers for 2006 are as follows:

Transfers In

Transfers Out	General	Street	Nonmajor	Nonmajor	Bond Retirement	Sewer	Total
		Construction Maintenance & Repair	Special Revenue	Capital Improvement			
General	\$0	\$400,000	\$1,699,000	\$70,000	\$77,073	\$30,000	\$2,276,073
Street Construction							
Maintenance & Repair	0	0	0	0	12,613	0	12,613
Bus Transit Fund	21,101	0	0	0	0	0	21,101
Nonmajor Special Revenue	32,522	0	10,500	134,100	41,059	0	218,181
Nonmajor Capital Projects	41,744	0	0	0	197,748	0	239,492
Water	6,635	0	0	0	0	0	6,635
Sewer	6,698	0	0	0	0	0	6,698
	<u>\$108,700</u>	<u>\$400,000</u>	<u>\$1,709,500</u>	<u>\$204,100</u>	<u>\$328,493</u>	<u>\$30,000</u>	<u>\$2,780,793</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.

In the year ended December 31, 2006, the City made transfers of \$1,699,000 from the General Fund to various Nonmajor Special Revenue Funds to subsidize the programs of those funds.

NOTE 16 - ROSS COUNTY AND CHILLICOTHE LAW ENFORCEMENT COMPLEX

The Ross County and Chillicothe Law Enforcement Complex is a shared asset between Ross County and the City which is located in downtown Chillicothe and houses the Chillicothe Police Department, Ross County Sheriff's Department and Ross County Jail.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

An agreement developed by and between Ross County and the City governs the shared costs of constructing the facility as well as the continuing costs of maintaining the facility.

In the agreement with Ross County, the City has agreed to lease space in the Law Complex from the County for fifty years. All lease payments made by the City were paid at the beginning of the lease term and were considered the City's share of the costs incurred during construction of the Law Complex.

The agreement further states that Ross County and the City will share in the costs of repairs, maintenance and replacement incurred relative to the operation of the Law Complex. Those costs are explained as follows:

- * The cost of any repairs or maintenance to the roof section which covers the Law Complex section of the facility shall be shared equally by both entities.
- * The City shall pay a pro rata share of 18.47 percent of the costs associated with repairing, maintaining and replacing the public elevators, freight lift, heating, air conditioning, electrical systems and plumbing within the Law Complex section of the facility. The City's pro rata share of 18.47 percent is derived by taking a percentage of the square footage occupied by the City to the total square footage of the Law Complex.
- * Any costs of repairs, maintenance or replacement to sidewalks, public areas and parking lots contiguous to the Law Complex, including snow removal, shall be shared equally by both entities.
- * The City shall pay 100 percent of the costs of repairing, maintaining and replacing interior decorations within the City offices and 50 percent of the costs relative to interior decorations in the common offices of the Law Complex.
- * The City shall pay 50 percent of the costs of repairing, maintaining and replacing telephone equipment in the common offices of the Law Complex.
- * The City shall pay 18.47 percent of gas, electric, water, sewer, and solid waste disposal utilities and 50 percent of janitorial services.
- * The City has no percentage interest in the jail area of the facility, rather, the City is billed on a per diem basis by Ross County for the housing of its' prisoners.

Ross County originally paid all of the costs of constructing the Law Complex, including the costs of purchasing the land on which the facility is located, which totaled \$11,995,690. Ross County billed the City for its share of these costs, after deducting certain costs related only to the jail area, based on a percentage of square footage to be occupied by the City in proportion to the total square footage of the facility.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

As a result of the construction costs of the Law Complex being shared by the City and Ross County, the facility will be treated as a shared asset with both entities reflecting a proportionate share of the facility in their capital assets. Since the original construction of the Law Complex, various improvements have been made. Therefore, the City has recorded \$2,004,214 as a capital asset, which reflects the City's share of the asset.

NOTE 17 - LANDFILL CLOSURE AND POST CLOSURE CARE

In 1988, state and federal laws and regulations required the City to stop accepting waste at the Chillicothe Landfill and place a final cover on the landfill site as well as perform certain maintenance and monitoring functions at the site for thirty years after closure. Final closure of the landfill occurred in 1990.

In 2006, the City incurred \$43,910 in post closure care costs and decreased its postclosure care liability by \$67,131, which is a change in estimate. To this date, the City has incurred approximately \$1,969,268 in closure and postclosure care costs. These costs have been incurred by the Landfill Closure Fund.

The City has accrued a liability for landfill post-closure care costs of \$688,728. The liability is based on an average of cumulative postclosure care costs to this date projected over the next fourteen years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Financial assurance to fund this liability is provided through the General Fund where transfers will be made over the next fourteen years.

NOTE 18 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The City has addressed these various types of risk by purchasing insurance through commercial carriers.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence. Other liability insurance includes \$2,000,000 for law enforcement professional liability, \$2,000,000 for public official errors and omissions liability, \$2,000,000 for automobile liability, and \$100,000 for uninsured motorists liability.

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$31,856,900. Other property insurance includes \$55,224 unscheduled and \$1,197,334 scheduled for contractor's equipment. Comprehensive boiler and machinery coverage is carried in the amount of \$31,856,900. Insurance deductibles on any of the above coverages do not exceed \$50,000.

**CITY OF CHILLICOTHE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2006

The City participates in the Workers' Compensation Program provided by the State of Ohio. The City no longer belongs to a pool with other Ohio cities for a workers' compensation group rating program. Settled claims have exceeded the above coverage limits in the past three years.

The City has also established a limited risk health and dental program for employees. Claims are paid directly to United Healthcare, who services all claims submitted. Claims are paid through each of the General, Street Construction Maintenance and Repair, State Highway, Park and Recreation, Parking, Bus Transit, Water and Sewer Funds. Additionally, each fund is responsible for paying its respective portion of administrative costs.

During 2005, the City elected to stop providing employee health and dental benefits on a self-insured program basis and switched to a fully funded plan. As of December 31, 2006, the City continues to pay run-out claims for the self-insured program. A liability for each funds portion of the unpaid claims costs totaling \$296 has been accrued as a liability based on an estimate by the administrator of those unpaid run-out claims.

Changes in the total of all funds claims liability in 2005 and 2006 are:

Year	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2005	\$227,685	\$24,745	\$233,580	\$18,850
2006	18,850	0	18,554	294

With the exception of workers' compensation, all insurance is held with commercial carriers. The City pays all elected officials bonds by statute.

NOTE 19 - CONTINGENCIES

The City participates in several federal and state assisted grants and programs that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes that disallowed claims, if any, will not have a material adverse effect on the City's financial position.

NOTE 20 - SUBSEQUENT EVENTS

On March 21, 2007 the City issued a \$600,000 general obligation bond anticipation note for the purpose of purchasing a new fire truck. This note bears an interest rate of 4.00%.

In June 14, 2007 the City renewed the general obligation bond anticipation note originally issued for street improvements for \$400,000.

In June 14, 2007 the City also renewed the general obligation bond anticipation note originally issued for water system improvements for \$300,000.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF CHILLICOTHE, OHIO

GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The following are descriptions of the City's nonmajor special revenue funds:

State Highway Fund

To account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance and repair of state highways located within the boundaries of the City.

Parks and Recreation Fund

To account for proceeds of an income tax levy and transfers from the General Fund to be used for park and recreation purposes. The park operation is governed by a park board of trustees organized pursuant to Section 755.14 (A) of the Revised Code.

HUD Fund

To account for grant revenue received from the Federal Government, Department of Housing and Urban Development (HUD). The primary purpose of the grants is to provide funding for rental rehabilitation programs and downtown development revolving loan programs.

Grants Fund

To account for grant revenues that are used to fund community policing programs and provide assistance for victims of crime.

Floodwall Fund

To account for income tax proceeds transferred from the General Fund for the maintenance of a floodwall. The transfers are made per ordinance requirements. One quarter of one percent (.025%) is to be transferred into the fund until the fund reaches a balance of sixty thousand dollars.

Cablevision Fund

To account for transfers from the General Fund made for the purpose of maintenance and repair of the cable system as provided for in the cable franchise agreement.

Income Tax Fund

To account for the excess income tax received after ceilings for the General Fund, Floodwall Fund, and Bus Transit Fund have been reached. All income tax refunds are disbursed from this fund.

Law Enforcement Fund

To account for the distribution of proceeds from the sale of forfeited property or contraband to be allocated by City Council only to the police department of the City.

CITY OF CHILLICOTHE, OHIO

Indigent Drivers Alcohol Treatment Fund

To account for 50% part of fines (under 4511.191 (M) of the Revised Code) that are collected by Municipal Court from DUI offenders.

OMVI Enforcement & Education Fund

To account for those costs incurred by the Police Department in enforcing Section 4511.19 of the Revised Code or a substantially similar municipal ordinance and in educating the public of laws governing operation of a motor vehicle while under the influence of alcohol, the dangers of operation of a motor vehicle while under the influence of alcohol, and other information relating to the operation of a motor vehicle and the consumption of alcoholic beverages.

Mandatory Drug Fines Fund

To account for monies received from fines imposed for felony drug trafficking offenses which shall be paid to law enforcement agencies in the state that were primarily responsible for or involved in making the arrest of and in prosecuting the offender.

Parking Fund

To account for the operation of parking meters and the parking facility. The costs of these services are financed through meter fees, parking fines, and transfers from the General Fund.

Police Pension Fund

To account for property tax revenue and transfers from the General Fund used to pay the City's accrued liability for police benefits and the employer's quarterly retirement contribution.

Fire Pension Fund

To account for property tax revenue and transfers from the General Fund used to pay the City's accrued liability for fire benefits and the employer's quarterly retirement contribution.

CITY OF CHILLICOTHE, OHIO

NONMAJOR BOND RETIREMENT FUND

The bond retirement fund is used to account for the accumulation of resources for, and the payment of principal and interest on general obligation bonds.

NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds. The following are descriptions of the City's nonmajor capital projects funds:

Capital Improvement Fund

To account for General Fund transfers, which are used for the purpose of making capital improvements and for purchases of capital equipment.

Issue II Fund

To account for funds received from the Ohio Public Works Commission, used to make improvements to certain streets and alleys.

Safety Levy Capital Fund

To account for a portion of the income tax collected for the purpose of acquiring capital items for safety program purposes as provided for in the income tax ordinance.

Landfill Closure Fund

To account for postclosure care costs to monitor the landfill site. The funding for these costs are being provided by transfers from the General Fund.

Parks and Recreation Capital Fund

To account for a portion of the income tax collected for the purpose of acquiring capital items for the parks and recreation capital program as provided for in the income tax ordinance.

Streetscape Fund

To account for streetscape maintenance expenses.

CITY OF CHILLICOTHE, OHIO

NONMAJOR PERMANENT FUND

The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The following is a description of the City's nonmajor permanent fund:

Carlisle Hill Fund

To account for the interest proceeds relating to a bequest to the City for the purpose of maintaining the entryway to Carlisle Hill. Since this is the only permanent fund, no combining statements are presented for the permanent fund.

City of Chillicothe, Ohio

Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets					
Equity in Pooled Cash & Cash Equivalents	\$1,347,525	\$13,085	\$971,040	\$2,067	\$2,333,717
Cash and Cash Equivalents in Segregated Accounts	4,553	0	0	0	4,553
Investment in City Treasury	0	0	0	1,000	1,000
Accounts Receivable	874	0	0	0	874
Interfund Receivable	163,000	0	0	0	163,000
Intergovernmental Receivable	567,733	0	14,345	0	582,078
Income Tax Receivable	54,115	0	112,909	0	167,024
Property Tax Receivable	254,928	0	0	0	254,928
Prepaid Items	3,975	0	2,563	0	6,538
Total Assets	\$2,396,703	\$13,085	\$1,100,857	\$3,067	3,513,712
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$14,047	\$0	\$16,735	\$0	\$30,782
Contracts Payable	420	0	0	0	420
Accrued Wages Payable	9,152	0	0	0	9,152
Intergovernmental Payable	282,999	0	0	0	282,999
Interfund Payable	50	0	223,886	0	223,936
Claims Payable	14	0	0	0	14
Deferred Revenue	784,178	0	5,788	0	789,966
Total Liabilities	1,090,860	0	246,409	0	1,337,269
Fund Balances					
Reserved for Permanent Fund	0	0	0	1,000	1,000
Reserved for Encumbrances	10,377	0	41,382	0	51,759
Reserved for Prepaid Items	3,975	0	2,563	0	6,538
Unreserved	1,291,491	13,085	810,503	2,067	2,117,146
Total Fund Balances	1,305,843	13,085	854,448	3,067	2,176,443
	\$2,396,703	\$13,085	\$1,100,857	\$3,067	\$3,513,712

City of Chillicothe, Ohio

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues					
Property Taxes	\$274,638	\$0	\$0	\$0	\$274,638
Municipal Income Taxes	719,777	0	685,686	0	1,405,463
Charges for Services	91,066	0	0	0	91,066
Fines, Licenses and Permits	44,747	0	0	0	44,747
Intergovernmental	406,961	0	390,873	0	797,834
Investment Earnings	277	0	0	40	317
Miscellaneous	51,636	0	117,680	0	169,316
Total Revenue	1,589,102	0	1,194,239	40	2,783,381
Expenditures					
<i>Current:</i>					
General Government	487,093	0	0	0	487,093
<i>Security of Persons and Property:</i>					
Police	449,408	0	0	0	449,408
Fire	563,283	0	0	0	563,283
Transportation	323,096	0	0	0	323,096
Community Environment	380,106	0	0	0	380,106
Leisure Time Activities	655,236	0	0	0	655,236
Capital Outlay	0	0	1,156,485	0	1,156,485
<i>Debt Service:</i>					
Principal Retirement	2,018	267,613	0	0	269,631
Interest and Fiscal Charges	761	60,464	0	0	61,225
Total Expenditures	2,861,001	328,077	1,156,485	0	4,345,563
Excess of Revenues Over (Under) Expenditures	(1,271,899)	(328,077)	37,754	40	(1,562,182)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	155	0	0	0	155
Transfers-In	1,709,500	328,493	204,100	0	2,242,093
Transfers-Out	(218,181)	0	(239,492)	0	(457,673)
Total Other Sources (Uses)	1,491,474	328,493	(35,392)	0	1,784,575
Net Change in Fund Balances	219,575	416	2,362	40	222,393
Fund Balances at Beginning of Year	1,086,268	12,669	852,086	3,027	1,954,050
Fund Balances at End of Year	\$1,305,843	\$13,085	\$854,448	\$3,067	\$2,176,443

