

CITY OF MASON, OHIO

Independent Auditors' Report on
Internal Controls and Compliance

December 31, 2006



Mary Taylor, CPA
Auditor of State

City Council
City of Mason
6000 Mason-Montgomery Road
Mason, Ohio 45040

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 27, 2007

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council
City of Mason, Ohio:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Mason, Ohio (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 18, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting and is labeled as finding 2006-1.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Mason, Ohio in a separate letter dated June 18, 2007.

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
June 18, 2007

CITY OF MASON, OHIO

Schedule of Findings and Responses

Year Ended December 31, 2006

Finding 2006-1 – Special Assessments Receivable

During the course of our audit, we identified a material prior period adjustment of the financial statements that was not identified by the City's internal control over financial reporting. Throughout the year, the City maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The prior period adjustment was necessary to correct an error made during the City's conversion process related to an overstatement of special assessments receivables.

A confirmation of special assessments receivable with the Warren County Auditor, who is responsible for collecting the special assessments, indicated the City's reported receivable balance at December 31, 2005 was overstated by \$768,709. This overstatement caused the net assets of the governmental activities to be overstated on the City's entity-wide financial statements.

We recommend the City establish policies and procedures to ensure proper existence and valuation of receivables.

***Management response:** The Warren County Auditor is responsible for the collection and reporting the City of Mason's special assessments. The existing special assessments were recorded in 1988, 1990, 1991, and 1994. In prior years, obtaining verification of the special assessment outstanding was very difficult. With the implementation of a new software application by the county auditor, the City will have the information to accurately determine the amount owed for special assessments.*

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Comprehensive Annual Financial Report



City of Mason
Mason, Ohio 45040
Year Ended December 31, 2006

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CITY OF MASON, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2006

Prepared by:
Finance Department

Jennifer Heft
Finance Director

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**INTRODUCTORY
SECTION**

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June 18, 2007

Honorable Mayor, Members of Council, and Citizens of Mason:

We are pleased to present the City of Mason Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2006. While there are no legal requirements for the preparation of this report, it represents a commitment by the City of Mason to conform to nationally recognized standards of excellence in financial reporting.

State law requires that each public office file an annual financial report with the Auditor of State. The State Auditor requires all cities to prepare financial reports within one hundred fifty day after the end of the fiscal year. The financial report must also be in conformity with generally accepted accounting principals (GAAP).

The management of the city, particularly the Director of Finance's Office, assumes full responsibility for both the completeness and reliability of the information contained in this report. The accuracy of the presented data and the completeness and fairness of presentation is assured through a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Clark, Schaefer, Hackett & Co., Certified Public Accountants, have issue an unqualified ("clean") opinion on the City of Mason's financial statements for the year ended December 31, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY

Mason has earned a reputation as a progressive, innovative community. Mason is located in the southwest portion of Ohio, 22 miles northeast of Cincinnati and 28 miles south of Dayton and is the largest and fastest growing city in Warren County. Warren County is the second fastest growing county in Ohio.



Mason is a home rule city with a council-manager form of government.

Originally settled as the village of Palmyra in 1815 by Major William Mason, the community was renamed in his honor 20 years later. Incorporated as a city in 1971, Mason is governed by a charter that establishes guidelines for its operations. Mason is a home-rule city with a council/manager form of government. The legislative body of Mason consists of a mayor and six council members who are responsible for the legislative affairs of the city. Council also makes appointments to various statutory and advisory boards and appoints the City Manager, Law Director, and Clerk of Council. As chief executive officer, the City Manager is responsible for enforcement of all laws and ordinances and the efficient delivery of all city services. The city provides many of the municipal services normally associated with a municipality, including emergency services; street construction

and maintenance; full engineering, building, and planning services; recreation space and activities; and business recruitment and retention.

In addition, sanitary sewer, stormwater, and solid waste collection and disposal services are provided under an Enterprise Fund concept, with user charges set by City Council to ensure adequate coverage of operating expenses and payments on outstanding debt.

The annual budget for the City of Mason serves as the foundation for the city's financial planning and control. As required by the charter, the City Manager prepares and submits the annual budget and capital program to the council. After a review and final recommendation from Council's Finance Committee, the budget is legally enacted through passage of the annual appropriation ordinance. Department heads, with approval from the Finance Director, may transfer resources below the object/fund level that was approved by Council. However, only Council, using a supplemental appropriation or re-appropriation ordinance, may approve any increase in appropriation or transfers between levels identified in the annual appropriation ordinance before the end of the fiscal year.



LOCAL ECONOMY

Mason has earned the reputation of being one of the premier cities in the region. Considered to be part of the Greater Cincinnati Metropolitan Area, it is strategically located between the region's two most vital commerce corridors, Interstates 71 and 75. Nearly 2,600 acres are zoned high tech and industrial, with 1,100 of that still available for additional manufacturing and corporate office development. Within 300 miles of Mason are 59%

of the nation's population, 59% of the nation's purchasing power, 58% of the nation's manufacturing establishments, and 65% of the nation's manufacturing industries.

The city continues to attract quality companies that are relocating or expanding. In choosing Mason, companies cite prime location along the interstates, availability of land for development within established business parks, rising property values, the established core of high-tech businesses, available workforce, and an exceptional level of support and services with a favorable business environment widely promoted in the region. A variety of tax incentives targeting light industry and high-tech businesses are strong inducements as well.

In the last fifteen years, Mason has become home to numerous national companies and has one of the region's largest complements of international businesses. In an effort to further enhance our foreign investment strategy, the city joined CincinnatiUSA Partnership's Regional Economic Development Council in 2001. This regional marketing partnership has lent remarkable strength and leverage to Mason's work on both national and international recruitment projects. Mason renewed its commitment to this innovative regional strategy in 2003 with a second three-year commitment as one of thirteen members, and only the third city, to come together to make marketing and recruitment decisions for the Greater Cincinnati region. In 2004, this alliance facilitated extended contact with national and international corporate site selectors and brokers through site location consultant missions in Cincinnati and other major metro areas. During the years 2005 through 2006, the group leveraged partnerships with news organizations in major metropolitan areas, including Atlanta, Chicago, and New York. As a result, the city and its corporate partners hosted well-regarded pharmaceutical trade publication heads and New York journalists, gaining national exposure and future new investment interests in this industry. The CincinnatiUSA organization also strengthens a methodology of continued relationship maintenance with valuable contacts in Europe and Asia, giving Mason the opportunity to tell the unique stories of our corporate investors to companies outside the U.S. that are looking to start new U.S. operations. In 2007, the City will again renew this partnership that

brings significant value and return on the City's investment in business recruitment marketing.

The year 2006 was the city's first full year of operating with the Mason Port Authority in place. This economic development tool has already provided advantageous flexibility with financial recruitment options. It has helped retain over 100 jobs and allowed the city to attract over \$7 million in new capital investment with over 100 new jobs to be created. In 2007, the second full year of the Mason Port Authority, again is already paying off. It has been used to make proposals to two major prospects that would not have been opportunities for Mason without this economic development tool.

Mason's industrial facilities employ an estimated 22,000 persons, or about three quarters of the city's nighttime population of approximately 29,400. Five of the 10 largest employers in Warren County are located in Mason. Mason's 10 largest employers provide work for more than 7,000 persons and in 2006 generated more than \$9.1 million in income tax revenue.



Crane Fencing is investing over \$12 million at the former Leggett & Platt site

Mason's reputation as a serious business environment is confirmed by corporate decisions to consolidate here and move jobs and investment to the city. New investments reported in 2006 were over \$38 million as 387,000 square feet of new corporate and industrial space were added, bringing over 885 announced new jobs to the community. This represents an increase of 27% in new square footage and a 17% increase over last year in new jobs announced. Prasco Pharmaceutical's \$12

million, 28-acre corporate headquarters campus will be a 150,000 and up to 230,000 square foot facility, a 300% increase from their previous operations. This project represents one of the largest build-to-suit projects in the region for 2006. Additionally, the Skilled Care Pharmacy recruitment resulted in over \$7 million in new capital investment with a new 40,000 square foot build-to-suit headquarters in Mason. Mason's strength in the build-to-suit market is evidenced by the upswing of square footage figures and is expected to continue into 2007.

Greater Cincinnati's regional performance in 2006 was noted for industrial absorption. Mason ranked high on the charts with nearly 600,000 square feet of industrial/manufacturing space reclaimed within less than 12 months. This activity resulted in nearly 450 new jobs to the city. The retrofit investment and reoccupation of the former 307,000 square foot UBE facility was one of the largest transactions this year. The former 215,000 square foot Leggett & Platt facility represents new investment of over \$12 million with the addition of rail and new office space. This was one of four top regional transactions in the fourth quarter and will create 230 new jobs.

Mason's goals for economic development continue to be met, not only with the attraction of business into the city, but with continued new investment from existing businesses. The following projects were the largest new developments announced in the City of Mason for 2006:

Corporate Investment (new capital & payroll)

Prasco Pharmaceuticals	
Corporate Campus	\$33,600,000
Skilled Care Pharmaceuticals	
Corporate Headquarters	\$15,800,000
Crane Fencing Solutions	
Corporate Headquarters	\$18,600,000

As each new investment is announced, job creation and payroll are projected for the next three years. Many of the jobs announced have already been realized by the city and many others will be realized in the next two years.

Growth and development in the City of Mason is expected to continue to meet or exceed the average growth of the economy because of Mason's physical

location, developable terrain, municipal facilities, services and utilities, and the progressive attitude and actions of city council, administration, and citizens. The city's taxable property base and its economic base are strong, due in part to the quality of life that has attracted office development, industry, and citizens to Mason. Mason will maintain its focus on having a balanced tax base with viable commercial and industrial businesses to complement a growing residential base

In 2007, Mason expects to see renewed interest in land sales and new construction in the industrial, manufacturing, and specialty healthcare and pharmaceutical sectors. The regional market outlook predicts a rise in build-to-suit activity, a primary niche for the City of Mason. Additionally, momentum with destination construction such as Great Wolf Lodge, new investments with Kings Island, and discussed expansion of high-profile events such as the Tennis Masters Series and related sports events are expected to drive more interest in tourism development. The city's economic development efforts fully recognize a positive relationship between destination tourism and the development of conference, technology, and office development. These will continue to be pursuits of the City of Mason to open up new economic growth opportunities in 2007.

LONG-TERM FINANCIAL PLANNING

As part of the annual budgeting process, the city administration prepares a capital improvement plan for the next five years. City Council reviews and prioritizes the projects for long-term financial planning. In addition to the capital improvement plan, the City of Mason is in the process of preparing a financial forecast of both operating and capital expenditures. Using this forecast, Council will make policy decisions and allocate financial resources based on long-term financial planning.

RELEVANT FINANCIAL POLICIES

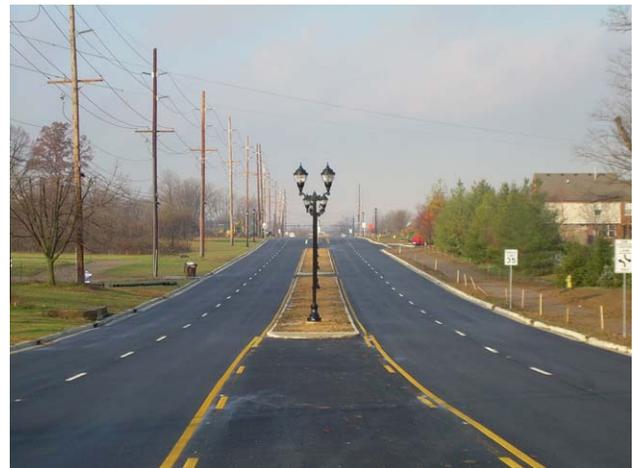
The City of Mason continues the policy of using only reliable financial resources when budgeting for operating costs. One-time resources and resources at risk of being eliminated are utilized for one-time expenditures, capital improvements, or debt

reduction. State law is phasing out tangible personal property tax that is assessed on business inventory, machines and equipment. As part of the phase-out, the state is reimbursing local governments for lost revenue for a limited period of time. Likewise, the state legislature is considering the elimination of the estate tax. In consideration, the City of Mason continues to decrease its reliance upon these revenue sources for operating expenses.

MAJOR INITIATIVES For the Year 2006

Mason's citizens are the city's greatest assets. Therefore, in preparing each year's budget, our customers' needs for services and the safeguarding of their environment in conformity with applicable federal and state standards are the government's greatest concern. Mason's success has been its ability to equitably balance the needs of residents and businesses.

Major events that occurred in 2006 that position the city for future economic growth and improvement include:



Teaming with Warren Count helped the city qualify for an Ohio Issue II grant for the Socialville-Fosters Road improvement project

Infrastructure Improvements

The widening of Socialville-Fosters Road from two to five lanes was a cooperative effort with the Warren County Engineer. Since the city and Warren

County applied as a team, an Issue II grant from the Ohio Public Works Commission was received for part of the project. Other improvements completed during 2006 included resurfacing 8.42 lane miles, over \$1 million spent on street maintenance and repairs, construction of Western Row Road and Snider Road improvements, U.S. 42 and Hanover Drive intersection improvements, Tylersville Crossing improvements, construction of the Muddy Creek Regional Detention Basin and Snider Road culvert, replacement of the existing 24 inch storm sewer on State Route 741, installation of a culvert on the park access road, and installation of a new drainage swale at 412 Church Street.

Downtown Revitalization Efforts

The City of Mason has continued its investment into the downtown area. The city contracted with KZF Design to develop a Downtown Streetscape Plan. KZF Design identified a 14-principle strategy to renovate the entire downtown area and applied those strategies to a \$5.2 million, 4-block streetscape improvement plan for the center of town.

During 2006, the water main in the project area was upgraded and funded by Greater Cincinnati Water Works. The next phase of this project will begin in the June of 2007.

Mason Sports Park

During 2006, the design was completed and a construction contract for approximately \$5.5 million was awarded. The 54-acre Mason Sports Park was a priority project in the 2004 Park Master Plan and will provide needed youth baseball and football/soccer fields, along with many other recreational amenities. This project was designed in cooperation with the Mason Park Advisory Board

and Mason youth athletic organizations. The park is expected to open in the spring of 2008.

Fire Department

The Fire Department was a focal point throughout 2006 as Council's Safety Committee focused on researching and setting future direction of the department to better serve the needs of the public. During 2005, a 10-point plan was developed and Council supported that plan by initiating experts to evaluate the department, hiring a retired fire chief and city manager, Mike Kelly, to help implement the 10-point plan, providing funding for intense training of all employees of the department, adding nine new full-time firefighters, adjusting staffing on apparatus, contracting with MSA for a fire station location analysis, and working with Deerfield Township to find cooperative ways to improve service.

Water Reclamation Plant

Construction of a new Water Reclamation Plant (WRP) began in the spring of 2004. This new plant for treatment of wastewater began accepting flow on May 10, 2006. The new plant has a capacity of 8.7 million gallons a day and can be expanded to 13 million gallons a day. Industry norm for change orders on a construction project of this type are typically 7% of total construction costs. Construction change orders for Mason's project were held to under 5%. Innovative technologies are incorporated in the design and consideration was given to future regulations. Processed biosolids will be suitable for use by the city's Parks Department to meet their nutrient needs in the parks system. Water for the in-plant water system for housekeeping and maintenance activities will be treated effluent and not purchased potable water. The city will also continue



Mason's new Water Reclamation Plant was the city's largest capital investment project ever

to sell treated effluent to golf courses. Consideration was given to city needs should growth exceed future projections. Space is available to increase treatment capacity to roughly 20 million gallons per day should the need arise.



Preparations for the downtown revitalization project began in 2006 with the replacement of aging water lines

Community Center Cost Savings

In March 2006, the ad hoc Community Center Committee began implementing ways to improve the center's financial status so that ultimately, the facility would be self-supporting. Staff began to systematically review the center's operations, customer service, staffing, and finances to identify areas to improve.

The result of these initiatives has had a dramatic impact on the projected budgetary-basis operating deficit, originally projected at over \$500,000. The final deficit for 2006 showed that it was reduced to less than \$100,000.

Looking Ahead to the Future

Accomplishments to look forward to in 2007 include:

- Adding new streetlights, sidewalks, and landscaping in the downtown area to start the

Sincerely,

Eric Hansen
City Manager

first segment of the downtown revitalization project.

- Widening Mason-Montgomery Road from Main Street to the I & O Bridge
- Improvements to Western Row Road
- Phase II of the U.S. 42 Truck Sewer North Storm sewer improvements on Main, Forest, and First streets.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mason for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. Mason has been awarded the Certificate of Achievement each year beginning in 1997. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement Program requirements. It is being submitted to GFOA to determine its eligibility for an award for another certificate.

Our most sincere appreciation is extended to all members of the staff whose efforts have made this report possible, including Bev Salatin, the staff of Plattenburg & Associates, Inc. and Clark, Schaefer, Hackett & Co. for their dedicated service in the preparation of this comprehensive annual financial report. Special thanks are extended to Jennifer Heft, who was selected to be the Assistant City Manager after being the city's Finance Director for over ten years.