THIS PAGE LEFT BLANK INTENTIONALLY

City of Chillicothe, Ohio

Combining Balance Sheet
 Nonmajor Special Revenue Funds

December 31, 2006

	State Highway	Parks & Recreation	HUD	Grants	Floodwall
Assets					
Equity in Pooled Cash & Cash Equivalents	\$32,168	\$237,761	\$60,059	\$35,583	\$26,366
Cash and Cash Equivalents in					
Segregated Accounts	0	0	3,963	0	0
Accounts Receivable	0	874	0	0	0
Interfund Receivable	0	0	0	0	0
Intergovernmental Receivable	38,589	0	500,000	19,290	0
Income Taxes Receivable	0	54,115	0	0	0
Property Taxes Receivable	0	0	0	0	0
Prepaid Items	0	2,785	0	0	1,190
Total Assets	\$70,757	\$295,535	\$564,022	\$54,873	\$27,556
Liabilities					
Accounts Payable	\$0	\$1,135	\$0	\$0	\$1,570
Contracts Payable	0	0	0	0	0
Accrued Wages Payable	1,623	5,845	0	0	0
Intergovernmental Payable	3,548	13,722	0	0	0
Interfund Payable	0	50	0	0	0
Claims Payable	3	9	0	0	0
Deferred Revenue	0	2,773	500,000	16,623	0
Total Liabilities	5,174	23,534	500,000	16,623	1,570
Fund Balances					
Reserved for Encumbrances	0	3,877	0	0	6,000
Reserved for Prepaid Items	0	2,785	0	0	1,190
Unreserved	65,583	265,339	64,022	38,250	18,796
Total Fund Balances	65,583	272,001	64,022	38,250	25,986
Total Liabilities and Fund Balances	\$70,757	\$295,535	\$564,022	\$54,873	\$27,556

<u>Cablevision</u>	<u>Income Tax</u>	<u>Law Enforcement</u>	<u>Indigent Driver's Alcohol Treatment</u>	<u>OMVI Enforcement & Education</u>	<u>Mandatory Drug Fines</u>	<u>Parking</u>
\$5,765	\$521,117	\$95,300	\$177,418	\$10,155	\$47,692	\$88,126
0	0	0	355	142	93	0
0	0	0	0	0	0	0
0	163,000	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$5,765</u>	<u>\$684,117</u>	<u>\$95,300</u>	<u>\$177,773</u>	<u>\$10,297</u>	<u>\$47,785</u>	<u>\$88,126</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$11,342
0	0	0	0	0	0	420
0	0	0	0	0	0	1,684
0	0	0	0	0	0	3,278
0	0	0	0	0	0	0
0	0	0	0	0	0	2
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,726</u>
0	0	0	0	0	0	500
0	0	0	0	0	0	0
<u>5,765</u>	<u>684,117</u>	<u>95,300</u>	<u>177,773</u>	<u>10,297</u>	<u>47,785</u>	<u>70,900</u>
<u>5,765</u>	<u>684,117</u>	<u>95,300</u>	<u>177,773</u>	<u>10,297</u>	<u>47,785</u>	<u>71,400</u>
<u>\$5,765</u>	<u>\$684,117</u>	<u>\$95,300</u>	<u>\$177,773</u>	<u>\$10,297</u>	<u>\$47,785</u>	<u>\$88,126</u>

continued

City of Chillicothe, Ohio

Combining Balance Sheet
 Nonmajor Special Revenue Funds

December 31, 2006

	Police Pension	Fire Pension	Total Nonmajor Special Revenue Funds
Assets			
Equity in Pooled Cash & Cash Equivalents	\$6,565	\$3,450	\$1,347,525
Cash and Cash Equivalents in			
Segregated Accounts	0	0	4,553
Accounts Receivable	0	0	874
Interfund Receivable	0	0	163,000
Intergovernmental Receivable	4,927	4,927	567,733
Income Taxes Receivable	0	0	54,115
Property Taxes Receivable	127,464	127,464	254,928
Prepaid Items	0	0	3,975
Total Assets	<u>\$138,956</u>	<u>\$135,841</u>	<u>\$2,396,703</u>
Liabilities			
Accounts Payable	\$0	\$0	\$14,047
Contracts Payable	0	0	420
Accrued Wages Payable	0	0	9,152
Intergovernmental Payable	122,795	139,656	282,999
Interfund Payable	0	0	50
Claims Payable	0	0	14
Deferred Revenue	132,391	132,391	784,178
Total Liabilities	<u>255,186</u>	<u>272,047</u>	<u>1,090,860</u>
Fund Balances			
Reserved for Encumbrances	0	0	10,377
Reserved for Prepaid Items	0	0	3,975
Unreserved	(116,230)	(136,206)	1,291,491
Total Fund Balances	<u>(116,230)</u>	<u>(136,206)</u>	<u>1,305,843</u>
Total Liabilities and Fund Balances	<u>\$138,956</u>	<u>\$135,841</u>	<u>\$2,396,703</u>

THIS PAGE LEFT BLANK INTENTIONALLY

City of Chillicothe, Ohio

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Year Ended December 31, 2006

	State Highway	Parks & Recreation	HUD	Grants	Floodwall
Revenues					
Property Taxes	\$0	\$0	\$0	\$0	\$0
Municipal Income Taxes	0	573,739	0	0	0
Charges for Services	0	37,082	0	0	0
Fines, Licenses and Permits	0	0	0	0	0
Intergovernmental	103,531	0	78,500	221,502	0
Investment Earnings	0	0	277	0	0
Miscellaneous	977	30,988	8,454	0	0
Total Revenue	<u>104,508</u>	<u>641,809</u>	<u>87,231</u>	<u>221,502</u>	<u>0</u>
Expenditures					
<i>Current:</i>					
General Government	0	0	0	0	0
<i>Security of Persons and Property:</i>					
Police	0	0	0	0	0
Fire	0	0	0	0	0
Transportation	134,141	0	0	0	0
Community Environment	0	0	298,001	51,793	30,312
Leisure Time Activities	0	655,236	0	0	0
<i>Debt Service:</i>					
Principal Retirement	0	2,018	0	0	0
Interest and Fiscal Charges	0	761	0	0	0
Total Expenditures	<u>134,141</u>	<u>658,015</u>	<u>298,001</u>	<u>51,793</u>	<u>30,312</u>
Excess of Revenues Over (Under) Expenditures	<u>(29,633)</u>	<u>(16,206)</u>	<u>(210,770)</u>	<u>169,709</u>	<u>(30,312)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	0	0	0	0	0
Transfers-In	65,000	135,500	0	0	30,000
	<u>0</u>	<u>(621)</u>	<u>0</u>	<u>(165,607)</u>	<u>(10,500)</u>
Total Other Sources (Uses)	<u>65,000</u>	<u>134,879</u>	<u>0</u>	<u>(165,607)</u>	<u>19,500</u>
Net Change in Fund Balances	35,367	118,673	(210,770)	4,102	(10,812)
Fund Balances at Beginning of Year	<u>30,216</u>	<u>153,328</u>	<u>274,792</u>	<u>34,148</u>	<u>36,798</u>
Fund Balances at End of Year	<u>\$65,583</u>	<u>\$272,001</u>	<u>\$64,022</u>	<u>\$38,250</u>	<u>\$25,986</u>

Cablevision	Income Tax	Law Enforcement	Indigent Driver's Alcohol Treatment	OMVI Enforcement & Education	Mandatory Drug Fines	Parking
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	146,038	0	0	0	0	0
0	0	0	0	0	0	53,984
0	0	23,219	13,038	3,605	4,885	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	3,927
<u>0</u>	<u>146,038</u>	<u>23,219</u>	<u>13,038</u>	<u>3,605</u>	<u>4,885</u>	<u>57,911</u>
0	487,093	0	0	0	0	0
0	0	0	0	6,000	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	188,955
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>0</u>	<u>487,093</u>	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>0</u>	<u>188,955</u>
0	(341,055)	23,219	13,038	(2,395)	4,885	(131,044)
0	0	0	0	0	0	155
0	575,000	0	0	0	0	100,000
0	0	0	0	0	0	(394)
<u>0</u>	<u>575,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>99,761</u>
0	233,945	23,219	13,038	(2,395)	4,885	(31,283)
<u>5,765</u>	<u>450,172</u>	<u>72,081</u>	<u>164,735</u>	<u>12,692</u>	<u>42,900</u>	<u>102,683</u>
<u>\$5,765</u>	<u>\$684,117</u>	<u>\$95,300</u>	<u>\$177,773</u>	<u>\$10,297</u>	<u>\$47,785</u>	<u>\$71,400</u>

continued

City of Chillicothe, Ohio

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

For the Year Ended December 31, 2006

	Police Pension	Fire Pension	Total Nonmajor Special Revenue Funds
Revenues			
Property Taxes	\$137,319	\$137,319	\$274,638
Municipal Income Taxes	0	0	719,777
Charges for Services	0	0	91,066
Fines, Licenses and Permits	0	0	44,747
Intergovernmental	1,714	1,714	406,961
Investment Earnings	0	0	277
Miscellaneous	3,645	3,645	51,636
Total Revenue	142,678	142,678	1,589,102
Expenditures			
<i>Current:</i>			
General Government	0	0	487,093
<i>Security of Persons and Property:</i>			
Police	443,408	0	449,408
Fire	0	563,283	563,283
Transportation	0	0	323,096
Community Environment	0	0	380,106
Leisure Time Activities	0	0	655,236
<i>Debt Service:</i>			
Principal Retirement	0	0	2,018
Interest and Fiscal Charges	0	0	761
Total Expenditures	443,408	563,283	2,861,001
Excess of Revenues Over (Under) Expenditures	(300,730)	(420,605)	(1,271,899)
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	0	0	155
Transfers-In	326,000	478,000	1,709,500
	(9,908)	(31,151)	(218,181)
Total Other Sources (Uses)	316,092	446,849	1,491,474
Net Change in Fund Balances	15,362	26,244	219,575
Fund Balances at Beginning of Year	(131,592)	(162,450)	1,086,268
Fund Balances at End of Year	(\$116,230)	(\$136,206)	\$1,305,843

THIS PAGE LEFT BLANK INTENTIONALLY

City of Chillicothe, Ohio

Combining Balance Sheet
Nonmajor Capital Projects Funds

December 31, 2006

	<u>Capital Improvement</u>	<u>Issue II</u>	<u>Safety Levy Capital</u>
Assets			
Equity in Pooled Cash & Cash Equivalents	\$32,000	\$0	\$624,977
Intergovernmental Receivable	0	14,345	0
Income Tax Receivable	0	0	83,512
Prepaid Items	0	0	2,563
	<u>0</u>	<u>0</u>	<u>2,563</u>
Total Assets	<u>\$32,000</u>	<u>\$14,345</u>	<u>\$711,052</u>
Liabilities			
Accounts Payable	\$0	\$14,345	\$1,470
Interfund Payable	0	0	30,443
Deferred Revenue	0	0	4,280
	<u>0</u>	<u>0</u>	<u>4,280</u>
Total Liabilities	<u>0</u>	<u>14,345</u>	<u>36,193</u>
Fund Balances			
Reserved for Encumbrances	0	0	35,638
Reserved for Prepaid Items	0	0	2,563
Unreserved	32,000	0	636,658
	<u>32,000</u>	<u>0</u>	<u>674,859</u>
Total Fund Balances	<u>32,000</u>	<u>0</u>	<u>674,859</u>
Total Liabilities and Fund Balances	<u>\$32,000</u>	<u>\$14,345</u>	<u>\$711,052</u>

<u>Landfill Closure</u>	<u>Parks & Recreation Capital</u>	<u>Streetscape</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$31,124	\$253,817	\$29,122	\$971,040
0	0	0	14,345
0	29,397	0	112,909
<u>0</u>	<u>0</u>	<u>0</u>	<u>2,563</u>
<u>\$31,124</u>	<u>\$283,214</u>	<u>\$29,122</u>	<u>\$1,100,857</u>
\$920	\$0	\$0	\$16,735
0	193,443	0	223,886
<u>0</u>	<u>1,508</u>	<u>0</u>	<u>5,788</u>
<u>920</u>	<u>194,951</u>	<u>0</u>	<u>246,409</u>
0	4,700	1,044	41,382
0	0	0	2,563
<u>30,204</u>	<u>83,563</u>	<u>28,078</u>	<u>810,503</u>
<u>30,204</u>	<u>88,263</u>	<u>29,122</u>	<u>854,448</u>
<u>\$31,124</u>	<u>\$283,214</u>	<u>\$29,122</u>	<u>\$1,100,857</u>

City of Chillicothe, Ohio

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Capital Projects Funds

For the Year Ended December 31, 2006

	Capital Improvement	Issue II	Safety Levy Capital
Revenues			
Municipal Income Taxes	\$0	\$0	\$629,714
Intergovernmental	0	390,873	0
Miscellaneous	0	0	69,096
Total Revenue	<u>0</u>	<u>390,873</u>	<u>698,810</u>
Expenditures			
Capital Outlay	<u>0</u>	<u>390,873</u>	<u>658,590</u>
Total Expenditures	<u>0</u>	<u>390,873</u>	<u>658,590</u>
Excess of Revenues Over (Under) Expenditures	0	0	40,220
Other Financing Sources (Uses)			
Transfers-In	0	0	134,100
Transfers-Out	<u>0</u>	<u>0</u>	<u>(218,620)</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(84,520)</u>
Net Change in Fund Balances	0	0	(44,300)
Fund Balances at Beginning of Year	<u>32,000</u>	<u>0</u>	<u>719,159</u>
Fund Balances at End of Year	<u><u>\$32,000</u></u>	<u><u>\$0</u></u>	<u><u>\$674,859</u></u>

<u>Landfill Closure</u>	<u>Parks & Recreation Capital</u>	<u>Streetscape</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$0	\$55,972	\$0	\$685,686
0	0	0	390,873
<u>0</u>	<u>48,584</u>	<u>0</u>	<u>117,680</u>
<u>0</u>	<u>104,556</u>	<u>0</u>	<u>1,194,239</u>
<u>44,830</u>	<u>53,644</u>	<u>8,548</u>	<u>1,156,485</u>
<u>44,830</u>	<u>53,644</u>	<u>8,548</u>	<u>1,156,485</u>
(44,830)	50,912	(8,548)	37,754
70,000	0	0	204,100
<u>0</u>	<u>(20,872)</u>	<u>0</u>	<u>(239,492)</u>
<u>70,000</u>	<u>(20,872)</u>	<u>0</u>	<u>(35,392)</u>
25,170	30,040	(8,548)	2,362
<u>5,034</u>	<u>58,223</u>	<u>37,670</u>	<u>852,086</u>
<u>\$30,204</u>	<u>\$88,263</u>	<u>\$29,122</u>	<u>\$854,448</u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$9,278,669	\$9,278,639	\$9,439,325	\$160,686
Charges for Services	2,753,700	2,760,826	3,148,876	388,050
Fines, Licenses and Permits	1,273,000	1,403,000	1,492,329	89,329
Intergovernmental	1,567,199	1,605,953	1,619,917	13,964
Special Assessments	0	0	5,017	5,017
Investment Earnings	350,000	350,000	543,654	193,654
Miscellaneous	196,500	240,714	390,508	149,794
Total Revenue	15,419,068	15,639,132	16,639,626	1,000,494
Expenditures				
<i>Current:</i>				
General Government				
Mayor				
Personal Services	262,150	261,650	261,214	436
Fringe Benefits	132,650	133,150	130,102	3,048
Travel Transportation	2,200	2,650	1,946	704
Materials and Supplies	55,825	57,765	40,285	17,480
Contractual Services	1,800	11,799	11,796	3
Other	15,475	7,886	7,568	318
Total Mayor	470,100	474,900	452,911	21,989
City Council				
Personal Services	58,200	58,337	58,337	0
Fringe Benefits	113,550	104,206	104,187	19
Travel Transportation	900	591	485	106
Materials and Supplies	400	600	0	600
Other	0	109	109	0
Total City Council	173,050	163,843	163,118	725
Treasurer				
Personal Services	43,020	41,314	37,118	4,196
Fringe Benefits	41,150	42,856	41,287	1,569
Materials and Supplies	2,200	2,200	1,466	734
Contractual Services	2,850	2,850	1,649	1,201
Other	300	300	265	35
Total Treasurer	89,520	89,520	81,785	7,735

continued

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Income Tax Department				
Personal Services	114,372	116,127	114,209	1,918
Fringe Benefits	73,792	84,468	83,587	881
Travel Transportation	200	200	0	200
Materials and Supplies	16,100	11,215	6,183	5,032
Contractual Services	1,500	6,435	5,799	636
Other	750	700	34	666
Total Income Tax Department	206,714	219,145	209,812	9,333
Land and Buildings				
Materials and Supplies	131,300	134,393	129,736	4,657
Contractual Services	47,104	44,012	43,851	161
Capital Outlay	30,000	51,600	33,740	17,860
Other	25	424	424	0
Total Land and Buildings	208,429	230,429	207,751	22,678
Law Director				
Personal Services	296,500	323,763	289,684	34,079
Fringe Benefits	172,000	184,587	165,375	19,212
Travel Transportation	1,100	802	709	93
Materials and Supplies	28,725	30,739	30,132	607
Contractual Services	1,860	1,515	1,465	50
Capital Outlay	2,617	2,617	2,607	10
Other	2,475	28,075	28,071	4
Total Law Director	505,277	572,098	518,043	54,055
Auditor				
Personal Services	286,768	286,493	286,452	41
Fringe Benefits	136,450	141,083	141,003	80
Travel Transportation	4,500	4,500	2,282	2,218
Materials and Supplies	12,582	13,082	9,727	3,355
Other	3,700	3,200	1,029	2,171
Total Auditor	444,000	448,358	440,493	7,865
Municipal Court				
Personal Services	990,082	1,049,971	995,090	54,881
Fringe Benefits	481,440	514,677	465,992	48,685
Travel Transportation	4,500	4,367	3,068	1,299
Materials and Supplies	79,325	78,422	61,438	16,984
Contractual Services	16,350	17,350	16,078	1,272
Capital Outlay	50,579	51,476	47,102	4,374
Other	11,000	10,308	5,531	4,777
Total Municipal Court	1,633,276	1,726,571	1,594,299	132,272

continued

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Civil Service				
Personal Services	41,230	40,794	40,658	136
Fringe Benefits	21,042	21,477	21,380	97
Travel Transportation	2,100	0	0	0
Materials and Supplies	16,000	19,655	18,857	798
Contractual Services	1,500	1,000	728	272
Other	1,900	1,845	1,845	0
Total Civil Service	83,772	84,771	83,468	1,303
Service Department				
Personal Services	83,570	110,280	110,095	185
Fringe Benefits	41,784	47,654	46,867	787
Travel Transportation	200	0	0	0
Materials and Supplies	6,060	5,401	4,981	420
Contractual Services	850	1,969	1,968	1
Other	350	100	70	30
Total Service Department	132,814	165,404	163,981	1,423
Engineering				
Personal Services	236,018	252,839	252,819	20
Fringe Benefits	139,950	139,645	139,645	0
Travel Transportation	11,878	12,108	10,352	1,756
Materials and Supplies	25,673	31,509	26,018	5,491
Contractual Services	64,349	64,173	54,539	9,634
Capital Outlay	53,380	62,975	58,137	4,838
Other	7,720	5,323	4,384	939
Total Engineering	538,968	568,572	545,894	22,678
Postage and Stores				
Materials and Supplies	77,000	77,000	62,999	14,001
Total Postage and Stores	77,000	77,000	62,999	14,001
Miscellaneous				
Fringe Benefits	66,800	77,400	75,339	2,061
Materials and Supplies	552,350	525,201	411,225	113,976
Contractual Services	171,290	246,895	229,040	17,855
Capital Outlay	43,250	43,250	5,588	37,662
Other	38,800	41,535	38,214	3,321
Total Miscellaneous	872,490	934,281	759,406	174,875
Total General Government	5,435,410	5,754,892	5,283,960	470,932
Security of Persons and Property				
Police Department				
Personal Services	2,509,800	2,525,993	2,517,146	8,847
Fringe Benefits	884,500	942,921	934,679	8,242
Travel Transportation	2,500	2,500	345	2,155
Materials and Supplies	159,700	196,442	154,108	42,334
Contractual Services	344,650	388,150	370,260	17,890
Other	37,600	35,076	17,764	17,312
Total Police Department	3,938,750	4,091,082	3,994,302	96,780

continued

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fire Department				
Personal Services	2,640,450	2,582,555	2,571,801	10,754
Fringe Benefits	755,050	849,687	848,040	1,647
Travel Transportation	1,300	1,300	900	400
Materials and Supplies	220,750	231,304	199,684	31,620
Contractual Services	18,000	14,690	13,555	1,135
Other	35,300	42,456	38,894	3,562
Total Fire Department	3,670,850	3,721,992	3,672,874	49,118
Civil Defense				
Other	6,350	6,350	6,350	0
Total Civil Defense	6,350	6,350	6,350	0
Humane Officer				
Personal Services	4,000	4,000	3,863	137
Fringe Benefits	1,000	1,000	966	34
Contractual Services	4,000	4,000	4,000	0
Total Humane Officer	9,000	9,000	8,829	171
School Crossing Guards				
Personal Services	52,415	52,298	44,437	7,861
Fringe Benefits	12,000	12,117	10,751	1,366
Materials and Supplies	450	450	0	450
Total School Crossing Guards	64,865	64,865	55,188	9,677
Total Security of Persons and Property	7,689,815	7,893,289	7,737,543	155,746
Transportation				
Streets and Sidewalks				
Materials and Supplies	211,000	211,000	198,741	12,259
Total Streets and Sidewalks	211,000	211,000	198,741	12,259
Total Transportation	211,000	211,000	198,741	12,259
Community Environment				
Planning Commission				
Materials and Supplies	85	105	100	5
Total Planning Commission	85	105	100	5
Design and Review				
Other	500	500	210	290
Total Design and Review	500	500	210	290
Total Community Environment	585	605	310	295

continued

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Basic Utility Services				
Refuse Department				
Personal Services	322,400	318,652	316,311	2,341
Fringe Benefits	179,200	181,843	179,523	2,320
Travel Transportation	0	60	56	4
Materials and Supplies	40,900	57,424	39,539	17,885
Contractual Services	490,599	490,599	348,148	142,451
Capital Outlay	111,138	111,138	111,138	0
Other	13,250	13,250	12,569	681
Total Refuse Department	<u>1,157,487</u>	<u>1,172,966</u>	<u>1,007,284</u>	<u>165,682</u>
Total Basic Utility Services	<u>1,157,487</u>	<u>1,172,966</u>	<u>1,007,284</u>	<u>165,682</u>
Leisure Time Activities				
Swimming Pool				
Personal Services	50,000	52,923	52,923	0
Fringe Benefits	7,700	9,109	9,109	0
Materials and Supplies	46,322	54,837	42,471	12,366
Contractual Services	3,195	1,920	1,599	321
Capital Outlay	10,000	28,863	26,452	2,411
Other	2,025	785	2,037	(1,252)
Total Swimming Pool	<u>119,242</u>	<u>148,437</u>	<u>134,591</u>	<u>13,846</u>
Total Leisure Time Activities	<u>119,242</u>	<u>148,437</u>	<u>134,591</u>	<u>13,846</u>
Total Expenditures	<u>14,613,539</u>	<u>15,181,189</u>	<u>14,362,429</u>	<u>818,760</u>
Excess of Revenues Over Expenditures	805,529	457,943	2,277,197	1,819,254
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	3,818	3,818
Transfers-In	78,402	78,402	108,700	30,298
Transfers-Out	(2,074,372)	(2,363,762)	(2,276,073)	87,689
Total Other Sources (Uses)	<u>(1,995,970)</u>	<u>(2,285,360)</u>	<u>(2,163,555)</u>	<u>121,805</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,190,441)	(1,827,417)	113,642	1,941,059
Fund Balances at Beginning of Year	2,068,022	2,068,022	2,068,022	0
Prior Year Encumbrances Appropriated	<u>254,635</u>	<u>254,635</u>	<u>254,635</u>	<u>0</u>
Fund Balances at End of Year	<u>\$1,132,216</u>	<u>\$495,240</u>	<u>\$2,436,299</u>	<u>\$1,941,059</u>

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Street Construction Maintenance & Repair Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$915,000	\$915,000	\$973,309	\$58,309
Miscellaneous	4,980	4,980	34,945	29,965
Total Revenue	919,980	919,980	1,008,254	88,274
Expenditures				
<i>Current:</i>				
Transportation				
Street Maintenance & Repair				
Personal Services	523,850	537,466	535,274	2,192
Fringe Benefits	265,246	282,131	280,760	1,371
Materials and Supplies	297,575	315,700	164,173	151,527
Contractual Services	28,500	31,500	22,565	8,935
Capital Outlay	133,671	192,711	80,661	112,050
Other	10,950	7,675	3,905	3,770
Debt Service	226,100	826,100	824,917	1,183
Total Transportation	1,485,892	2,193,283	1,912,255	281,028
Total Expenditures	1,485,892	2,193,283	1,912,255	281,028
Excess of Revenues (Under) Expenditures	(565,912)	(1,273,303)	(904,001)	369,302
Other Financing Sources (Uses)				
Issuance of Notes	0	600,000	600,000	0
Transfers-In	400,000	400,000	400,000	0
Transfers-Out	(12,650)	(12,650)	(12,613)	37
Total Other Sources (Uses)	387,350	987,350	987,387	37
Excess of Revenues and Other Sources (Under) Expenditures And Other Uses	(178,562)	(285,953)	83,386	369,339
Fund Balances at Beginning of Year	205,499	205,499	205,499	0
Prior Year Encumbrances Appropriated	183,771	183,771	183,771	0
Fund Balances at End of Year	\$210,708	\$103,317	\$472,656	\$369,339

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Bus Transit Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$610,000	\$610,000	\$633,630	\$23,630
Charges for Services	69,000	69,000	78,018	9,018
Intergovernmental	1,241,280	2,511,177	1,819,390	(691,787)
Miscellaneous	34,840	34,840	41,296	6,456
Total Revenue	1,955,120	3,225,017	2,572,334	(652,683)
Expenditures				
<i>Current:</i>				
Transportation				
Bus Transit System				
Personal Services	881,980	967,013	916,769	50,244
Fringe Benefits	413,100	458,667	404,647	54,020
Travel Transportation	2,000	112	112	0
Materials and Supplies	229,910	349,173	282,179	66,994
Contractual Services	14,050	1,524,043	657,473	866,570
Capital Outlay	67,192	143,451	940,951	(797,500)
Other	215,200	254,147	213,044	41,103
Total Transportation	1,823,432	3,696,606	3,415,175	281,431
Total Expenditures	1,823,432	3,696,606	3,415,175	281,431
Excess of Revenues Over (Under) Expenditures	131,688	(471,589)	(842,841)	(371,252)
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	519	519
Transfers-Out	(23,500)	(23,500)	(21,101)	2,399
Total Other Sources (Uses)	(23,500)	(23,500)	(20,582)	2,918
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	108,188	(495,089)	(863,423)	(368,334)
Fund Balances at Beginning of Year	517,618	517,618	517,618	0
Fund Balances at End of Year	\$625,806	\$22,529	(\$345,805)	(\$368,334)

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
State Highway Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$75,000	\$75,000	\$78,917	\$3,917
Miscellaneous	780	780	977	197
Total Revenue	<u>75,780</u>	<u>75,780</u>	<u>79,894</u>	<u>4,114</u>
Expenditures				
<i>Current:</i>				
Transportation				
State Highway Maintenance & Repair				
Personal Services	88,550	87,826	85,554	2,272
Fringe Benefits	48,108	48,832	48,127	705
Total Transportation	<u>136,658</u>	<u>136,658</u>	<u>133,681</u>	<u>2,977</u>
Total Expenditures	<u>136,658</u>	<u>136,658</u>	<u>133,681</u>	<u>2,977</u>
Excess of Revenues (Under) Expenditures	(60,878)	(60,878)	(53,787)	7,091
Other Financing Sources (Uses)				
Transfers-In	65,000	65,000	65,000	0
Transfers-Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Sources (Uses)	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>0</u>
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	4,122	4,122	11,213	7,091
Fund Balances at Beginning of Year	<u>20,955</u>	<u>20,955</u>	<u>20,955</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$25,077</u></u>	<u><u>\$25,077</u></u>	<u><u>\$32,168</u></u>	<u><u>\$7,091</u></u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Parks and Recreation Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$536,000	\$536,000	\$576,278	\$40,278
Charges for Services	20,000	20,000	37,082	17,082
Other	10,680	10,680	34,798	24,118
Total Revenue	566,680	566,680	648,158	81,478
Expenditures				
<i>Current:</i>				
Leisure Time Activities				
Parks and Recreation				
Personal Services	349,197	362,689	349,011	13,678
Fringe Benefits	188,511	193,519	183,611	9,908
Travel Transportation	1,190	190	0	190
Materials and Supplies	156,832	161,742	118,245	43,497
Contractual Services	5,425	7,129	4,506	2,623
Other	24,325	19,576	7,635	11,941
Total Leisure Time Activities	725,480	744,845	663,008	81,837
Total Expenditures	725,480	744,845	663,008	81,837
Excess of Revenues (Under) Expenditures	(158,800)	(178,165)	(14,850)	163,315
Other Financing Sources (Uses)				
Transfers-In	135,500	135,500	135,500	0
Transfers-Out	(800)	(800)	(621)	179
Total Other Sources (Uses)	134,700	134,700	134,879	179
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(24,100)	(43,465)	120,029	163,494
Fund Balances at Beginning of Year	113,082	113,082	113,082	0
Prior Year Encumbrances Appropriated	776	776	776	0
Fund Balances at End of Year	\$89,758	\$70,393	\$233,887	\$163,494