Joseph J. Reigelsperger
Interim Finance Director

THE CITY OF MASON, OHIO

LIST OF PRINCIPAL OFFICIALS

December 31, 2006

COUNCIL MEMBERS

Mayor	Charlene Pelfrey
Vice Mayor	Tom Grossmann
Council Member	Tony Bradburn
Council Member	Victor Kidd
Council Member	Matt Kline
Council Member	Steve Osborne
Council Member	Todd Wurzbacher

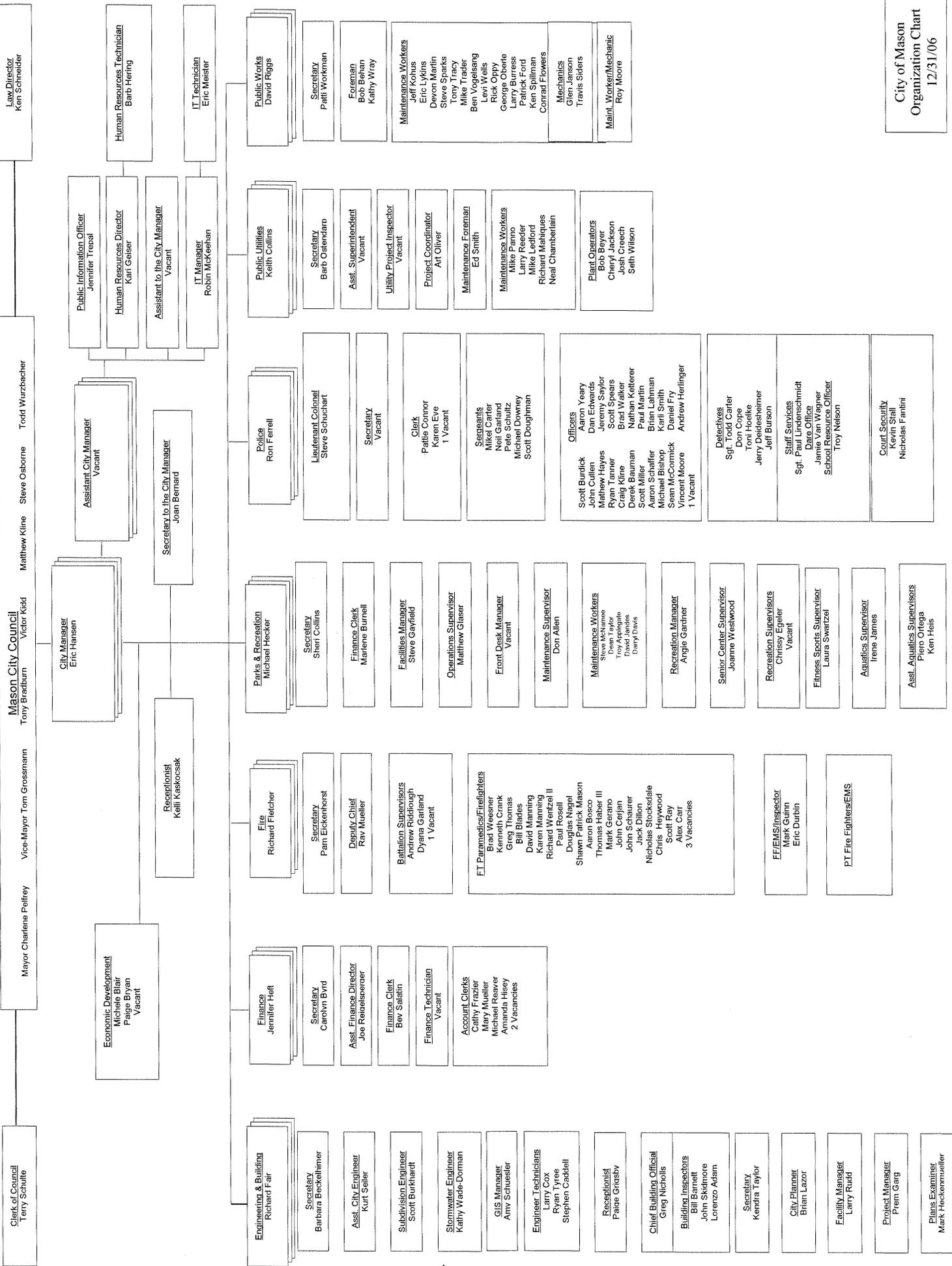
COUNCIL APPOINTED OFFICIALS

City Manager	Eric Hansen
Law Director	Ken Schneider
Clerk of Council	Terry Schulte

DEPARTMENT HEADS

Public Utilities Director	Keith Collins
City Engineer	Richard Fair
Chief of Police	Ron Ferrell
Fire Chief	Richard Fletcher
Parks & Recreation Director	Michael Hecker
Finance Director	Jennifer Heft
Public Works Director	David Riggs

Residents of Mason



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mason
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

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**FINANCIAL
SECTION**

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

City Council
City of Mason, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mason, Ohio (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mason, Ohio as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof 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 18, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3-13 and 56-60, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 18, 2007

City of Mason

Management's Discussion and Analysis

As management of the City of Mason, we offer readers of the City of Mason's financial statement this narrative overview and analysis of the financial activities of the City of Mason for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

The assets of the City of Mason exceeded its liabilities at the close of 2006 by \$229,908,637 (net assets). Of this amount, \$42,084,224 is considered unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted balance is 107.3 percent of the 2006 expenses of \$39,219,205

- The city's total net assets increased by \$7,553,224. Net assets of the governmental activities (defined below) increased \$14,483,170, which represents a 34.4% percent increase from the 2005 increase in net assets. Net assets of the business-type activities (also defined below) decreased \$6,929,946 or 204.4 percent less than 2005. The significant decrease in business-type activities was the result of the removal of the old sewage treatment facility when it was taken out of service after the new water reclamation plant was completed.
- The total cost of the city's programs increased \$4,180,867 or 11.9 percent. The cost of governmental activities increased \$3,103,556 or 12.0 percent, while the cost of business-type activities increased \$1,077,311 or 11.9 percent.
- As of the close of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$31,566,974, an increase of \$2,694,777 in comparison with the prior year. The General Fund unreserved balance of \$6,524,041 as of December 31, 2006 is 25.4 percent of the 2006 expenditures of \$25,735,277. The City of Mason strives to maintain an unreserved fund balance equal to three months of expenditures (25 percent).
- The City of Mason's debt increased by \$7,282,633 (9.3 percent) during the current fiscal year. This increase was a result of issuing \$4,500,000 for real estate acquisition for property located on State Route 741, \$2,000,000 for the Socialville-Fosters Road improvements, and \$5,800,000 for the Mason Sports Park construction. The principal amount of other outstanding debt was reduced in 2006, including substantial reduction in outstanding road improvement notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the city's basic financial statements, which are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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's finances in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the city'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 is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items may result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish governmental activities from business-type activities. **Governmental activities** are principally supported by taxes and intergovernmental revenues. These include general government, public safety, leisure time activities, community development, and transportation/street repair. **Business-type activities** are intended to recover all or a significant portion of their costs through user fees or charges. The city includes four enterprise activities under business-type activities: a sanitary sewer system, a storm water system, waste collection system, and the community center activities.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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

The city maintains 35 individual governmental funds. Information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balances* for the three major funds: the general fund, the fire and emergency medical services fund, and the parks and recreation improvement fund. Data for the other 32 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.

Proprietary funds. The city maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The city uses enterprise funds to account for its sanitary sewer, stormwater, waste collection, and community center operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer, stormwater, waste collection, and community center operations. The sanitary sewer, stormwater and community center funds are considered to be major funds of the city. The waste collection fund is the only nonmajor proprietary fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as fines collected by Mason Municipal Court. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the city's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the city's general fund budget, the fire and emergency medical service fund budget, and the parks and recreation improvement fund budget. The city adopts an annual appropriation budget for each fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplemental information

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The city's assets exceeded liabilities by \$229,908,637 at the close of the most recent fiscal year.

The largest portion of the city's net assets (71 percent) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, and infrastructure) less any related outstanding debt used to acquire those assets. The city used these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the city's net assets (11 percent) represents resources that are subject to restrictions as to how they may be used. The remaining balance of unrestricted net assets (\$42,084,224) may be used to meet the city's on-going obligations to citizens and creditors. It is important to note that the unrestricted net assets of the city's business-type activities (\$7,280,452) may not be used to fund governmental activities.

At the end of the current fiscal year, the city was able to report positive balances in all three categories of net assets: for the government as a whole and for its separate governmental and business-type activities.

Overall net assets of the city increased \$7,533,224 in 2006. Net assets for governmental activities increased \$14,483,170, while net assets for business-type activities decreased \$6,929,946. The increase in net assets for 2006 (\$7,533,224) was \$9,872,267 less than the increase in net assets for 2005 (\$17,405,491). This decrease is primarily the result of the sewage treatment impairment of \$10,580,607. Charges for services and general revenues continue to have increases from the prior year while expenses increased by 12.0 percent. Increases in expenses were result of filling vacant positions for police officers, adding full-time positions to the fire department, rising health insurance costs, and temporary operations of two sewer treatment facilities.