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
HUD Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$115,400	\$115,400	\$115,300	(\$100)
Investment Earnings	0	0	257	257
Other	0	8,454	8,454	0
Total Revenue	115,400	123,854	124,011	157
Expenditures				
<i>Current:</i>				
Community Environment				
Rehabilitation & Development				
Materials and Supplies	194,244	202,698	143,001	59,697
Contractual Services	155,000	155,000	155,000	0
Total Community Environment	349,244	357,698	298,001	59,697
Total Expenditures	349,244	357,698	298,001	59,697
Excess of Revenues (Under) Expenditures	(233,844)	(233,844)	(173,990)	59,854
Fund Balances at Beginning of Year	28,220	28,220	28,220	0
Prior Year Encumbrances Appropriated	205,831	205,831	205,831	0
Fund Balances at End of Year	\$207	\$207	\$60,061	\$59,854

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Grants Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$145,994	\$305,094	\$233,460	(\$71,634)
Total Revenue	145,994	305,094	233,460	(71,634)
Expenditures				
<i>Current:</i>				
Community Environment				
State Grants				
Contractual	57,065	82,065	55,726	26,339
Other	57,422	62,862	5,440	57,422
Total Community Environment	114,487	144,927	61,166	83,761
Total Expenditures	114,487	144,927	61,166	83,761
Excess of Revenues Over Expenditures	31,507	160,167	172,294	12,127
Other Financing (Uses)				
Transfers-Out	(31,507)	(165,607)	(165,607)	0
Total Other (Uses)	(31,507)	(165,607)	(165,607)	0
Excess of Revenues (Under) Expenditures and Other Uses	0	(5,440)	6,687	12,127
Fund Balances at Beginning of Year	28,896	28,896	28,896	0
Fund Balances at End of Year	\$28,896	\$23,456	\$35,583	\$12,127

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Floodwall Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenue	\$0	\$0	\$0	\$0
Expenditures				
<i>Current:</i>				
Community Environment				
Floodwall Maintenance				
Materials and Supplies	18,800	18,800	13,401	5,399
Contractual	0	300	0	300
Capital Outlay	28,000	28,000	23,237	4,763
Other	200	200	0	200
Total Community Environment	47,000	47,300	36,638	10,662
Total Expenditures	47,000	47,300	36,638	10,662
Excess of Revenues (Under) Expenditures	(47,000)	(47,300)	(36,638)	10,662
Other Financing Sources (Uses)				
Transfers-In	30,000	30,000	30,000	0
Transfers-Out	(10,500)	(10,500)	(10,500)	0
Total Other Sources (Uses)	19,500	19,500	19,500	0
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	(27,500)	(27,800)	(17,138)	10,662
Fund Balances at Beginning of Year	27,934	27,934	27,934	0
Prior Year Encumbrances Appropriated	8,000	8,000	8,000	0
Fund Balances at End of Year	\$8,434	\$8,134	\$18,796	\$10,662

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Cablevision Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenue	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balances at Beginning of Year	<u>5,765</u>	<u>5,765</u>	<u>5,765</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$5,765</u></u>	<u><u>\$5,765</u></u>	<u><u>\$5,765</u></u>	<u><u>\$0</u></u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Income Tax Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$0	\$0	\$146,038	\$146,038
Total Revenue	0	0	146,038	146,038
Expenditures				
<i>Current:</i>				
General Government				
Unallocated & Refunded Income Tax				
Other	375,000	575,000	487,093	87,907
Total General Government	375,000	575,000	487,093	87,907
Total Expenditures	375,000	575,000	487,093	87,907
Excess of Revenues (Under) Expenditures	(375,000)	(575,000)	(341,055)	\$233,945
Other Financing Sources (Uses)				
Transfers-In	375,000	575,000	575,000	0
Advances-Out	0	(163,000)	(163,000)	0
Total Other Sources (Uses)	375,000	412,000	412,000	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	0	(163,000)	70,945	233,945
Fund Balances at Beginning of Year	450,172	450,172	450,172	0
Fund Balances at End of Year	<u>\$450,172</u>	<u>\$287,172</u>	<u>\$521,117</u>	<u>\$233,945</u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Law Enforcement Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses and Permits	\$10,000	\$10,000	\$24,961	\$14,961
Total Revenue	10,000	10,000	24,961	14,961
Expenditures				
<i>Current:</i>				
Security of Persons and Property Enforcement & Education Other	10,000	10,000	0	10,000
Total Security of Persons and Property	10,000	10,000	0	10,000
Total Expenditures	10,000	10,000	0	10,000
Excess of Revenues Over (Under) Expenditures	0	0	24,961	24,961
Fund Balances at Beginning of Year	70,339	70,339	70,339	0
Fund Balances at End of Year	\$70,339	\$70,339	\$95,300	\$24,961

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Indigent Driver's Alcohol Treatment Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses and Permits	\$15,000	\$15,000	\$18,052	\$3,052
Total Revenue	15,000	15,000	18,052	3,052
Expenditures				
<i>Current:</i>				
Security of Persons and Property				
Alcohol Treatment				
Contractual Services	5,000	5,000	0	5,000
Total Security of Persons and Property	5,000	5,000	0	5,000
Total Expenditures	5,000	5,000	0	5,000
Excess of Revenues Over Expenditures	10,000	10,000	18,052	8,052
Fund Balances at Beginning of Year	159,366	159,366	159,366	0
Fund Balances at End of Year	\$169,366	\$169,366	\$177,418	\$8,052

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
OMVI Enforcement and Education Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses and Permits	\$4,000	\$4,000	\$3,578	(\$422)
Total Revenue	4,000	4,000	3,578	(422)
Expenditures				
<i>Current:</i>				
Security of Persons and Property				
Enforcement & Education				
Other	10,000	11,000	6,000	5,000
Total Security of Persons and Property	10,000	11,000	6,000	5,000
Total Expenditures	10,000	11,000	6,000	5,000
Excess of Revenues (Under) Expenditures	(6,000)	(7,000)	(2,422)	4,578
Fund Balances at Beginning of Year	12,577	12,577	12,577	0
Fund Balances at End of Year	\$6,577	\$5,577	\$10,155	\$4,578

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Mandatory Drug Fines Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines, Licenses and Permits	\$5,000	\$5,000	\$5,218	\$218
Total Revenue	5,000	5,000	5,218	218
Expenditures				
<i>Current:</i>				
Security of Persons and Property				
Enforcement & Education				
Other	1,000	1,000	0	1,000
Total Security of Persons and Property	1,000	1,000	0	1,000
Total Expenditures	1,000	1,000	0	1,000
Excess of Revenues Over Expenditures	4,000	4,000	5,218	1,218
Fund Balances at Beginning of Year	42,474	42,474	42,474	0
Fund Balances at End of Year	<u>\$46,474</u>	<u>\$46,474</u>	<u>\$47,692</u>	<u>\$1,218</u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Parking Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$51,000	\$51,000	\$53,984	\$2,984
Miscellaneous	720	720	3,927	3,207
Total Revenue	51,720	51,720	57,911	6,191
Expenditures				
<i>Current:</i>				
Transportation				
Traffic Control & Parking Facility				
Personal Services	82,308	81,453	80,526	927
Fringe Benefits	41,536	43,391	42,687	704
Travel Transportation	100	0	0	0
Materials and Supplies	16,875	17,075	14,048	3,027
Contractual Services	700	1,700	1,305	395
Capital Outlay	0	40,000	40,000	0
Other	1,400	300	45	255
Total Transportation	142,919	183,919	178,611	5,308
Total Expenditures	142,919	183,919	178,611	5,308
Excess of Revenues (Under) Expenditures	(91,199)	(132,199)	(120,700)	11,499
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	155	155
Transfers-In	60,000	100,000	100,000	0
Transfers-Out	(700)	(700)	(394)	306
Total Other Sources (Uses)	59,300	99,300	99,761	461
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(31,899)	(32,899)	(20,939)	11,960
Fund Balances at Beginning of Year	108,439	108,439	108,439	0
Prior Year Encumbrances Appropriated	125	125	125	0
Fund Balances at End of Year	\$76,665	\$75,665	\$87,625	\$11,960

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Police Pension Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$140,031	\$131,681	\$137,319	\$5,638
Intergovernmental	0	0	1,714	1,714
Other	0	0	3,645	3,645
Total Revenue	140,031	131,681	142,678	10,997
Expenditures				
<i>Current:</i>				
Security of Persons and Property				
Police Pension & Disability				
Fringe Benefits	500,000	500,000	450,225	49,775
Other	3,000	3,000	2,797	203
Total Security of Persons & Property	503,000	503,000	453,022	49,978
Total Expenditures	503,000	503,000	453,022	49,978
Excess of Revenues (Under) Expenditures	(362,969)	(371,319)	(310,344)	60,975
Other Financing Sources (Uses)				
Transfers-In	515,000	515,000	326,000	(189,000)
Transfers-Out	(10,000)	(10,000)	(9,908)	92
Total Other Sources (Uses)	505,000	505,000	316,092	(188,908)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	142,031	133,681	5,748	(127,933)
Fund Balances at Beginning of Year	817	817	817	0
Fund Balances at End of Year	\$142,848	\$134,498	\$6,565	(\$127,933)

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Fire Pension Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$140,031	\$131,681	\$137,319	\$5,638
Intergovernmental	0	0	1,714	1,714
Other	0	0	3,645	3,645
Total Revenue	<u>140,031</u>	<u>131,681</u>	<u>142,678</u>	<u>10,997</u>
Expenditures				
<i>Current:</i>				
Security of Persons and Property				
Fire Pension & Disability				
Fringe Benefits	515,000	585,000	583,811	1,189
Other	3,000	3,000	2,797	203
Total Security of Persons & Property	<u>518,000</u>	<u>588,000</u>	<u>586,608</u>	<u>1,392</u>
Total Expenditures	<u>518,000</u>	<u>588,000</u>	<u>586,608</u>	<u>1,392</u>
Excess of Revenues (Under) Expenditures	(377,969)	(456,319)	(443,930)	12,389
Other Financing Sources (Uses)				
Transfers-In	550,000	550,000	478,000	(72,000)
Transfers-Out	<u>(32,000)</u>	<u>(32,000)</u>	<u>(31,151)</u>	<u>849</u>
Total Other Sources (Uses)	<u>518,000</u>	<u>518,000</u>	<u>446,849</u>	<u>(71,151)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	140,031	61,681	2,919	(58,762)
Fund Balances at Beginning of Year	<u>530</u>	<u>530</u>	<u>530</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$140,561</u></u>	<u><u>\$62,211</u></u>	<u><u>\$3,449</u></u>	<u><u>(\$58,762)</u></u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Bond Retirement Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenue	\$0	\$0	\$0	\$0
Expenditures				
<i>Debt Service:</i>				
Principal Retirement	267,613	267,613	267,198	415
Interest and Fiscal Charges	60,880	60,880	60,879	1
Total Debt Service	328,493	328,493	328,077	416
Total Expenditures	328,493	328,493	328,077	416
Excess of Revenues (Under) Expenditures	(328,493)	(328,493)	(328,077)	416
Other Financing Sources				
Transfers-In	328,493	328,493	328,493	0
Total Other Sources	328,493	328,493	328,493	0
Excess of Revenues and Other Sources Over Expenditures	0	0	416	416
Fund Balances at Beginning of Year	12,670	12,670	12,670	0
Fund Balances at End of Year	\$12,670	\$12,670	\$13,086	\$416

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Capital Improvement Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenue	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balances at Beginning of Year	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$32,000</u></u>	<u><u>\$32,000</u></u>	<u><u>\$32,000</u></u>	<u><u>\$0</u></u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Issue II Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	0	440,000	376,528	(63,472)
Total Revenue	\$0	\$440,000	\$376,528	(\$63,472)
Expenditures				
<i>Capital Outlay</i>				
Capital Outlay	0	440,000	376,528	63,472
Total Capital Outlay	0	440,000	376,528	63,472
Total Expenditures	0	440,000	376,528	63,472
Excess of Revenues Over Expenditures	0	0	0	0
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Safety Levy Capital Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$610,000	\$610,000	\$633,630	\$23,630
Miscellaneous	0	0	69,096	69,096
Total Revenue	610,000	610,000	702,726	92,726
Expenditures				
Capital Outlay				
Materials & Supplies	0	26,837	20,027	6,810
Capital Outlay	688,189	859,332	787,148	72,184
Total Capital Outlay	688,189	886,169	807,175	78,994
Total Expenditures	688,189	886,169	807,175	78,994
Excess of Revenues Over (Under) Expenditures	(78,189)	(276,169)	(104,449)	171,720
Other Financing Sources (Uses)				
Transfers-In	0	0	134,100	134,100
Transfers-Out	(221,000)	(221,000)	(218,620)	2,380
Total Other Sources (Uses)	(221,000)	(221,000)	(84,520)	136,480
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	(299,189)	(497,169)	(188,969)	308,200
Fund Balances at Beginning of Year	422,323	422,323	422,323	0
Prior Year Encumbrances Appropriated	354,515	354,515	354,515	0
Fund Balances at End of Year	<u>\$477,649</u>	<u>\$279,669</u>	<u>\$587,869</u>	<u>\$308,200</u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Landfill Closure Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenue	\$0	\$0	\$0	\$0
Expenditures				
Capital Outlay				
Capital Outlay	50,000	70,000	43,910	26,090
Total Capital Outlay	50,000	70,000	43,910	26,090
Total Expenditures	50,000	70,000	43,910	26,090
Excess of Revenues (Under) Expenditures	(50,000)	(70,000)	(43,910)	26,090
Other Financing Sources				
Transfers-In	50,000	70,000	70,000	0
Total Other Sources	50,000	70,000	70,000	0
Excess of Revenues and Other Sources Over (Under) Expenditures	0	0	26,090	26,090
Fund Balances at Beginning of Year	5,034	5,034	5,034	0
Fund Balances at End of Year	\$5,034	\$5,034	\$31,124	\$26,090

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Parks and Recreation Capital Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$64,000	\$64,000	\$57,352	(\$6,648)
Miscellaneous	10,000	35,000	48,584	13,584
Total Revenue	74,000	99,000	105,936	6,936
Expenditures				
Capital Outlay				
Materials and Supplies	11,000	11,000	9,000	2,000
Capital Outlay	50,902	248,007	39,773	208,234
Total Capital Outlay	61,902	259,007	48,773	210,234
Total Expenditures	61,902	259,007	48,773	210,234
Excess of Revenues Over (Under) Expenditures	12,098	(160,007)	57,163	217,170
Other Financing Sources (Uses)				
Advances-In	0	163,000	163,000	0
Transfers-Out	(23,000)	(23,000)	(20,872)	2,128
Total Other Sources (Uses)	(23,000)	140,000	142,128	2,128
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(10,902)	(20,007)	199,291	219,298
Fund Balances at Beginning of Year	41,165	41,165	41,165	0
Prior Year Encumbrances Appropriated	8,662	8,662	8,662	0
Fund Balances at End of Year	<u>\$38,925</u>	<u>\$29,820</u>	<u>\$249,118</u>	<u>\$219,298</u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Streetscape Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total Revenue	\$0	\$0	\$0	\$0
Expenditures				
Capital Outlay				
Capital Outlay	15,650	15,650	13,225	2,425
Total Capital Outlay	15,650	15,650	13,225	2,425
Total Expenditures	15,650	15,650	13,225	2,425
Excess of Revenues (Under) Expenditures	(15,650)	(15,650)	(13,225)	2,425
Fund Balances at Beginning of Year	35,654	35,654	35,654	0
Prior Year Encumbrances Appropriated	5,650	5,650	5,650	0
Fund Balances at End of Year	<u>\$25,654</u>	<u>\$25,654</u>	<u>\$28,079</u>	<u>\$2,425</u>

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Carlisle Hill Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$40	\$40	\$40	\$0
Total Revenue	40	40	40	0
Expenditures				
<i>Current:</i>				
Community Environment				
Other	1,200	1,200	0	1,200
Total Expenditures	1,200	1,200	0	1,200
Excess of Revenues Over (Under) Expenditures	(1,160)	(1,160)	40	1,200
Fund Balances at Beginning of Year	3,027	3,027	3,027	0
Fund Balances at End of Year	<u>\$1,867</u>	<u>\$1,867</u>	<u>\$3,067</u>	<u>\$1,200</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF CHILLICOTHE, OHIO

ENTERPRISE FUNDS

Enterprise funds are used to account for operations of the City that provide goods and services to the general public in a manner similar to private business enterprises. The cost of providing these goods or services are financed through user charges.

Schedule of Revenues, Expenditures, and Changes in
Fund Equity - Budget and Actual (Budget Basis)
Water Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$4,270,000	\$4,270,000	\$4,301,855	\$31,855
Other Operating Revenue	12,920	12,920	62,400	49,480
Total Revenue	4,282,920	4,282,920	4,364,255	81,335
Expenses				
<i>Current:</i>				
Personal Services	976,252	1,043,046	1,035,251	7,795
Fringe Benefits	502,573	540,779	539,691	1,088
Travel Transportation	500	600	373	227
Contractual Services	316,251	325,947	122,882	203,065
Materials and Supplies	706,596	799,767	613,322	186,445
Other Operating Expenses	577,410	625,265	539,486	85,779
Capital Outlay	291,830	331,558	284,231	47,327
<i>Debt Service:</i>				
Principal Retirement	1,245,000	1,845,000	1,845,000	0
Interest and Fiscal Charges	359,500	359,500	358,195	1,305
Total Expenditures	4,975,912	5,871,462	5,338,431	533,031
Excess of Revenues Over (Under) Expenditures	(692,992)	(1,588,542)	(974,176)	614,366
Other Financing Sources (Uses)				
Interest	37,000	37,000	86,087	49,087
Issuance of Notes	0	600,000	600,000	0
Sale of Capital Assets	0	0	178	178
Transfers-Out	(4,100)	(6,865)	(6,635)	230
Total Other Sources (Uses)	32,900	630,135	679,630	49,495
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(660,092)	(958,407)	(294,546)	663,861
Fund Balance at Beginning of Year	6,173,288	6,173,288	6,173,288	0
Prior Year Encumbrances Appropriated	291,938	291,938	291,938	0
Fund Balance at End of Year	\$5,805,134	\$5,506,819	\$6,170,680	\$663,861

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Equity - Budget and Actual (Budget Basis)
Sewer Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$2,940,000	\$2,940,000	\$3,106,506	\$166,506
Other Operating Revenues	9,060	9,060	10,392	1,332
Total Revenue	2,949,060	2,949,060	3,116,898	167,838
Expenses				
<i>Current:</i>				
Personal Services	939,422	942,461	940,250	2,211
Fringe Benefits	502,382	499,343	489,206	10,137
Travel Transportation	1,100	400	100	300
Contractual Services	69,625	90,426	77,573	12,853
Materials and Supplies	368,729	354,153	287,861	66,292
Other Operating Expenses	380,870	379,696	374,664	5,032
Capital Outlay	398,422	607,092	530,653	76,439
<i>Debt Service:</i>				
Principal Retirement	320,000	320,000	320,000	0
Interest and Fiscal Charges	104,000	104,000	103,540	460
Total Expenses	3,084,550	3,297,571	3,123,847	173,724
Excess of Revenues (Under) Expenditures	(135,490)	(348,511)	(6,949)	341,562
Other Financing Sources (Uses)				
Sale of Capital Assets	0	0	42	42
Interest	7,000	7,000	16,858	9,858
Transfers-In	30,000	30,000	30,000	0
Transfers-Out	(4,050)	(6,915)	(6,698)	217
Total Other Sources (Uses)	32,950	30,085	40,202	10,117
Excess of Revenues and Other Sources (Under) Expenditures and Other Uses	(102,540)	(318,426)	33,253	351,679
Fund Balance at Beginning of Year	2,579,841	2,579,841	2,579,841	0
Prior Year Encumbrances Appropriated	261,797	261,797	261,797	0
Fund Balance at End of Year	\$2,739,098	\$2,523,212	\$2,874,891	\$351,679

CITY OF CHILLICOTHE, OHIO

FIDUCIARY FUNDS PRIVATE PURPOSE TRUST FUND

The private purpose fund is used to report escheat property and all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The following is a description of the City's private purpose trust fund:

Unclaimed Monies Fund

To account for assets held for owners of unclaimed intangible property. Unclaimed property is property for which the owner has not taken some action to indicate ownership interest over a certain period of time specified under Chapter 169, Ohio Revised Code. Since this is the only private purpose trust fund, no combining statements are presented for the private purpose trust fund.

AGENCY FUNDS

The agency funds are used to account for assets held by the City in a purely custodial capacity. The following is a description of the City's agency funds:

Court Agency Fund

To account for the collection and distribution of court fines and forfeitures through the Municipal Court.

Deposits Agency Fund

To account for various deposits held by the City until the disposition of the deposit is determined.

City of Chillicothe, Ohio

Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Budget Basis)
Unclaimed Monies Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous	\$10,000	\$10,000	\$5,579	(\$4,421)
Total Revenue	10,000	10,000	5,579	(4,421)
Expenditures				
<i>Current:</i>				
General Government				
Unclaimed Monies				
Other	1,000	1,000	417	583
Total General Government	1,000	1,000	417	583
Total Expenditures	1,000	1,000	417	583
Excess of Revenues Over Expenditures	9,000	9,000	5,162	(3,838)
Other Financing (Uses)				
Transfers-Out	(20,000)	(20,000)	(19,922)	78
Total Other (Uses)	(20,000)	(20,000)	(19,922)	78
Excess of Revenues Over (Under) Expenditures and Other Uses	(11,000)	(11,000)	(14,760)	(3,760)
Fund Balances at Beginning of Year	65,084	65,084	65,084	0
Fund Balances at End of Year	<u>\$54,084</u>	<u>\$54,084</u>	<u>\$50,324</u>	<u>(\$3,760)</u>

City of Chillicothe, Ohio

Statement of Changes in Assets & Liabilities
Agency Fund

For the Year Ended December 31, 2006

	Balance 1/1/2006	Additions	Reductions	Balance 12/31/2006
Deposits Agency				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$23,713	\$12,003	\$2,324	\$33,392
Total Assets	<u>\$23,713</u>	<u>\$12,003</u>	<u>\$2,324</u>	<u>\$33,392</u>
Liabilities				
Deposits Held and Due to Others	\$23,713	\$12,003	\$2,324	\$33,392
Total Liabilities	<u>\$23,713</u>	<u>\$12,003</u>	<u>\$2,324</u>	<u>\$33,392</u>
Municipal Court Agency				
Assets				
Cash and Cash Equivalents in Segregated Accounts	\$261,977	\$3,003,252	\$3,045,396	\$219,833
Total Assets	<u>\$261,977</u>	<u>\$3,003,252</u>	<u>\$3,045,396</u>	<u>\$219,833</u>
Liabilities				
Intergovernmental Payable	\$49,308	\$613,238	\$624,251	\$38,295
Undistributed Monies	209,904	1,552,798	1,582,954	179,748
Deposits Held and Due to Others	2,765	837,216	838,191	1,790
	<u>\$261,977</u>	<u>\$3,003,252</u>	<u>\$3,045,396</u>	<u>\$219,833</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	23,713	12,003	2,324	33,392
Total Deposits Held and Due to Others	26,478	849,219	840,515	35,182
Total Assets	<u>\$50,191</u>	<u>\$861,222</u>	<u>\$842,839</u>	<u>\$68,574</u>
Liabilities				
Total Intergovernmental Payable	49,308	613,238	624,251	38,295
Total Undistributed Monies	209,904	1,552,798	1,582,954	179,748
Total Liabilities	<u>\$259,212</u>	<u>\$2,166,036</u>	<u>\$2,207,205</u>	<u>\$218,043</u>

THIS PAGE LEFT BLANK INTENTIONALLY

Statistical Section

This part of the City's Comprehensive Annual Financial Report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health..

<u>Contents</u>	<u>Page(s)</u>
------------------------	-----------------------

Financial Trends	
-------------------------	--

These schedules contain trend information to help the reader understand how the City's financial position has changed over time.	119-121
--	---------

Revenue Capacity	
-------------------------	--

These schedules contain information to help the reader understand and access the factors affecting the City's ability to generate its most significant local revenue source, the property tax.	122-129
--	---------

Debt Capacity	
----------------------	--

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	130-135
---	---------

Economic and Demographic Information	
---	--

This schedule offers economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	136
--	-----

Operating Information	
------------------------------	--

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	137-141
---	---------

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that fiscal year.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF CHILLICOTHE, OHIO
NET ASSETS BY COMPONENT
LAST FIVE YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2002	2003	2004	2005	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$48,771,086	\$47,457,882	\$44,886,857	\$43,667,909	\$42,148,445
<i>Restricted:</i>					
Debt Service	104,236	62,044	0	0	0
Capital Projects	769,089	697,867	781,247	852,087	860,236
<i>Permanent Fund:</i>					
Expendable	1,927	1,967	1,987	2,027	2,067
Nonexpendable	1,000	1,000	1,000	1,000	1,000
Street Construction, Maintenance and Repair	0	0	0	0	241,458
Bus	0	0	0	398,195	537,217
Housing and Urban Development Program	0	0	0	353,292	564,022
Other Purposes	2,405,852	2,586,624	3,613,428	1,025,505	1,194,703
Unrestricted	163,231	-924,831	241,677	1,001,156	1,666,778
<i>Total Governmental Activities Net Assets</i>	<u>\$52,216,421</u>	<u>\$49,882,553</u>	<u>\$49,526,196</u>	<u>\$47,301,171</u>	<u>\$47,215,926</u>
Business Type - Activities					
Invested in Capital Assets, Net of Related Debt	\$25,822,287	\$25,500,895	\$28,017,313	\$28,629,701	\$29,514,918
<i>Restricted:</i>					
Debt Service	1,818,776	1,655,677	1,949,546	2,008,181	1,784,142
Capital Projects	3,603,889	3,138,244	3,089,391	1,817,822	1,712,772
Unrestricted	5,490,947	6,026,541	4,775,818	5,867,063	5,964,273
<i>Total Business-Type Activities Net Assets</i>	<u>\$36,735,899</u>	<u>\$36,321,357</u>	<u>\$37,832,068</u>	<u>\$38,322,767</u>	<u>\$38,976,105</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$74,593,373	\$72,958,777	\$72,904,170	\$72,297,610	\$71,663,363
Restricted	8,704,769	8,143,423	9,436,599	6,458,109	6,897,617
Unrestricted	5,654,178	5,101,710	5,017,495	6,868,219	7,631,051
<i>Total Primary Government Net Assets</i>	<u>\$88,952,320</u>	<u>\$86,203,910</u>	<u>\$87,358,264</u>	<u>\$85,623,938</u>	<u>\$86,192,031</u>

CITY OF CHILLICOTHE, OHIO
CHANGES IN NET ASSETS
LAST FIVE YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2002	2003	2004	2005	2006
Program Revenues					
Governmental Activities					
<i>Charges for Services:</i>					
General Government	\$5,388,871	\$4,015,529	\$4,057,530	\$2,531,302	\$1,314,164
Security of Persons and Property:					
Police	43,522	48,889	78,159	46,768	59,875
Fire	1,947	476,130	694,253	702,281	923,551
Transportation	149,833	173,248	168,624	153,898	132,002
Basic Utility Services	991,314	1,028,969	977,912	984,951	1,002,555
Leisure Time Activities	92,938	71,030	64,266	65,876	75,608
Subtotal - Charges for Services	<u>6,668,425</u>	<u>5,813,795</u>	<u>6,040,744</u>	<u>4,485,076</u>	<u>3,507,755</u>
<i>Operating Grants and Contributions:</i>					
General Government	170,988	191,123	201,611	157,944	24,617
Security of Persons and Property:					
Police	13,252	13,327	2,195	0	0
Fire	13,252	13,327	2,195	0	0
Transportation	1,581,417	1,780,686	2,336,828	1,843,493	3,217,282
Community Environment	492,323	878,746	676,010	156,795	719,748
Basic Utility Services	0	0	6,507	0	0
Leisure Time Activities	3,570	3,600	0	93,209	45,214
Subtotal - Operating Grants and Contributions	<u>2,274,802</u>	<u>2,880,809</u>	<u>3,225,346</u>	<u>2,251,441</u>	<u>4,006,861</u>
<i>Capital Grants and Contributions:</i>					
Transportation	0	0	203,095	0	390,873
Community Environment	0	7,052	6,617	0	0
Basis Utility Services	0	0	350,000	0	0
Subtotal - Capital Grants and Contributions	<u>0</u>	<u>7,052</u>	<u>559,712</u>	<u>0</u>	<u>390,873</u>
Total Governmental Activities Program Revenues	<u>8,943,227</u>	<u>8,701,656</u>	<u>9,825,802</u>	<u>6,736,517</u>	<u>7,905,489</u>
Business-Type Activities					
<i>Charges for Services</i>					
Water	4,159,217	4,196,209	4,388,054	4,489,093	4,327,931
Sewer	2,878,379	2,869,864	3,015,484	3,072,422	3,133,368
<i>Capital Grants and Contributions:</i>					
Sewer	766,789	0	0	0	0
Total Business-Type Activities Program Revenues	<u>7,804,385</u>	<u>7,066,073</u>	<u>7,403,538</u>	<u>7,561,515</u>	<u>7,461,299</u>
Total Primary Government Program Revenues	<u>\$16,747,612</u>	<u>\$15,767,729</u>	<u>\$17,229,340</u>	<u>\$14,298,032</u>	<u>\$15,366,788</u>