City of Mason
Net Assets
(amounts expressed in thousands)

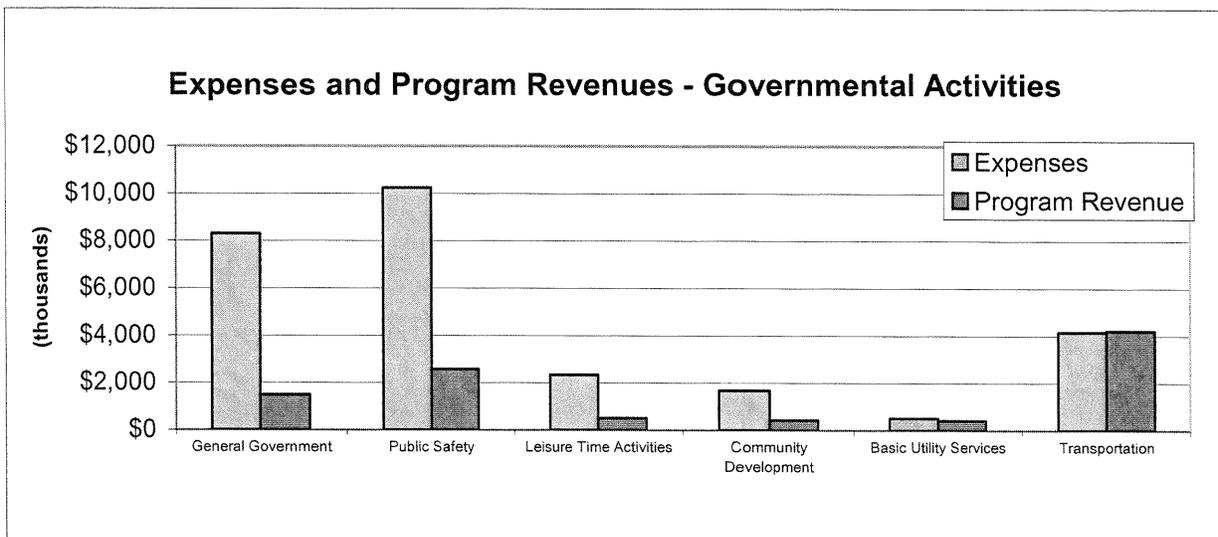
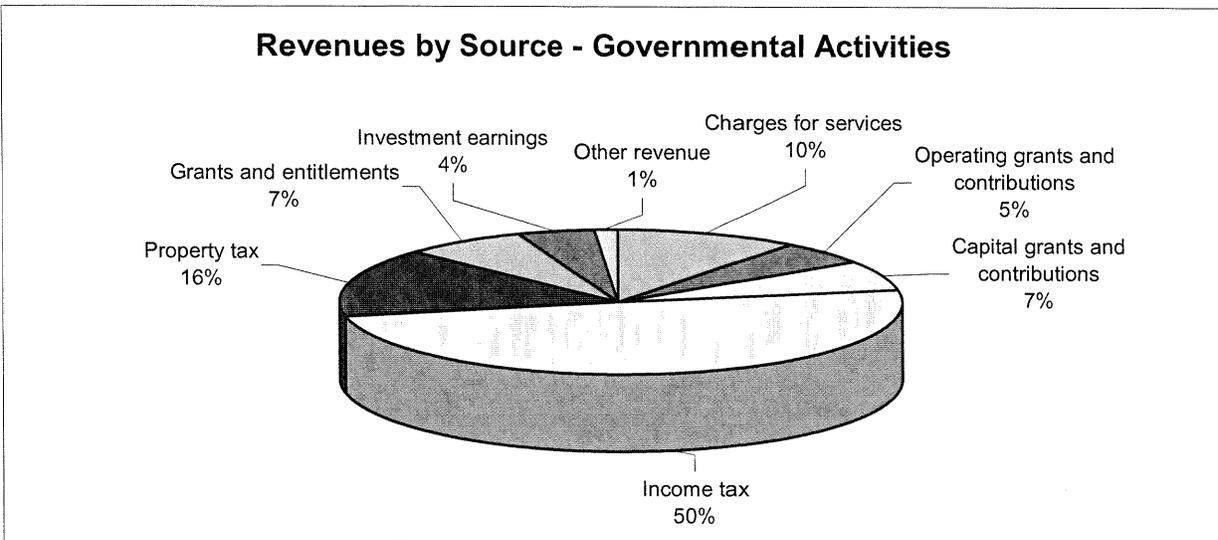
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	(restated)				(restated)	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets						
Current and other assets	\$66,230	\$52,438	\$19,655	\$25,153	\$85,885	\$77,591
Capital assets	137,960	127,491	103,723	108,261	241,683	235,752
Total assets	\$204,190	\$179,929	\$123,378	\$133,414	\$327,568	\$313,343
Liabilities						
Long-term liabilities outstanding	29,134	30,085	34,947	35,964	64,081	66,049
Other liabilities	29,284	18,556	4,294	6,383	33,578	24,939
Total liabilities	\$58,418	\$48,641	\$39,241	\$42,347	\$97,659	\$90,988
Net Assets						
Invested in capital assets, net of related debt	96,276	89,319	66,801	73,166	163,077	162,485
Restricted	14,692	13,568	10,055	11,290	24,747	24,858
Unrestricted	34,804	28,401	7,281	6,611	42,085	35,012
Total Net Assets	\$145,772	\$131,288	\$84,137	\$91,067	\$229,909	\$222,355

City of Mason
Changes in Net Assets
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$4,389	\$3,666	\$9,961	\$9,644	\$14,350	\$13,310
Operating grants and contributions	2,352	1,848			2,352	1,848
Capital grants and contributions	2,914	3,176	3,168	3,807	6,082	6,983
General revenues:						
Income tax	21,325	19,804			21,325	19,804
Property tax	6,551	6,385			6,551	6,385
Grants and entitlements	3,209	1,916			3,209	1,916
Investment earnings	1,929	911	980	899	2,909	1,810
Other revenue	558	376	17	12	575	388
Total Revenues	43,227	38,082	14,126	14,362	57,353	52,444
Expenses:						
General Government	8,305	10,055			8,305	10,055
Public Safety	10,240	7,647			10,240	7,647
Leisure Time Activities	2,345	1,927			2,345	1,927
Community Development	1,682	1,219			1,682	1,219
Basic Utility Services	514				514	-
Transportation	4,163	3,434			4,163	3,434
Interest and fiscal charges	1,822	1,685			1,822	1,685
Sewer utility			5,512	3,839	5,512	3,839
Waste Collection			1,129	1,068	1,129	1,068
Storm Water utility			1,068	1,051	1,068	1,051
Community Center			2,439	3,113	2,439	3,113
Total Expenses	29,071	25,967	10,148	9,071	39,219	35,038
Increase (decrease) in net assets before transfers	14,156	12,115	3,978	5,291	18,134	17,406
Transfers - internal activities	327	(1,346)	(327)	1,346		
Sewer plant impairment			(10,581)		(10,581)	-
Increase (decrease) in net assets	14,483	10,769	(6,930)	6,637	7,553	17,406
Net Assets beginning of year	131,289	120,520	91,067	84,430	222,356	204,950
Net Assets end of year	\$145,772	\$131,289	\$84,137	\$91,067	\$229,909	\$222,356

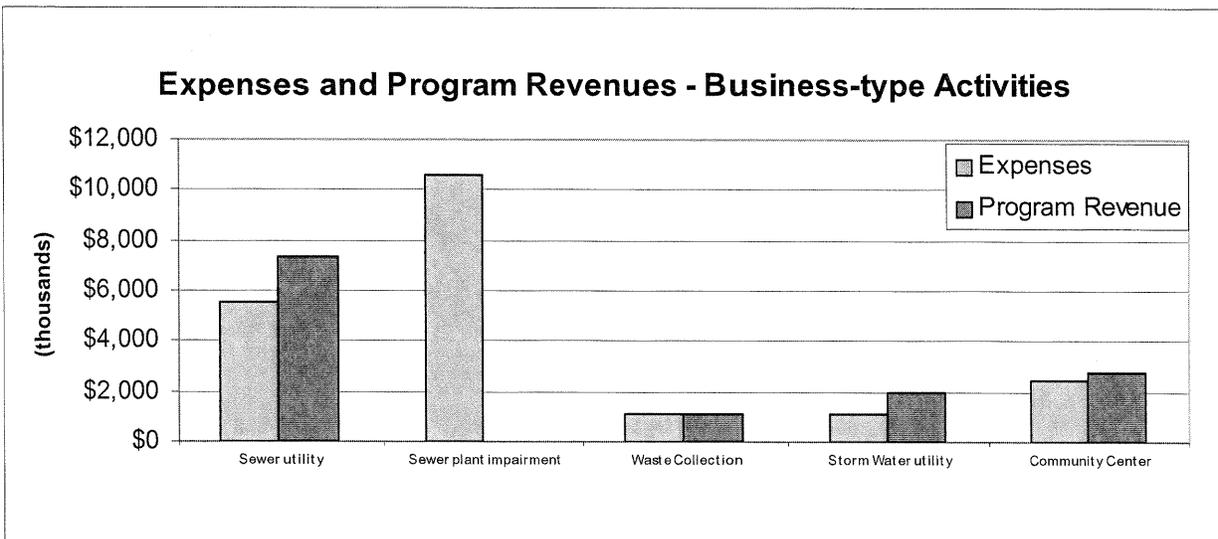
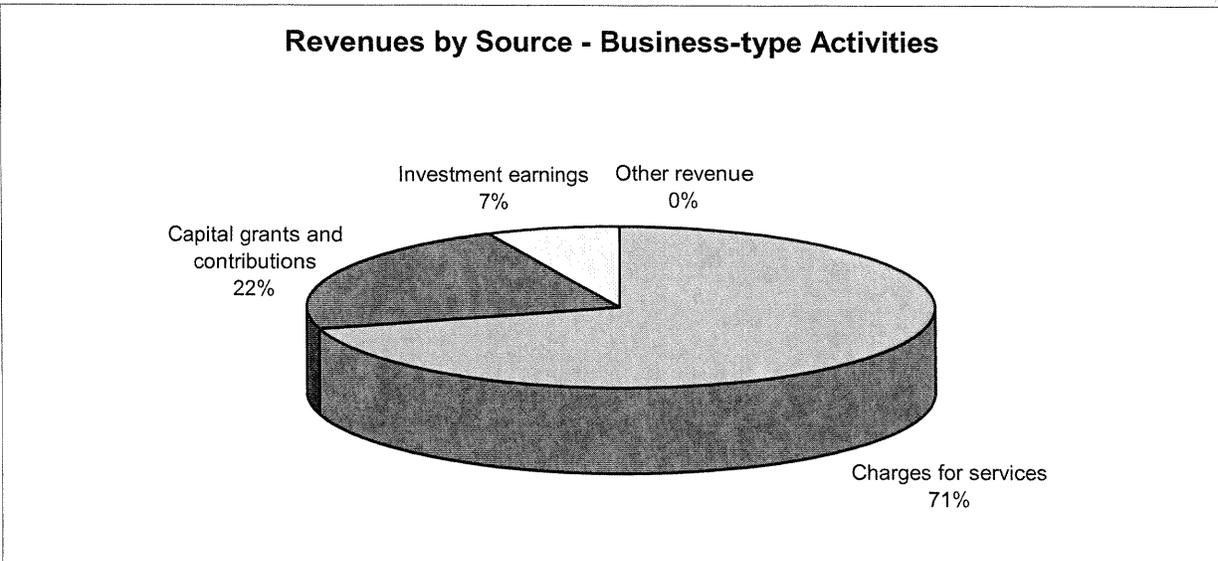
Governmental activities. Governmental activities increased the city's net assets by \$14,483,170. This was a \$3,694,583 (34.5 percent) increase from the previous year change in net assets. Key elements of the changes in net assets are as follows:

- Income tax increased \$1,520,743 (7.7 percent) over the previous year due to continued economic development efforts.
- Grants and entitlements increased by \$1,292,714 (67.5 percent) over the previous year. The primary increase was the result of a \$5 increase of the permissive motor vehicle license fee for each vehicle register within the City of Mason by the Ohio Bureau of Motor Vehicles.
- Investment earnings increased \$1,017,987 (111.8 percent) over the previous year as a result of improved economic conditions and a higher return on investments.
- Expenses increased by 12.0 percent from the previous fiscal year. The increase in expenses was a result of many factors including rising health care costs, filling vacant police officer positions, consolidating part-time firefighters positions into full-time positions, a one-time payment to the Mason Port Authority, and additional street maintenance.



Business-type activities. Business-type activities decreased the city’s net assets by \$6,929,946. Key elements of the changes in net assets are as follows:

- As previously discussed, the discontinued use of the existing sewage treatment facility resulted in an impairment of \$10,580,607 that was recognized in 2006.
- Capital contributions from developers for streets and right-of-ways decreased by \$1,982,252 from the previous year. This amount varies depending on the number of developments completed within the year and accepted by the city.
- Charges for services increased by 3.3 percent from annual rate increases.
- Operational costs increased by 1.8 percent resulting from the increased cost of operating two sewer treatment facilities for part of 2006, increased cost for the new water reclamation plant, and cost savings at the community center.
- Waste collection, as in the previous year, had a loss in net assets resulting from expenses increasing faster than revenue. Rates were increased in 2007 along with a new contract for waste collection services, with the intent for revenue to cover the expenses for the service.



Financial Analysis of the Government's Funds

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

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

As of the end of the fiscal year, the City of Mason's governmental funds reported combined ending fund balances of \$31,566,974, an increase of \$2,694,807 in comparison with the prior year. \$12,159,261 of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the city. At December 31, 2006, the unreserved fund balance of the general fund was \$6,524,041, while the total fund balance was \$18,556,718. As a measure of the general fund's liquidity, it may be useful to compare both *unreserved fund balance* and *total fund balance* to *total fund expenditures* (including transfers out). *Unreserved fund balance* represents 22.9 percent of the *total general fund expenditures* (including transfers out), while *total fund balance* represents 65.3 percent of that same amount. The *unreserved fund balance* is roughly equal to three months of *total fund expenditures*, which is the City's target for *unreserved fund balance*.

The fund balance of the city's general fund increased by \$2,246,847 during the current fiscal year. The increase was \$1,085,057 lower than the increase in 2005.

Key factors in this change are as follows:

- Revenue increased from the previous year by \$4,721,454. Increased tax revenue as a result of continued economic growth accounted for 58 percent of this change (\$2,756,836). Investment earnings and internal charges for higher health insurance costs also increased.
- Expenditures and transfers increased from the prior year by \$5,896,079 due to increases in capital outlay to purchase property located on State Route 741 (\$4,506,950), increased health insurance costs, filling vacant police officer positions, and increased debt service payments/transfers.

The fire and emergency medical service fund provides public safety services to the City of Mason using a five-mill property tax levy as its major source of revenue. The fund balance increased by \$184,640, which is a \$1,269,864 decrease from the previous fiscal year. Revenue increased by \$115,030 while expenditures increased by \$1,384,894. The increased expenditures were from the purchase of a new fire pumper and increased personnel costs from the conversion of part-time positions to full-time.

Besides issuing the bond anticipation notes of \$5,800,000, the parks and recreation improvement fund had limited activity in 2006 since the construction of the Mason Sports Park did not begin until the end of 2006. Substantial completion of the park is expected by the end of 2007.

Proprietary fund. The city's proprietary funds financial statements provide the same information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the sewer fund at the end of the year amounted to \$4,995,871 with a total loss in net assets of \$8,243,241. Unrestricted net assets for the stormwater utility fund at the end of the year amounted to \$1,303,914 with a total growth in net assets of \$988,980. Unrestricted net assets for the community center fund at the end of the year amounted to \$778,179 with a total growth in net assets of \$370,937. Unrestricted net assets for the waste collection center fund at the end of the year amounted to \$202,488 with a total loss in net assets of \$46,622. Other factors concerning the finances of these funds have already been addressed in the discussion of the city's business-type activities.

Budgetary Highlights

General fund. During the 2006, there was a \$5,432,415 decrease in appropriations between the original and final amended budget. The total original appropriations, including those for transfers out, were \$63,658,004, while the final appropriations were \$58,225,589. During the year, City Council will re-appropriate funds or provide supplemental appropriations based on the changes that occurred since the adoption of the original budget. The appropriation for capital projects was decreased by \$8,762,671 for debt-financed projects that were not constructed in 2006. These projects include the Mason-Montgomery Road widening, Western Row Road widening and Mason Road improvements that will be constructed in 2007 and 2008. The largest increases in the General Fund appropriation was for payment of outstanding short-term debt and increased costs for health care. Other operational corrections were made during the re-appropriation process. The original revenue budgets are very conservative estimates and are adjusted near the end of the year based on actual revenue.

Capital Asset and Debt Administration

Capital assets. The city's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounted to \$241,683,299 (net of accumulated depreciation). This investment in capital assets includes land and easements, buildings, system improvements, machinery and equipment, park facilities, roads, streets, and traffic signals. The total increase in the city's investment in capital assets for 2006 was 2.5 percent (an 8.2 percent increase for governmental activities and a 4.2 percent decrease for business type activities.)

Major capital events during the current fiscal year included the following:

- Construction on the city's new water reclamation plant was completed in 2006. This increased sewage treatment capacity from 5 million gallons per day to 8.67 million gallons per day. This project increased buildings and improvements by \$31,746,345 and equipment by \$6,155,524.
- With the completion of the new facility, the existing facility was taken out of service and is being used temporary for park maintenance operations. The discontinued use of the existing facility resulted in an impairment of \$10,580,607 that was recognized in 2006.
- Other projects completed in 2006 include the traffic signal and intersection improvements at U.S. 42 and Hanover Drive (\$381,556), sewer line improvements at Western Row Road/east trunk sewer (\$459,601) and Villas Creek/Concord Crossing (\$1,198,192), Fairway Drive stormwater improvements (\$710,379), and Heritage Oak culvert replacement (\$820,808.)
- At the close of the fiscal year, \$5,549,177 was remaining for construction in progress. Primarily, the projects remaining were the widening of Socialville-Fosters Road (\$2,842,143), Mason Sports

Park (\$532,437), Muddy Creek restoration (\$210,756), and U.S. 42 trunk sewer (\$374,615.) Many other projects in progress are in the design phase.

- Other major capital asset additions include a new fire pumper (\$450,952), playground equipment at Corwin Nixon Park (\$168,185), and property for future development on State Route 741 (\$4,513,188.)
- Dedicated infrastructure (streets, sewer, and stormwater) plus right-of-ways contributed by developers increased capital assets by \$5,312,317.