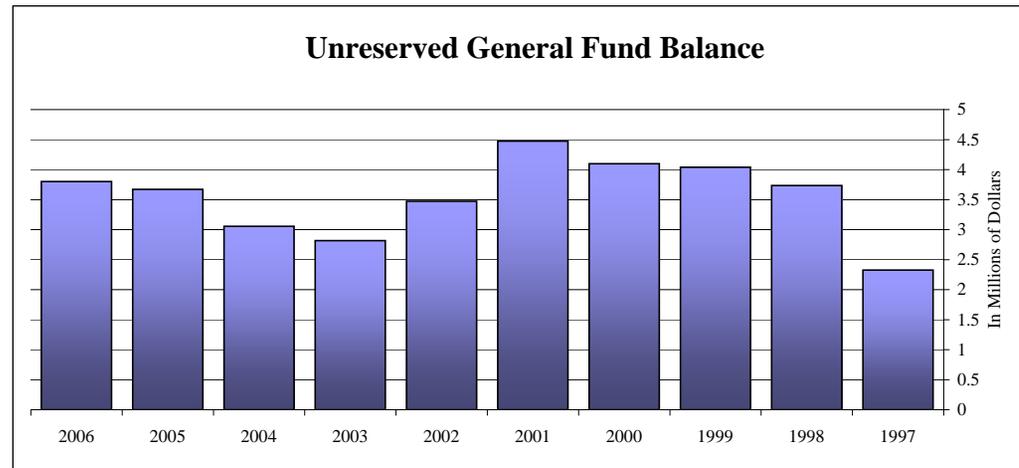
continued

CITY OF CHILLICOTHE, OHIO
CHANGES IN NET ASSETS
LAST FIVE YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2002	2003	2004	2005	2006
Expenses					
Governmental Activities					
General Government	\$9,713,452	\$8,395,001	\$7,145,676	\$5,207,638	\$4,021,651
Security of Persons and Property:					
Police	4,729,681	5,373,841	5,229,724	4,576,143	4,895,745
Fire	4,284,912	3,847,891	3,679,628	4,233,574	4,751,817
Transportation	3,328,993	3,439,976	5,459,822	5,814,354	6,446,996
Community Environment	828,369	1,024,969	631,235	1,113,876	698,547
Basic Utility Services	880,834	936,233	939,088	792,471	1,006,902
Leisure Time Activities	1,020,679	1,039,855	1,008,825	1,070,174	1,040,184
Interest and Fiscal Charges	180,222	270,135	88,230	100,026	101,033
<i>Total Governmental Activities Expenses</i>	<u>24,967,142</u>	<u>24,327,901</u>	<u>24,182,228</u>	<u>22,908,256</u>	<u>22,962,875</u>
Business-Type Activities					
Water	3,890,453	4,464,827	3,523,388	3,952,924	3,722,375
Sewer	2,743,233	3,113,639	3,197,431	3,240,301	3,012,331
<i>Total Business-Type Activities Expenses</i>	<u>6,633,686</u>	<u>7,578,466</u>	<u>6,720,819</u>	<u>7,193,225</u>	<u>6,734,706</u>
<i>Total Primary Government Program Expenses</i>	<u>31,600,828</u>	<u>31,906,367</u>	<u>30,903,047</u>	<u>30,101,481</u>	<u>29,697,581</u>
Net (Expense)/Revenue					
Governmental Activities	(16,023,915)	(15,626,245)	(14,356,426)	(16,171,739)	(15,057,386)
Business-Type Activities	1,170,699	(512,393)	682,719	368,290	726,593
<i>Total Primary Government Net Expense</i>	<u>(14,853,216)</u>	<u>(16,138,638)</u>	<u>(13,673,707)</u>	<u>(15,803,449)</u>	<u>(14,330,793)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities					
<i>Taxes:</i>					
<i>Property and Other Local Taxes Levied for:</i>					
General Purposes	1,360,426	1,403,955	1,408,866	1,466,655	1,425,510
<i>Municipal Income Taxes Levied for:</i>					
General Purposes	8,829,586	8,737,740	9,242,017	9,601,686	9,452,405
Capital Outlay	731,201	677,601	778,748	687,951	691,474
Other Taxes	167,670	171,124	175,024	85,188	420,586
<i>Grants and Entitlements not Restricted to</i>					
Specific Programs	1,714,276	1,787,884	1,552,464	1,661,266	1,775,562
Investment Income	266,635	144,920	146,091	302,373	544,065
Miscellaneous	307,455	517,748	782,694	399,199	679,206
Special Assessments	5,709	0	0	0	0
<i>Total Governmental Activities</i>	<u>13,382,958</u>	<u>13,440,972</u>	<u>14,085,904</u>	<u>14,204,318</u>	<u>14,988,808</u>
Business-Type Activities					
Investment Income	10,721	44,224	19,397	61,635	127,267
Gain on Sale of Capital Assets	(38)	0	0	0	0
Miscellaneous	119,847	2,474	307,333	38,714	73,434
<i>Total Business-Type Activities Expenses</i>	<u>130,530</u>	<u>46,698</u>	<u>326,730</u>	<u>100,349</u>	<u>200,701</u>
<i>Total Primary Government General Revenues and Other Changes in Net Assets</i>	<u>13,513,488</u>	<u>13,487,670</u>	<u>14,412,634</u>	<u>14,304,667</u>	<u>15,189,509</u>
Transfers					
Governmental Activities	(22,677)	(148,595)	(22,029)	(22,060)	(16,667)
Business-Type Activities	22,677	148,595	22,029	22,060	16,667
Change in Net Assets					
Governmental Activities	(2,663,634)	(2,333,868)	(292,551)	(1,989,481)	(85,245)
Business-Type Activities	1,323,906	(317,100)	1,031,478	490,699	943,961
<i>Total Primary Government Change in Net Assets</i>	<u>(\$1,339,728)</u>	<u>(\$2,650,968)</u>	<u>\$738,927</u>	<u>(\$1,498,782)</u>	<u>\$858,716</u>

CITY OF CHILLICOTHE, OHIO
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$85,278	\$230,726	\$147,330	\$166,329	\$79,720	\$55,586	\$11,247	\$20,601	\$234,274	\$200,693
Unreserved	2,326,076	3,734,320	4,038,814	4,099,131	4,475,366	3,471,774	2,816,514	3,056,578	3,460,144	3,801,025
Total General Fund	2,411,354	3,965,046	4,186,144	4,265,460	4,555,086	3,527,360	2,827,761	3,077,179	3,694,418	4,001,718
All Other Governmental Funds										
Reserved	233,449	282,994	166,458	522,645	340,879	190,008	401,296	499,208	696,053	768,321
<i>Unreserved, Undesignated, Reported in:</i>										
Special Revenue Funds	1,528,298	1,727,917	1,784,043	1,485,493	1,809,394	2,371,259	1,863,049	1,059,228	971,065	1,701,632
Debt Service Funds	58,131	70,396	78,705	92,536	99,783	104,236	66,044	12,150	12,669	13,085
Capital Projects Funds	589,775	655,985	676,923	723,786	716,408	751,585	466,840	752,059	484,927	810,503
Permanent Funds	3,630	3,690	3,750	3,810	2,887	2,927	1,967	1,987	2,027	2,067
Total All Other Governmental Funds	2,413,283	2,740,982	2,709,879	2,828,270	2,969,351	3,420,015	2,799,196	2,324,632	2,166,741	3,295,608
Total Governmental Funds	\$4,824,637	\$6,706,028	\$6,896,023	\$7,093,730	\$7,524,437	\$6,947,375	\$5,626,957	\$5,401,811	\$5,861,159	\$7,297,326



CITY OF CHILLICOTHE, OHIO
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Property Taxes	\$1,322,482	\$1,391,671	\$1,428,556	\$1,462,864	\$1,495,125	\$1,338,358	\$1,398,276	\$1,403,530	\$1,471,716	\$1,430,536
Municipal Income Taxes	8,281,395	8,831,872	8,978,397	9,220,838	9,555,524	9,560,787	9,415,341	10,020,765	10,209,835	10,075,395
Other Taxes	0	0	0	0	0	167,670	171,124	175,024	164,990	420,586
Charges for Services	2,078,501	2,257,395	1,666,596	1,646,356	1,715,355	2,211,337	2,732,346	2,878,583	2,928,451	2,135,699
Fines, Licenses and Permits	1,191,387	1,439,458	1,481,959	1,503,614	1,600,285	4,451,859	3,077,953	3,153,361	3,313,382	1,372,056
Intergovernmental	3,179,497	3,658,562	3,707,165	3,808,469	4,033,644	4,357,747	4,210,207	5,332,461	4,279,833	5,685,333
Special Assessments	126,986	119,265	130,183	123,662	12,628	3,689	3,430	5,222	7,871	5,017
Investment Earnings	542,494	658,762	662,905	948,055	690,107	266,635	144,920	146,091	302,373	544,065
Miscellaneous	427,492	821,781	397,458	674,489	407,108	308,983	564,002	837,783	526,713	733,004
Total Revenues	17,150,234	19,178,766	18,453,219	19,388,347	19,509,776	22,667,065	21,717,599	23,952,820	23,205,164	22,401,691
Expenditures										
<i>Current:</i>										
General Government	4,261,976	4,483,092	4,743,515	4,852,165	5,186,334	8,253,668	7,393,976	7,151,308	7,225,043	4,629,603
<i>Security of Persons and Property:</i>										
Police	6,066,279	6,596,471	7,265,341	7,749,666	7,863,743	4,466,763	4,521,095	4,702,257	4,159,841	4,535,032
Fire	0	0	0	0	0	4,009,416	4,190,877	4,291,686	4,134,698	4,182,352
Transportation	2,947,119	3,032,695	2,951,151	3,144,877	3,021,633	3,336,160	3,439,101	4,324,254	3,759,348	4,306,075
Community Environment	835,453	397,983	296,156	601,779	433,672	533,551	701,489	388,920	791,855	382,103
Basic Utilities Services	741,063	833,684	963,720	1,018,359	1,038,420	893,911	890,736	916,882	806,492	1,009,378
Leisure Time Activities	615,619	633,893	680,082	708,576	730,341	771,929	822,761	830,216	776,363	788,703
Capital Outlay	756,275	940,767	760,693	602,319	508,306	616,504	525,325	1,210,634	646,646	1,156,485
<i>Debt Service:</i>										
Principal Retirement	371,231	370,212	967,728	454,065	357,325	371,064	2,331,034	294,295	306,305	321,075
Interest and Fiscal Charges	244,701	227,241	226,994	218,819	202,167	181,762	270,936	96,666	102,493	103,578
Total Expenditures	16,839,716	17,516,038	18,855,380	19,350,625	19,341,941	23,434,728	25,087,330	24,207,118	22,709,084	21,414,384
<i>Excess of Revenues Over (Under) Expenditures</i>	310,518	1,662,728	(402,161)	37,722	167,835	(767,663)	(3,369,731)	(254,298)	496,080	987,307
Other Financing Sources (Uses)										
Sale of Capital Assets	0	20,914	14,343	24,086	1,505	2,260	40,038	0	0	4,492
General Obligation Bonds Issues	0	0	575,000	0	0	0	2,125,000	0	0	0
Premium on General Obligation Bonds	0	0	0	0	0	0	16,642	0	0	0
Issuance of Notes	0	0	0	0	0	0	0	0	0	400,000
Proceeds from Loan	0	0	0	0	0	0	0	0	126,126	0
Inception of Capital Lease	73,902	26,622	23,600	156,658	36,297	2,000	12,228	55,181	69,106	61,035
Transfers In	3,593,199	3,271,141	4,481,160	3,672,531	2,845,423	2,776,849	2,702,138	2,144,023	2,459,970	2,750,793
Transfers Out	(3,614,406)	(3,263,665)	(4,505,370)	(3,696,480)	(2,868,985)	(2,782,255)	(2,850,733)	(2,166,052)	(2,482,030)	(2,767,460)
Total Other Financing Sources (Uses)	52,695	55,012	588,733	156,795	14,240	(1,146)	2,045,313	33,152	173,172	448,860
Net Change in Fund Balances	\$363,213	\$1,717,740	\$186,572	\$194,517	\$182,075	(\$768,809)	(\$1,324,418)	(\$221,146)	\$669,252	\$1,436,167
Debt Service as a Percentage of Noncapital Expenditures	3.8%	3.6%	6.6%	3.6%	3.0%	2.4%	10.6%	1.7%	1.9%	2.1%

Note: The change in Total Revenues for 2006 is due to Municipal Court Agency Fund being moved out of General Governmental Funds

CITY OF CHILLICOTHE, OHIO
 ASSESSED VALUATION AND ESTIMATED ACTUAL VALUES OF TAXABLE PROPERTY
 LAST TEN YEARS

Collection Year	Real Property		Tangible Personal Property		Tangible Personal Property		Total		Ratio
	Assessed Value	Estimated Actual Value	Public Utility		General Business		Assessed Value	Estimated Actual Value	
	Residential/ Agricultural		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value			
1997	\$232,568,730	\$664,482,086	\$23,681,060	\$26,910,295	134,527,400	717,479,467	390,777,190	1,408,871,848	27.74%
1998	238,158,710	680,453,457	23,974,270	27,243,489	127,875,960	511,503,840	390,008,940	1,219,200,786	31.99%
1999	273,952,180	782,720,514	25,596,250	29,086,648	133,939,782	535,759,128	433,488,212	1,347,566,290	32.17%
2000	277,047,580	791,564,514	25,226,420	28,666,386	138,200,360	552,801,440	440,474,360	1,373,032,341	32.08%
2001	281,716,700	804,904,857	26,229,520	29,806,273	134,758,760	539,035,040	442,704,980	1,373,746,170	32.23%
2002	317,916,300	908,332,286	22,138,160	25,157,000	126,066,490	504,265,960	466,120,950	1,437,755,246	32.42%
2003	320,113,840	914,610,971	25,010,810	28,421,375	136,569,160	546,276,640	481,693,810	1,489,308,986	32.34%
2004	325,706,610	930,590,314	21,397,510	24,315,352	99,150,970	396,603,880	446,255,090	1,351,509,547	33.02%
2005	356,696,600	1,019,133,143	21,343,390	24,253,852	88,563,590	354,254,360	466,603,580	1,397,641,355	33.39%
2006	359,476,340	1,027,075,257	19,197,300	21,815,114	60,785,720	324,190,507	439,459,360	1,373,080,878	32.01%

124

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each appraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax is being phased out beginning in 2006. For collection year 2006 both types of general business tangible personal property were assessed at 18.75 percent. The percentage will be 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, 2 1/2% and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.

Source: Ross County Auditor

CITY OF CHILLICOTHE, OHIO
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City of Chillicothe Millage										
Operating	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20
<i>Total City Millage</i>	<u>3.20</u>									
Ross County Millage										
Operating	9.40	9.40	9.40	9.40	9.40	9.40	9.40	9.80	10.40	10.40
<i>Total County Millage</i>	<u>9.40</u>	<u>9.80</u>	<u>10.40</u>	<u>10.40</u>						
Chillicothe City School District Millage										
Operating	37.70	37.70	37.70	37.70	37.70	37.70	37.70	37.70	40.20	46.20
Debt Service	0.40	0.20	0.10	0.04	0.00	0.00	0.00	0.00	4.47	4.47
<i>Total School Millage</i>	<u>38.10</u>	<u>37.90</u>	<u>37.80</u>	<u>37.74</u>	<u>37.70</u>	<u>37.70</u>	<u>37.70</u>	<u>37.70</u>	<u>44.67</u>	<u>50.67</u>
Other Millage										
Operating	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
<i>Total Other Millage</i>	<u>3.80</u>									
Total Millage	<u><u>54.50</u></u>	<u><u>54.30</u></u>	<u><u>54.20</u></u>	<u><u>54.14</u></u>	<u><u>54.10</u></u>	<u><u>54.10</u></u>	<u><u>54.10</u></u>	<u><u>54.50</u></u>	<u><u>62.07</u></u>	<u><u>68.07</u></u>

Overlapping Rates by Taxing District

Source: Ross County Auditor

Notes: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year. The City's basic property tax rate may be increased only by a majority vote of the City's residents.

Overlapping rates are those of local and county governments that apply to property owners within the City.

City of Chillicothe, Ohio
Property Tax Levies And Collections
Last Ten Years

Year	Current Tax Levy	Current Tax Collections	Percent of Current Tax Collections To Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Total Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Total Tax Levy
1997	\$1,241,178	\$1,217,394	98.08%	\$21,514	\$1,238,908	99.82%	\$47,791	3.85%
1998	1,284,717	1,261,575	98.20%	27,607	1,289,182	100.35%	48,899	3.81%
1999	1,374,337	1,350,362	98.26%	20,201	1,370,563	99.73%	44,675	3.25%
2000	1,393,689	1,369,358	98.25%	25,636	1,394,994	100.09%	37,211	2.67%
2001	1,399,265	1,382,712	98.82%	26,722	1,409,434	100.73%	39,819	2.85%
2002	1,469,163	1,429,337	97.29%	27,771	1,457,108	99.18%	42,707	2.91%
2003	1,518,557	1,486,333	97.88%	32,415	1,518,748	100.01%	48,375	3.19%
2004	1,403,152	1,362,926	97.13%	36,425	1,399,351	99.73%	51,693	3.68%
2005	1,462,582	1,427,113	97.57%	35,811	1,462,924	100.02%	46,670	3.19%
2006	1,372,991	1,339,805	97.58%	38,675	1,378,483	100.40%	52,481	3.82%

Source: Ross County Auditor

City of Chillicothe, Ohio
Principal Taxpayers - Real Estate Tax
2006 and 1997

2006		
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
P.H. Glatfelter	\$23,594,560	6.56%
DDR Chillicothe LLC	3,640,230	1.01%
Chillicothe Mall	3,454,820	0.96%
Central Center	2,899,370	0.81%
PPG Industries, Inc	2,810,420	0.78%
Real Estate Finance Trust	2,328,100	0.65%
Horizon Telcom, Inc	2,320,390	0.65%
Zane Plaza	2,140,520	0.60%
RG Chilli Associates LTD	1,648,510	0.46%
Western View Apartments	1,412,740	0.39%
Total	\$46,249,660	12.87%
Total Assessed Valuation	\$359,476,340	
1997		
Taxpayer	Real Property Assessed Valuation (1)	Percentage of Real Assessed Valuation
Mead Corporation	\$25,143,780	10.81%
Developers Diversified Realty	2,462,050	1.06%
Central Center LTD	2,276,030	0.98%
PPG Industries, Inc	2,134,760	0.92%
Real Estate Finance Trust	2,117,360	0.91%
West Penn Realty	2,077,240	0.89%
Shawnee Group LTD Partnership	2,073,470	0.89%
RG Chilli Associates LTD	1,457,910	0.63%
ABCO Land Development	1,286,250	0.55%
Horizon Telcom, Inc	1,450,880	0.62%
Total	\$42,479,730	18.26%
Total Assessed Valuation	\$232,568,730	

Source: Ross County Auditor

(1) The amounts presented represent the assessed values upon which 2006 and 1997 collections were based.

CITY OF CHILLICOTHE, OHIO
 INCOME TAX REVENUE BASE AND COLLECTIONS
 LAST SIX YEARS

<u>TAX YEAR</u>	<u>TAX RATE</u>	<u>TOTAL TAX COLLECTED</u>	<u>TAXES FROM WITHHOLDING</u>	<u>PERCENTAGE OF TAXES FROM WITHHOLDING</u>	<u>TAXES FROM NET PROFITS</u>	<u>PERCENTAGE OF TAXES FROM NET PROFITS</u>	<u>TAXES FROM INDIVIDUALS</u>	<u>PERCENTAGE OF TAXES FROM INDIVIDUALS</u>
2001	1.60%	\$9,542,629	\$8,428,535	88.33%	\$774,724	8.12%	\$339,370	3.56%
2002	1.60%	9,584,702	8,310,970	86.71%	906,618	9.46%	367,113	3.83%
2003	1.60%	9,372,330	8,159,960	87.06%	804,672	8.59%	407,698	4.35%
2004	1.60%	9,819,398	8,203,049	83.54%	859,852	8.76%	756,497	7.70%
2005	1.60%	10,172,778	8,521,259	83.77%	910,361	8.95%	741,158	7.29%
2006	1.60%	10,138,072	8,461,085	83.46%	968,369	9.55%	708,618	6.99%

Source: City Income Tax Department

Information prior to 2001 is not available

Note: The City is prohibited by statute from presenting information regarding individual taxpayers

CITY OF CHILLICOTHE
RATIO OF OUTSTANDING DEBT TO
TOTAL PERSONAL INCOME AND DEBT PER-CAPITA
LAST TEN YEARS

YEAR	Governmental Activities				Business-Type Activities			TOTAL DEBT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	SPECIAL ASSESSMENT BONDS	OPWC LOANS	CAPITAL LEASES	GENERAL OBLIGATION BONDS	MORTGAGE REVENUE BONDS	OWDA LOANS			
1997	\$3,455,000	\$310,000	\$0	\$77,371	\$0	\$17,710,000	\$428,370	\$21,980,741	7.91%	\$991
1998	3,205,000	215,000	0	77,949	0	16,935,000	359,369	20,792,318	7.30%	915
1999	3,500,000	110,000	0	75,120	0	16,130,000	286,661	20,101,781	7.06%	885
2000	3,210,000	0	0	177,713	0	15,290,000	210,046	18,887,759	6.84%	857
2001	2,895,000	0	0	171,685	0	14,410,000	129,313	17,605,998	6.38%	799
2002	2,570,000	0	0	127,621	0	13,490,000	44,242	16,231,863	3.73%	712
2003	2,405,000	0	0	98,815	2,095,000	12,560,000	0	17,158,815	4.12%	787
2004	2,160,000	0	0	137,758	2,020,000	11,490,000	0	15,807,758	3.80%	725
2005	1,915,000	0	113,513	154,650	1,935,000	10,330,000	0	14,448,163	2.87%	663
2006	1,660,000	0	100,900	162,223	1,855,000	9,145,000	0	12,923,123	2.56%	593

CITY OF CHILLICOTHE, OHIO
RATIO OF GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND BONDED DEBT PER CAPITA
LAST TEN YEARS

YEAR	POPULATION (1)	ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (2)	GROSS BONDED DEBT (3)	RATIO OF NET BONDED DEBT TO ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	NET BONDED DEBT PER CAPITA
1997	22,176	\$1,229,501,981	\$21,165,000	1.72%	\$954
1998	22,726	1,219,200,786	20,140,000	1.65%	886
1999	22,726	1,347,566,290	19,630,000	1.46%	864
2000	22,041	1,373,032,340	18,500,000	1.35%	839
2001	22,041	1,373,746,170	17,305,000	1.26%	785
2002	21,796	1,458,766,328	16,060,000	1.10%	737
2003	21,796	1,536,811,302	17,060,000	1.11%	783
2004	21,796	1,385,996,840	15,670,000	1.13%	719
2005	21,796	1,428,446,081	14,180,000	0.99%	651
2006	21,796	1,373,080,878	12,660,000	0.92%	581

Sources:

(1) Bureau of the Census/Ohio Valley Regional Development Commission

(2) Ross County Auditor

(3) Includes all general obligation bonded debt with the exception
of Special Assessment debt.

CITY OF CHILLICOTHE, OHIO
 COMPUTATION OF DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 DECEMBER 31, 2006

JURISDICTION	GOVERNMENTAL ACTIVITIES DEBT OUTSTANDING	PERCENTAGE APPLICABLE TO CITY (1)	AMOUNT APPLICABLE TO CITY
DIRECT - CITY OF CHILLICOTHE			
GENERAL OBLIGATION BONDS	\$1,195,000	100.00%	\$1,195,000
OPWC LOANS	100,900	100.00%	100,900
CAPITAL LEASES	162,223	100.00%	162,223
POLICE AND FIRE PENSION BONDS	465,000	100.00%	465,000
GENERAL OBLIGATION NOTES	700,901	100.00%	700,901
TOTAL DIRECT DEBT	2,624,024		2,624,024
OVERLAPPING			
ROSS COUNTY	\$10,495,571	41.51%	\$4,356,712
CHILLICOTHE CITY SCHOOLS	34,678,945	93.01%	32,254,887
UNION-SCIOTO LOCAL SCHOOLS	3,038,208	16.10%	489,151
SOUTHEASTERN LOCAL SCHOOLS	3,080,360	6.07%	186,978
ZANE TRACE LOCAL SCHOOLS	3,333,936	0.87%	29,005
SCIOTO TOWNSHIP	113,490	85.34%	96,852
SPRINGFIELD TOWNSHIP	159,661	3.50%	5,588
TOTAL OVERLAPPING DEBT	54,900,171		37,419,173
TOTAL	\$57,524,195		\$40,043,197

Source: Chillicothe City Auditor/ Ross County Auditor

(1) Percentages were determined by dividing each overlapping subdivision's assessed valuation within the City by its total assessed valuation.

CITY OF CHILLICOTHE, OHIO
LEGAL DEBT MARGIN
LAST TEN YEARS

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Assessed Property Value	<u>\$390,777,190</u>	<u>\$390,008,940</u>	<u>\$433,488,212</u>	<u>\$440,474,360</u>	<u>\$442,704,980</u>	<u>\$466,120,950</u>	<u>\$481,693,810</u>	<u>\$446,255,090</u>	<u>\$466,603,580</u>	<u>\$439,459,360</u>
Overall Legal Debt Limit (10 1/2% of Assessed Valuation)	<u>41,031,605</u>	<u>40,950,939</u>	<u>45,516,262</u>	<u>46,249,808</u>	<u>46,484,023</u>	<u>48,942,700</u>	<u>50,577,850</u>	<u>46,856,784</u>	<u>48,993,376</u>	<u>46,143,233</u>
Debt Outstanding:										
General Obligation Bonds	3,455,000	3,205,000	3,500,000	3,210,000	2,895,000	2,570,000	2,405,000	2,160,000	1,915,000	1,660,000
General Obligation Bonds - Enterprise	0	0	0	0	0	13,490,000	2,095,000	2,020,000	1,935,000	1,855,000
General Obligation Revenue Bonds	17,710,000	16,935,000	16,130,000	15,290,000	14,410,000	0	12,560,000	11,490,000	10,330,000	9,145,000
OWDA Loans	428,370	359,369	286,661	210,046	129,313	44,242	0	0	0	0
OPWC Loans	0	0	0	0	0	0	0	0	113,513	100,900
Special Assessment Bonds	310,000	215,000	110,000	0	0	0	0	0	0	0
Notes Payable	<u>900,000</u>	<u>1,400,000</u>	<u>1,175,000</u>	<u>3,950,000</u>	<u>3,725,000</u>	<u>3,500,000</u>	<u>2,000,000</u>	<u>2,200,000</u>	<u>1,700,000</u>	<u>1,200,000</u>
Total Gross Indebtedness	22,803,370	22,114,369	21,201,661	22,660,046	21,159,313	19,604,242	19,060,000	17,870,000	15,993,513	13,960,900
Less:										
Notes Payable from Governmental Fund Revenues	0	0	0	0	0	0	0	1,000,000	800,000	600,000
Revenue Bonds Payable from Enterprise Fund Revenues	17,710,000	16,935,000	16,130,000	15,290,000	14,410,000	13,490,000	12,560,000	11,490,000	10,330,000	9,145,000
G.O. Bonds Payable from Enterprise Fund Revenues	900,000	1,400,000	1,175,000	3,950,000	3,725,000	3,500,000	2,095,000	2,020,000	1,935,000	1,855,000
Notes Payable from Enterprise Fund Revenues	428,370	359,369	286,661	210,046	129,313	44,242	2,000,000	1,200,000	900,000	600,000
OPWC Loan Payable from Governmental Fund Revenues	0	0	0	0	0	0	0	0	113,513	100,900
Special Assessment Bonds	310,000	215,000	110,000	0	0	0	0	0	0	0
Bond Retirement Fund Balance	<u>58,131</u>	<u>70,396</u>	<u>78,705</u>	<u>92,536</u>	<u>99,783</u>	<u>104,236</u>	<u>62,044</u>	<u>12,150</u>	<u>12,669</u>	<u>13,086</u>
Total Net Debt Applicable to Debt Limit	<u>3,396,869</u>	<u>3,134,604</u>	<u>3,421,295</u>	<u>3,117,464</u>	<u>2,795,217</u>	<u>2,465,764</u>	<u>2,342,956</u>	<u>2,147,850</u>	<u>1,902,331</u>	<u>1,646,914</u>
Legal Debt Margin Within 10 1/2% Limitations	<u>\$37,634,736</u>	<u>\$37,816,335</u>	<u>\$42,094,967</u>	<u>\$43,132,344</u>	<u>\$43,688,806</u>	<u>\$46,476,936</u>	<u>\$48,234,894</u>	<u>\$44,708,934</u>	<u>\$47,091,045</u>	<u>\$44,496,319</u>
Legal Debt Margin as a Percentage of the Debt Limit	91.72%	92.35%	92.48%	93.26%	93.99%	94.96%	95.37%	95.42%	96.12%	96.43%
Unvoted Debt Limitation (5 1/2% of Assessed Valuation)	<u>\$21,492,745</u>	<u>\$21,450,492</u>	<u>\$23,841,852</u>	<u>\$24,226,090</u>	<u>\$24,348,774</u>	<u>\$25,636,652</u>	<u>\$26,493,160</u>	<u>\$24,544,030</u>	<u>\$25,663,197</u>	<u>\$24,170,265</u>
Total Gross Indebtedness	22,803,370	22,114,369	21,201,661	22,660,046	21,159,313	19,604,242	19,060,000	17,870,000	15,993,513	13,960,900
Less:										
Notes Payable from Governmental Fund Revenues	0	0	0	0	0	0	0	1,000,000	800,000	600,000
Revenue Bonds Payable from Enterprise Fund Revenues	17,710,000	16,935,000	16,130,000	15,290,000	14,410,000	13,490,000	12,560,000	11,490,000	10,330,000	9,145,000
G.O. Bonds Payable from Enterprise Fund Revenues	900,000	1,400,000	1,175,000	3,950,000	3,725,000	3,500,000	2,095,000	2,020,000	1,935,000	1,855,000
Notes Payable from Enterprise Fund Revenues	428,370	359,369	286,661	210,046	129,313	44,242	2,000,000	1,200,000	900,000	600,000
OPWC Loan Payable from Governmental Fund Revenues	0	0	0	0	0	0	0	0	113,513	100,900
Special Assessment Bonds	310,000	215,000	110,000	0	0	0	0	0	0	0
Bond Retirement Fund Balance	<u>58,131</u>	<u>70,396</u>	<u>78,705</u>	<u>92,536</u>	<u>99,783</u>	<u>104,236</u>	<u>62,044</u>	<u>12,150</u>	<u>12,669</u>	<u>13,086</u>
Net Debt Within 5 1/2% Limitations	<u>3,396,869</u>	<u>3,134,604</u>	<u>3,421,295</u>	<u>3,117,464</u>	<u>2,795,217</u>	<u>2,465,764</u>	<u>2,342,956</u>	<u>2,147,850</u>	<u>1,902,331</u>	<u>1,646,914</u>
Unvoted Legal Debt Margin Within 5 1/2% Limitations	<u>\$18,095,876</u>	<u>\$18,315,888</u>	<u>\$20,420,557</u>	<u>\$21,108,626</u>	<u>\$21,553,557</u>	<u>\$23,170,888</u>	<u>\$24,150,204</u>	<u>\$22,396,180</u>	<u>\$23,760,866</u>	<u>\$22,523,351</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	84.20%	85.39%	85.65%	87.13%	88.52%	90.38%	91.16%	91.25%	92.59%	93.19%