City of Mason

Capital Assets

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$55,578	\$49,931	\$4,184	\$4,184	\$59,762	\$54,115
Construction in Progress	4,700	1,097	849	36,072	5,549	37,169
Buildings and Improvements	34,785	33,044	35,051	18,220	69,836	51,264
Machinery and Equipment	12,437	11,462	6,380	778	18,817	12,240
Infrastructure	49,756	47,646	68,850	63,108	118,606	110,754
Accumulated Depreciation	(19,296)	(15,689)	(11,591)	(14,101)	(30,887)	(29,790)
Total	\$137,960	\$127,491	\$103,723	\$108,261	\$241,683	\$235,752

Additional information on the city's capital assets can be found in note 6 of the notes to the basic financial statements.

Long-term debt. At December 31, 2006, the city had \$63,042,000 of long-term debt outstanding (bonds and capital leases). Of this amount, \$6,775,000 comprises debt backed by the full faith and credit of the government and \$497,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. \$3,350,000 of the general obligation debt is funded through tax increment financing. Capital leases outstanding (\$21,005,000) at December 31, 2006, are certificates of participation for the municipal center. The remainder of the city's debt represents bonds secured solely by specified revenue sources.

The city issued bond anticipation notes totaling \$21,815,000 (\$19,700,000 for governmental and \$2,115,000 for business-type activities). No bonded debt was issued in 2006.

The city maintains an "Aa3" rating from Moody's Investors Service for its outstanding debt.

The city is within all of its legal debt limitations. The Ohio Revised code provides that the net debt (as defined in the Ohio Revised code) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value for taxation. The statutory limitations on debt are measured by the ratio of debt to tax valuation and expressed in terms of a percentage. At December 31, 2006, the city's total net debt of 2.29% of the total assessed value of all property within the city is within the 10.5% and 5.5% debt limitation for voted and unvoted debt, respectively. The aggregate amount of the city's unvoted debt is

also subject to overlapping debt restrictions with other political subdivisions of ten mills. This millage is measured against the property values in each overlapping district. At December 31, 2006, the millage amount was 2.7356 mills, of which 1.9878 mills were restricted by the City of Mason for unvoted debt.

Additional information regarding the city's long-term debt can be found in note 9 of the notes to the basic financial statements.

City of Mason's Outstanding Debt
General Obligation and Revenue Bonds Outstanding
(amounts expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds	\$6,775	\$7,045			\$6,775	\$7,045
Special assessment debt with governmental commitment	455	551	42	46	497	597
Capital Leases	21,005	21,650			21,005	21,650
Revenue Bonds			34,765	35,765	34,765	35,765
Total	\$28,235	\$29,246	\$34,807	\$35,811	\$63,042	\$65,057

Economic Factors and Next Year's Budgets

The City of Mason is located in Warren County, which currently has an unemployment rate of 4.2 percent. This is lower than the current national and Ohio rates of 4.3 percent and 5.4 percent respectively. The City of Mason continues to promote economic growth in Mason while many neighboring municipalities continue to suffer with more stagnant local economies. The city continues to attract desirable commercial enterprises while maintaining a balance of continued growth. In most of the country, the housing market has weakened, but it continues to grow within the City of Mason. Intense competition continues to force the city to be aggressive in its economic development objectives of increasing investment, creating employment opportunities, and retaining businesses that already have been established in Mason.

The 2007 budget was prepared similar to prior years by conservatively estimating revenue while seeking opportunities for cost savings. As part of the budget process, a capital improvement plan was completed and evaluated for 2007 and future years. The total appropriations for 2007 including transfers and capital outlay (\$120,495,481) are 20.7 percent more than 2006 original appropriations (\$99,847,315). Most of the increase is for capital improvement and debt activities.

Request for Information

This financial report is designed to provide a general overview of the City of Mason's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Joe Reigelsperger, Interim Finance Director, City of Mason, 6000 Mason-Montgomery Road, Mason, Ohio 45040, or by e-mail to jreigelsperger@masonoh.org.

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City of Mason
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$47,688,431	\$15,581,605	\$63,270,036
Restricted Cash and Investments	2,633,714	2,897,706	5,531,420
Receivables:			
Taxes	11,189,420	0	11,189,420
Accounts	410,356	1,012,383	1,422,739
Interest	326,774	124,285	451,059
Intergovernmental	2,863,701	0	2,863,701
Special Assessments	348,470	0	348,470
Deferred Bond Issuance Costs	450,868	0	450,868
Inventory	318,853	38,267	357,120
Nondepreciable Capital Assets	60,278,436	5,033,017	65,311,453
Depreciable Capital Assets, Net	77,681,422	98,690,424	176,371,846
Total Assets	204,190,445	123,377,687	327,568,132
Liabilities:			
Accounts Payable	1,054,033	688,370	1,742,403
Accrued Wages and Benefits	737,580	145,914	883,494
Retainage Payable	180,084	58,379	238,463
Accrued Interest Payable	474,453	130,496	604,949
Contracts Payable	1,080,467	1,156,384	2,236,851
Unearned Revenue	5,841,500	0	5,841,500
Claims Payable	216,086	0	216,086
General Obligation Notes Payable	19,700,000	2,115,000	21,815,000
Long-Term Liabilities:			
Due Within One Year	1,550,266	1,092,569	2,642,835
Due In More Than One Year	27,584,300	33,853,614	61,437,914
Total Liabilities	58,418,769	39,240,726	97,659,495
Net Assets:			
Invested in Capital Assets, Net of Related Debt	96,275,726	66,801,441	163,077,167
Restricted for:			
Special Revenue	11,826,126	0	11,826,126
Debt Service	2,866,052	2,839,327	5,705,379
Replacement and Improvement	0	7,215,741	7,215,741
Unrestricted	34,803,772	7,280,452	42,084,224
Total Net Assets	\$145,771,676	\$84,136,961	\$229,908,637

See accompanying notes to the basic financial statements.

City of Mason
Statement of Activities
For the Fiscal Year Ended December 31, 2006

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$8,304,944	\$1,491,615	\$0	\$0
Public Safety	10,239,722	1,747,817	819,398	0
Leisure Time Activities	2,345,289	514,992	0	0
Community Development	1,682,201	391,088	43,534	0
Basic Utility Service	513,694	228,738	0	0
Transportation and Street Repair	4,163,181	13,969	1,488,872	2,914,592
Interest and Fiscal Charges	1,821,938	963	465	0
Total Governmental Activities	29,070,969	4,389,182	2,352,269	2,914,592
Business-Type Activities:				
Sewer	5,511,880	5,342,578	0	1,971,561
Waste Collection	1,129,056	1,075,574	0	0
Stormwater Utility	1,067,755	793,059	0	1,186,077
Community Center	2,439,545	2,749,431	0	10,093
Total Business-Type Activities	10,148,236	9,960,642	0	3,167,731
Totals	\$39,219,205	\$14,349,824	\$2,352,269	\$6,082,323

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
 Special Revenue Purposes
 Debt Service Purposes
 Capital Projects Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Refunds and Reimbursements
Other Revenues
Transfers - Internal Activities
Special Item - Sewer Plant Impairment

Total General Revenues, Transfers, and Special Item

Change in Net Assets

Net Assets Beginning of Year, Restated

Net Assets 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
(\$6,813,329)	\$0	(\$6,813,329)
(7,672,507)	0	(7,672,507)
(1,830,297)	0	(1,830,297)
(1,247,579)	0	(1,247,579)
(284,956)	0	(284,956)
254,252	0	254,252
(1,820,510)	0	(1,820,510)
<u>(19,414,926)</u>	<u>0</u>	<u>(19,414,926)</u>
0	1,802,259	1,802,259
0	(53,482)	(53,482)
0	911,381	911,381
0	319,979	319,979
<u>0</u>	<u>2,980,137</u>	<u>2,980,137</u>
<u>(\$19,414,926)</u>	<u>\$2,980,137</u>	<u>(\$16,434,789)</u>
21,324,631	0	21,324,631
2,068,561	0	2,068,561
4,121,987	0	4,121,987
85,178	0	85,178
275,675	0	275,675
3,208,505	0	3,208,505
1,928,561	980,492	2,909,053
332,821	0	332,821
225,667	16,542	242,209
326,510	(326,510)	0
0	(10,580,607)	(10,580,607)
<u>33,898,096</u>	<u>(9,910,083)</u>	<u>23,988,013</u>
14,483,170	(6,929,946)	7,553,224
<u>131,288,506</u>	<u>91,066,907</u>	<u>222,355,413</u>
<u>\$145,771,676</u>	<u>\$84,136,961</u>	<u>\$229,908,637</u>

City of Mason
Balance Sheet
Governmental Funds
December 31, 2006

	General	Fire and Emergency Medical Service	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$29,321,139	\$6,029,258	\$6,327,518	\$6,010,516	\$47,688,431
Restricted Cash and Investments	0	0	17,972	2,615,742	2,633,714
Receivables:					
Taxes	7,008,171	3,843,162	0	338,087	11,189,420
Accounts	162,055	211,904	0	36,397	410,356
Interest	207,095	43,426	45,703	30,550	326,774
Intergovernmental	1,270,644	199,720	0	1,393,337	2,863,701
Special Assessments	0	0	0	348,470	348,470
Inventory	267,539	51,314	0	0	318,853
Total Assets	38,236,643	10,378,784	6,391,193	10,773,099	65,779,719
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	959,982	59,329	0	34,722	1,054,033
Accrued Wages and Benefits	445,957	267,549	0	24,074	737,580
Compensated Absences	79,671	13,711	0	5,182	98,564
Retainage Payable	0	0	17,972	162,112	180,084
Accrued Interest Payable	298,567	0	7,548	57,260	363,375
Contracts Payable	412,289	0	161,750	506,428	1,080,467
Deferred Revenue	5,367,373	4,221,522	24,321	1,169,340	10,782,556
Claims Payable	216,086	0	0	0	216,086
General Obligation Notes Payable	11,900,000	0	5,800,000	2,000,000	19,700,000
Total Liabilities	19,679,925	4,562,111	6,011,591	3,959,118	34,212,745
Fund Balances:					
Reserved for Encumbrances	11,765,138	570,213	5,323,650	1,429,859	19,088,860
Reserved for Inventory	267,539	51,314	0	0	318,853
Unreserved, Undesignated, Reported in:					
General Fund	6,524,041	0	0	0	6,524,041
Special Revenue Funds	0	5,195,146	(4,944,048)	4,330,911	4,582,009
Debt Service Funds	0	0	0	54,128	54,128
Capital Projects Funds	0	0	0	999,083	999,083
Total Fund Balances	18,556,718	5,816,673	379,602	6,813,981	31,566,974
Total Liabilities and Fund Balances	\$38,236,643	\$10,378,784	\$6,391,193	\$10,773,099	\$65,779,719

See accompanying notes to the basic financial statements.

City of Mason
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 December 31, 2006

Total Governmental Fund Balance		\$31,566,974
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.		137,959,858
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income Taxes	2,752,487	
Delinquent Property Taxes	125,232	
Interest	170,024	
Intergovernmental	1,387,562	
Other	<u>505,751</u>	
		4,941,056
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(111,078)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(801,002)</u>	
		(801,002)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		450,868
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(28,235,000)</u>
Net Assets of Governmental Activities		<u>\$145,771,676</u>

See accompanying notes to the basic financial statements.

City of Mason
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2006

	General	Fire and Emergency Medical Service	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$23,619,080	\$4,151,580	\$0	\$349,387	\$28,120,047
Fines, Licenses & Permits	1,407,539	0	45,700	754,921	2,208,160
Charges for Services	1,416,944	425,502	0	0	1,842,446
Investment Earnings	1,188,974	238,809	97,718	233,372	1,758,873
Intergovernmental	2,335,224	609,908	0	2,285,114	5,230,246
Special Assessments	0	0	0	93,272	93,272
Other Revenues	529,223	11,823	11,832	391,287	944,165
Total Revenues	30,496,984	5,437,622	155,250	4,107,353	40,197,209
Expenditures:					
Current:					
General Government	7,312,400	0	0	788,710	8,101,110
Public Safety	5,394,611	4,654,411	0	35,727	10,084,749
Leisure Time Activities	2,116,759	0	400	0	2,117,159
Community Development	1,539,054	0	0	130,963	1,670,017
Basic Utility Service	513,694	0	0	0	513,694
Transportation and Street Repair	2,256,237	0	0	896,779	3,153,016
Capital Outlay	6,003,699	609,208	179,722	2,100,128	8,892,757
Debt Service:					
Principal Retirement	0	0	0	1,011,000	1,011,000
Interest and Fiscal Charges	598,823	0	7,548	1,431,895	2,038,266
Total Expenditures	25,735,277	5,263,619	187,670	6,395,202	37,581,768
Excess of Revenues Over (Under) Expenditures	4,761,707	174,003	(32,420)	(2,287,849)	2,615,441
Other Financing Sources (Uses):					
Transfers In	89,568	0	0	3,351,770	3,441,338
Transfers (Out)	(2,677,147)	0	0	(768,191)	(3,445,338)
Total Other Financing Sources (Uses)	(2,587,579)	0	0	2,583,579	(4,000)
Net Change in Fund Balance	2,174,128	174,003	(32,420)	295,730	2,611,441
Fund Balance Beginning of Year	16,309,861	5,632,033	412,022	6,518,251	28,872,167
Change in Reserve for Inventory	72,729	10,637	0	0	83,366
Fund Balance End of Year	\$18,556,718	\$5,816,673	\$379,602	\$6,813,981	\$31,566,974

See accompanying notes to the basic financial statements.

City of Mason
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended December 31, 2006

Net Change in Fund Balance - Total Governmental Funds \$2,611,441

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

Governmental funds report capital asset additions 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 of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	13,237,014	
Depreciation Expense	<u>(2,704,408)</u>	10,532,606

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (63,750)

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

Income Taxes	(138,058)	
Delinquent Property Taxes	(42,364)	
Interest	169,688	
Intergovernmental	294,247	
Other	<u>(147,982)</u>	135,531

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 1,011,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 216,328

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	(20,231)	
Deferred Bond Issuance Cost Amortization	(23,121)	
Change in Inventory	<u>83,366</u>	40,014

Change in Net Assets of Governmental Activities \$14,483,170

See accompanying notes to the basic financial statements.

City of Mason
Statement of Net Assets
Proprietary Funds
December 31, 2006

	Business-Type Activities -Enterprise Funds				
	Sewer	Stormwater Utility	Community Center	Waste Collection	Total Business-Type Activities
Assets:					
Equity in Pooled Cash and Investments	\$12,795,746	\$1,328,210	\$1,309,587	\$148,062	\$15,581,605
Restricted Cash and Investments	2,875,362	22,344	0	0	2,897,706
Receivables:					
Accounts	741,981	114,814	6,942	148,646	1,012,383
Interest	104,060	9,727	9,432	1,066	124,285
Inventory	37,060	0	1,207	0	38,267
Total Current Assets	16,554,209	1,475,095	1,327,168	297,774	19,654,246
Noncurrent Assets:					
Nondepreciable Capital Assets	4,343,485	689,532	0	0	5,033,017
Depreciable Capital Assets, Net	68,062,798	30,627,626	0	0	98,690,424
Total Noncurrent Assets	72,406,283	31,317,158	0	0	103,723,441
Total Assets	88,960,492	32,792,253	1,327,168	297,774	123,377,687
Liabilities:					
Current Liabilities:					
Accounts Payable	109,110	22,091	462,508	94,661	688,370
Accrued Wages and Benefits	74,644	5,307	65,584	379	145,914
Compensated Absences	52,828	2,438	13,182	121	68,569
Retainage Payable	36,035	22,344	0	0	58,379
Accrued Interest Payable	129,018	1,478	0	0	130,496
Contracts Payable	1,040,403	115,981	0	0	1,156,384
General Obligation Notes Payable	0	2,115,000	0	0	2,115,000
Long-Term Liabilities Due Within One Year	1,024,000	0	0	0	1,024,000
Total Current Liabilities	2,466,038	2,284,639	541,274	95,161	5,387,112
Noncurrent Liabilities:					
Compensated Absences	61,232	1,542	7,715	125	70,614
Bonds, Notes & Loans Payable	33,783,000	0	0	0	33,783,000
Total Noncurrent Liabilities	33,844,232	1,542	7,715	125	33,853,614
Total Liabilities	36,310,270	2,286,181	548,989	95,286	39,240,726
Net Assets:					
Invested in Capital Assets, Net of Related Debt	37,599,283	29,202,158	0	0	66,801,441
Restricted for:					
Debt Service	2,839,327	0	0	0	2,839,327
Replacement and Improvement	7,215,741	0	0	0	7,215,741
Unrestricted	4,995,871	1,303,914	778,179	202,488	7,280,452
Total Net Assets	\$52,650,222	\$30,506,072	\$778,179	\$202,488	\$84,136,961

See accompanying notes to the basic financial statements.