Source: City Financial Records

CITY OF CHILLICOTHE, OHIO
 PLEDGED REVENUE COVERAGE
 WATER SYSTEM MORTGAGE REVENUE BONDS
 LAST TEN YEARS

YEAR	WATER SERVICE CHARGES AND INTEREST	DIRECT OPERATING EXPENSES (1)	NET AVAILABLE REVENUES	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
1997	\$3,878,223	\$2,275,750	\$1,602,473	\$575,000	\$816,020	1.15
1998	3,821,755	2,502,620	1,319,135	600,000	792,158	0.95
1999	3,844,349	2,370,428	1,473,921	625,000	766,658	1.06
2000	3,967,096	2,432,293	1,534,803	655,000	738,845	1.10
2001	4,019,211	2,511,184	1,508,027	685,000	708,715	1.08
2002	4,261,581	2,580,987	1,680,594	715,000	676,520	1.21
2003	4,237,212	3,003,396	1,233,816	750,000	642,200	0.89
2004	4,681,173	2,395,727	2,285,446	850,000	426,668	1.79
2005	4,569,734	2,806,797	1,762,937	930,000	348,715	1.38
2006	4,476,401	2,532,230	1,944,171	945,000	330,115	1.52

(1) Direct operating expenses do not include depreciation and amortization expense

CITY OF CHILLICOTHE, OHIO
 PLEDGED REVENUE COVERAGE
 SEWER SYSTEM MORTGAGE REVENUE BONDS
 LAST TEN YEARS

YEAR	SEWER SERVICE CHARGES AND INTEREST	DIRECT OPERATING EXPENSES (1)	NET AVAILABLE REVENUES	DEBT SERVICE		COVERAGE
				PRINCIPAL	INTEREST	
1997	\$2,389,270	\$1,972,097	\$417,173	\$170,000	\$112,348	1.48
1998	2,453,774	2,032,993	420,781	175,000	106,398	1.50
1999	2,494,278	1,704,291	789,987	180,000	99,835	2.82
2000	2,526,320	1,749,893	776,427	185,000	92,815	2.79
2001	2,678,013	1,992,229	685,784	195,000	85,415	2.45
2002	2,906,583	2,039,687	866,896	205,000	77,323	3.07
2003	2,875,559	2,406,215	469,344	210,000	68,405	1.69
2004	3,049,095	2,444,535	604,560	220,000	58,955	2.17
2005	3,092,130	2,551,986	540,144	230,000	48,835	1.94
2006	3,185,599	2,293,202	892,397	240,000	38,025	3.21

(1) Direct operating expenses do not include depreciation and amortization expense

CITY OF CHILLICOTHE, OHIO
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN YEARS

Year	Population (1)	Total Personal Income (5)	Personal Income Per Capita (1)	Median Age (1)	School Enrollment (2)	Ross County Unemployment Rate (3)	Total Assessed Property Value (4)
1997	22,176	\$277,843,104	\$12,529	37.2	4,091	5.8%	\$390,777,190
1998	22,726	284,734,054	12,529	37.2	4,120	4.9%	390,008,940
1999	22,726	284,734,054	12,529	37.2	4,280	4.4%	433,488,212
2000	22,041	276,151,689	12,529	37.2	4,230	5.7%	440,474,360
2001	22,041	276,151,689	12,529	40.0	4,017	6.4%	442,704,980
2002	22,796	435,426,396	19,101	40.0	3,841	6.2%	466,120,950
2003	21,796	416,325,396	19,101	40.0	3,743	7.1%	481,693,810
2004	21,796	416,325,396	19,101	40.0	3,733	9.1%	446,255,090
2005	21,796	503,988,908	23,123	40.0	3,350	7.3%	466,603,580
2006	21,796	503,988,908	23,123	40.0	3,145	6.2%	439,459,360

(1) Source: Bureau of the Census/ Ohio Valley Regional Development Commission

(2) Source: Chillicothe Board of Education/Bishop Flaget Parochial School Office/Landmark Christian Academy/Southern Hills Academy

(3) Source: Ohio Job & Family Services, Office of Workforce Development

(4) Source: Ross County Auditor

(5) Computation of per capita personal income multiplied by population

CITY OF CHILLICOTHE, OHIO
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

2006			
Employer	Nature of Business	Employees	Percentage of Total City Employment
Glatfelter Paper Company	Paper Industry	1,610	4.64%
Ross County	County Govt	597	1.72%
Chillicothe City Schools	Education	350	1.01%
City of Chillicothe	City Govt	287	0.83%
Wal-Mart	Retail	211	0.61%
Horizon Family of Companies	Communications	205	0.59%
Ohio University-Chillicothe	College Campus	170	0.49%
Adelphia	Cable TV/Internet	150	0.43%
American Electric Power	Utility Center	127	0.37%
Lowe's	Retail	105	0.30%
Total		<u>3,812</u>	<u>10.99%</u>
Total Employment Within the City		<u>34,700</u>	<u>100.00%</u>

1997			
Employer	Nature of Business	Employees	Percentage of Total City Employment
Glatfelter Paper Company	Paper Industry	2,325	n/a
Ross County	County Govt	535	n/a
Chillicothe City Schools	Education	430	n/a
City of Chillicothe	City Govt	329	n/a
Wal-Mart	Retail	n/a	n/a
Horizon Family of Companies	Communications	290	n/a
Ohio University-Chillicothe	College Campus	165	n/a
Adelphia	Cable TV/Internet	n/a	n/a
American Electric Power	Utility Center	144	n/a
Lowe's	Retail	100	n/a
Total		<u>4,318</u>	<u>n/a</u>
Total Employment Within the City		<u>n/a</u>	<u>n/a</u>

Source: Number of employees obtained from the W2's from the City Tax Department

n/a - Information not available

CITY OF CHILLICOTHE, OHIO
 CAPITAL ASSETS STATISTICS BY FUNCTION PROGRAM
 LAST YEAR

Function/Program	2006
General Government	
Square Footage Occupied	39,577
Administrative Vehicles	0
Engineering Vehicles	3
Municipal Court Vehicles	1
Service Department Vehicles	26
Police	
Stations	1
Square Footage of Building	29,090
Vehicles	26
Fire	
Stations	3
Square Footage of Building	23,476
Vehicles	21
Recreation	
Number of Parks	12
Number of Pools	1
Number of Tennis Courts	4
Number of Baseball Diamonds	13
Number of Tot Lots	4
Number of Soccer Fields	8
Vehicles	9
Floodwall	
Miles	0
Transportation	
Square Footage of Building	26,157
Vehicles	17
Water Department	
Water Lines (miles)	100
Vehicles	14
Sewer Department	
Sewer Lines/Storm Sewer (miles)	101
Vehicles	14

Information Prior to 2006 is not available

CITY OF CHILLICOTHE, OHIO
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION PROGRAM
 LAST FIVE YEARS

Function/Program	2002	2003	2004	2005	2006
General Government					
Council	5.5	5.5	5.5	5.5	5.5
Auditor	7.5	7.5	6.5	6.5	6.5
Income Tax	4	4	3	3	3
Treasurer	1	1	1	1	1
Mayor	9	7	7	6	5.5
Law Director	5.5	5.5	5	5	5.5
Engineering	13	13	9	8	11
Civil Service	1	1	1	1	1
Municipal Court	26	26	24	24.5	24
Security of Persons and Property					
Police	56	55	49	49	50
Fire	49	48	41	43	45
School Crossing Guards	10.5	8.5	7.5	7	7.5
Traffic Control-Meters	1	1	1	1	1
Leisure Time Activities					
Parks	3	6	6	2	5
Recreation	9.5	5.5	5	7.5	4
Transportation					
Service	31	28	29	28.5	25.5
Transit	17.5	20	21	22	22
Basic Utility Services					
Water	26	17	26	19	26
Sewer	18.5	25.5	19	22.5	17.5
Totals:	<u>294.5</u>	<u>285</u>	<u>266.5</u>	<u>262</u>	<u>266.5</u>

Source: City Payroll Department W2 Audit Listing

Method: Using 1.0 for each full-time employee and 0.50 for each part-time and seasonal employee at year end.

(1) Information prior to 2002 is not available.

CITY OF CHILLICOTHE, OHIO
 OPERATING INDICATORS BY FUNCTION /PROGRAM
 ONE YEAR (1)

Function/Program	2006
General Government	
<i>Council and Clerk</i>	
Number of Ordinances Passed	153
Number of Resolutions Passed	40
Number of Planning Commission Docket Items	12
Zoning Board of Appeals Docket Items	39
Design & Review Board Docket Items	40
<i>Finance Department</i>	
Number of Checks/Vouchers Issued	5,647
Amount of Checks Written	\$27,646,498
Interest Earnings for fiscal year (cash basis)	\$543,654
Number of Receipts Issued	882
Number of Budget Adjustments Issued	2,602
Agency Ratings - Moody's Financial Services	A2
General Fund Receipts (cash basis in thousands)	\$16,807,568
General Fund Expenditures (cash basis in thousands)	\$16,589,421
General Fund Cash Balances (in thousands)	\$2,538,822
<i>Income Tax Department</i>	
Number of Individual Returns	1,119
Amount of Business Returns	801
Number of Business Withholding Accounts	1,731
Amount of Penalties and Interest Collected	\$60,750
Annual Number of Corporate Withholding Forms Processed	5,527
Annual Number of Balance Due Statements Forms Processed	1,686
Annual Number of Estimated Payment Forms Processed	2,325
Annual Number of Reconciliations of Withholding Processed	1,291
<i>Engineering Department</i>	
Dollar Amount of Construction Overseen by Engineer	\$60,750
<i>Municipal Court</i>	
Number of Civil Cases	1,820
Amount of Criminal Cases	4,645
Amount of Traffic Cases	9,226
Amount of Small Claims Cases	560

continued

CITY OF CHILLICOTHE, OHIO
 OPERATING INDICATORS BY FUNCTION /PROGRAM
 ONE YEAR (1)

Function/Program	2006
<i>Civil Service</i>	
Number of Police Entry Tests Administered	1
Number of Fire Entry Tests Administered	0
Number of Police Promotional Tests Administered	0
Number of Fire Promotional Tests Administered	0
Number of Hires of Police Officers from Certified Lists	5
Number of Hires of Fire/Medics Officers from Certified Lists	0
Number of Promotions from Police Certified Lists	0
Number of Promotions from Police Certified Lists	0
<i>Building Department Indicators</i>	
Construction Permits Issued	25
Estimated Value of Construction	\$21,179,322
Number of Permits Issued	887
Amount of Revenue Generated from Permits	\$97,684
Number of Contractor Registrations Issued	436
Revenue Generated from Above 1,2,3,4	\$21,800
<i>Police Department</i>	
Total Calls for Service	27,642
Number of Traffic Citations Issued	3,600
Number of Parking Citations Issued	4,209
Number of Criminal Arrests	2,916
Number of Accident Reports Completed	1,431
Part 1 Offenses (major offenses)	2,391
DUI Arrests	225
Prisoners	1,681
Prisoner costs (room and board)	\$298,437
Motor Vehicle Accidents	1,035
Property Damage Accidents	396
Fatalities from Motor Vehicle Accidents	0
Gasoline Costs of Fleet	\$72,276
DARE Program hours	1,440
<i>Fire Department</i>	
EMS Calls	4,857
Ambulance Billing Collections (net)	\$923,551
Fire Calls	639
Fires with Loss	48
Fires with Losses Exceeding \$10K	5
Fire Losses \$	\$1,665,125
Fire Safety Inspections	100 plus
Number of Times Mutual Aid Given to Fire and EMS	11
Number of Times Mutual Aid Received for Fire and EMS	2
Number of Injuries Requiring Medical Attention	4
Fatalities Due to Fire	1

continued

CITY OF CHILLICOTHE, OHIO
OPERATING INDICATORS BY FUNCTION /PROGRAM
ONE YEAR (1)

Function/Program	2006
Leisure Time Activities	
<i>Recreation Department</i>	
Recreation Swimming Pool Receipts	\$37,144
Recreation Mens, Women & Chillicothe Leagues Receipts	\$23,127
Number of Tree License Issues	23
Amount of Revenue from Tree License	\$575
Total Acreage all Parks	225
Transportation	
<i>Street Construction & State Highway</i>	
Street Sweeper (hours)	1,200
Cold Patch (hours)	1,400
Snow and Ice Removal (regular hours)	200
Snow and Ice Removal (overtime hours)	150
Leaf Collection (hours)	2,880
Downtown Square Repair after Events (hours)	104
Tons of Snow Melting Salt Purchased (Nov-Mar)	416
Cost of Salt Purchased	\$16,648
Basic Utility Services	
<i>Refuse Department</i>	
Refuse Disposal per year (in tons) August through July	8,356
Refuse Disposal cost per year August through July	\$342,175
<i>Water Department</i>	
Water Rates per 1st 300 Cu ft of Water Used (Inside City)	14.18
Water Rates per 1st 300 Cu ft of Water Used (Outside City)	21.28
Total Water Collections Annually (including P&I)	\$4,301,855
Number of Active Customers	9,312
<i>WasteWater Department</i>	
Water Rates per 1st 300 Cu ft of Water Used (Inside City)	11.51
Water Rates per 1st 300 Cu ft of Water Used (Outside City)	21.28
Total Flow of Wastewater Treatment Plant (Billions of Gallons)	789,495
Tons of Dry Sludge Removed	334,672
Wastewater Calls for Service	210
After Hours Wastewater Calls for Service (hours)	721
Sewer Jet, Vac-all, other services (hours)	11,440

(1) Information prior to 2006 is not available

THIS PAGE LEFT BLANK INTENTIONALLY



Mary Taylor, CPA
Auditor of State

CITY OF CHILLICOTHE

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 17, 2007**