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

	Business-Type Activities -Enterprise Funds				
	Sewer	Stormwater Utility	Community Center	Waste Collection	Total Business-Type Activities
Operating Revenues:					
Charges for Services	\$5,342,578	\$793,059	\$2,749,431	\$1,075,574	\$9,960,642
Other Revenues	8,611	7,931	0	0	16,542
Total Operating Revenues	<u>5,351,189</u>	<u>800,990</u>	<u>2,749,431</u>	<u>1,075,574</u>	<u>9,977,184</u>
Operating Expenses:					
Personal Services	1,092,906	146,394	1,419,944	16,716	2,675,960
Contractual Services	1,006,738	231,596	845,391	1,111,151	3,194,876
Materials and Supplies	319,751	5,049	147,364	0	472,164
Depreciation	1,515,896	587,473	0	0	2,103,369
Other Expenses	12,581	0	26,846	1,189	40,616
Total Operating Expenses	<u>3,947,872</u>	<u>970,512</u>	<u>2,439,545</u>	<u>1,129,056</u>	<u>8,486,985</u>
Operating Income (Loss)	<u>1,403,317</u>	<u>(169,522)</u>	<u>309,886</u>	<u>(53,482)</u>	<u>1,490,199</u>
Non-Operating Revenues (Expenses):					
Investment Earnings	853,006	69,668	50,958	6,860	980,492
Interest (Expense)	<u>(1,564,008)</u>	<u>(97,243)</u>	<u>0</u>	<u>0</u>	<u>(1,661,251)</u>
Total Non-Operating Revenues (Expenses)	<u>(711,002)</u>	<u>(27,575)</u>	<u>50,958</u>	<u>6,860</u>	<u>(680,759)</u>
Income (Loss) Before Contributions and Transfers	692,315	(197,097)	360,844	(46,622)	809,440
Capital Grants and Contributions	1,971,561	1,186,077	10,093	0	3,167,731
Transfers In	4,000	0	0	0	4,000
Transfers (Out)	(330,510)	0	0	0	(330,510)
Special Item - Sewer Plant Impairment	<u>(10,580,607)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10,580,607)</u>
Change in Net Assets	(8,243,241)	988,980	370,937	(46,622)	(6,929,946)
Net Assets Beginning of Year	<u>60,893,463</u>	<u>29,517,092</u>	<u>407,242</u>	<u>249,110</u>	<u>91,066,907</u>
Net Assets End of Year	<u>\$52,650,222</u>	<u>\$30,506,072</u>	<u>\$778,179</u>	<u>\$202,488</u>	<u>\$84,136,961</u>

See accompanying notes to the basic financial statements.

City of Mason
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2006

	Business-Type Activities -Enterprise Funds				Total Business-Type Activities
	Sewer	Stormwater Utility	Community Center	Waste Collection	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$5,361,683	\$801,644	\$2,763,460	\$1,079,213	\$10,006,000
Cash Payments to Employees	(1,093,396)	(145,446)	(1,445,184)	(16,618)	(2,700,644)
Cash Payments to Suppliers	(3,661,266)	(525,537)	(583,345)	(1,112,274)	(5,882,422)
Net Cash Provided (Used) by Operating Activities	607,021	130,661	734,931	(49,679)	1,422,934
Cash Flows from Capital and Related Financing Activities:					
Payments for Capital Acquisitions	(3,563,831)	(1,339,759)	0	0	(4,903,590)
Debt Issuance	0	2,115,000	0	0	2,115,000
Debt Principal Payments	(1,000,000)	(3,165,000)	0	0	(4,165,000)
Debt Interest Payments	(1,565,695)	(118,881)	0	0	(1,684,576)
Capital Grants Received	740,210	0	10,093	0	750,303
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,389,316)	(2,508,640)	10,093	0	(7,887,863)
Cash Flows from Investing Activities:					
Earnings on Investments	771,430	60,930	41,667	5,846	879,873
Net Cash Provided (Used) by Cash Flows from Investing Activities	771,430	60,930	41,667	5,846	879,873
Net Increase (Decrease) in Cash and Cash Equivalents	(4,010,865)	(2,317,049)	786,691	(43,833)	(5,585,056)
Cash and Cash Equivalents Beginning of Year	19,681,973	3,667,603	522,896	191,895	24,064,367
Cash and Cash Equivalents End of Year	15,671,108	1,350,554	1,309,587	148,062	18,479,311
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	1,403,317	(169,522)	309,886	(53,482)	1,490,199
Adjustments:					
Depreciation	1,515,896	587,473	0	0	2,103,369
Changes in Assets & Liabilities:					
(Increase) Decrease in Receivables	10,494	654	14,029	3,639	28,816
(Increase) Decrease in Inventory	(14,323)	0	523	0	(13,800)
Increase (Decrease) in Payables	(2,307,750)	(288,892)	405,679	66	(2,190,897)
Increase (Decrease) in Accrued Liabilities	(613)	948	4,814	98	5,247
Net Cash Provided (Used) by Operating Activities	\$607,021	\$130,661	\$734,931	(\$49,679)	\$1,422,934
Schedule of Noncash Capital Activities:					
Capital Assets acquired with Payables	\$1,040,403	\$115,981	\$0	\$0	\$1,156,384
Noncash Contributions of Capital Assets	1,231,351	1,186,077	0	0	2,417,428
Special Item-Sewer Plant Impairment	(10,580,607)	0	0	0	(10,580,607)

See accompanying notes to the basic financial statements.

City of Mason
Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2006

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$66,112</u>
Total Assets	<u><u>66,112</u></u>
Liabilities:	
Due to Others	<u>66,112</u>
Total Liabilities	<u><u>\$66,112</u></u>

See accompanying notes to the basic financial statements.

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City of Mason

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

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Mason, Ohio (the "City") was incorporated in 1815, adopted its Charter in 1969 and became a city in 1971. The City is a home-rule municipal corporation created under the laws of the State of Ohio. The City operates under a Council-Manager form of government.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes; police and fire, parks and recreation, planning, zoning, community development, street maintenance, sewer, stormwater waste collection and community center. Council and the City Manager have direct responsibility for these activities.

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

The Miami Valley Risk Management Association, Inc. (MVRMA) is a risk sharing insurance pool established for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as Miami Valley Risk Management Association, Inc. for the purpose of administering the pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Kettering, Madeira, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington and Wyoming and the Village of Indian Hill. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA.

The City participates in a joint venture called the Liberty Township Joint Economic Development District (JEDD). This joint venture is presented in Note 17.

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 and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. For proprietary funds the City has elected not to follow subsequent private-sector guidance. The most significant of the City's accounting policies are described below.

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.

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 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.

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.

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental 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. Non-major 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 - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Fire and Emergency Medical Service Special Revenue Fund – This special revenue fund accounts for expenditures of property tax revenues and other resources in the operation of the City’s Fire Department.

Parks and Recreation Special Revenue Fund – This special revenue fund accounts for monies received from residential building permits and other sources collected for the purpose of providing funds for recreational capital improvements.

The other governmental funds of the City account for grants and other resources that are generally restricted to use for a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have an internal service fund.

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:

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

Stormwater Utility Fund – This fund accounts for provision of stormwater systems within the City.

Community Center Fund – This fund accounts for the community center services provided to the residents of the City.

Waste Collection Fund – This fund accounts for the provision of waste collection services to residents and commercial users located within the City.

The City has no other enterprise funds at year end.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: agency funds, pension trust funds, investment trust funds and private-purpose trust funds. The City has one Agency fund. The City has a Municipal Court Agency fund (to account for amounts held on behalf of other governments and bonds deposited with the court pending final disposition of various causes). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust funds are used to account for assets held 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 currently has no trust funds.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

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

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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

Equity in Pooled Cash and Investments

To improve cash management the City's cash and investments are pooled. Monies for all funds, except cash and investments held in segregated accounts, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet.

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

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

Following the Ohio Revised Code, the City has specified certain funds to receive an allocation of interest earnings. Interest revenues during 2006 amounted to \$2,909,053. The general fund interest revenue was \$1,188,974.

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 fund types when purchased. Inventories of the proprietary funds are expensed when used.

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 proprietary funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City’s infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of proprietary fund capital assets are also capitalized. The City uses a \$5,000 capitalization threshold. The City reported all infrastructure with the initial implementation of GASB 34.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15-50 years
Machinery and Equipment	5-20 years
Infrastructure	25-60 years

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that have matured, for example, as a result of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and 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, and inventories are recorded as a reservation of fund balance.

Restricted Assets

Restricted assets consist of resources whose use is restricted by bond covenant agreements and retainage for various contractors.

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.

The City's Parks and Recreation, Debt Service, Tax Increment Financing, Central Park TIF, Mason Enterprise Parke TIF, Tylersville Road TIF, Government Center Reserve and Sewer funds have restricted net assets relative to those resources necessary to comply with various covenants of bond financing agreements and replacement and improvement of capital assets and park improvements. Of the City's \$24,747,246 in restricted net assets, none were restricted by enabling legislation.

Operating Revenues and Expenses

The City, in its proprietary funds, distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Contributions of Capital

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

Interfund Activity

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

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

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated through the process of consolidation.

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.

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 Council and that are either unusual in nature or infrequent in occurrence. During the year the City permanently removed the old sewer plant from service and reported (\$10,580,607) as a special item. There were no extraordinary items.

3. EQUITY IN POOLED CASH AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the City into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

- (3) 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 investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of December 31, 2006, \$2,634,362 of the City's bank balance of \$2,734,362 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Money Market Funds	\$4,901,294	0.00
Federal Home Loan Bank	38,388,084	1.36
Federal Home Loan Mortgage Discount Notes	15,613,950	0.48
Federal National Mortgage Association	<u>7,998,140</u>	1.15
Total Fair Value	<u>\$66,901,468</u>	
Portfolio Weighted Average Maturity		1.03

Interest rate risk - In accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two years, unless matched to a specified obligation or debt of the City.

Credit Risk – It is the City’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The City’s investments in Federal Home Loan Bank, Federal Home Loan Mortgage Discount Notes, Federal National Mortgage Association, and in Money Market Funds were rated AAA by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investors Service.

Concentration of credit risk – The City’s investment policy allows investments in Federal Government Securities or Instrumentalities. The City has invested 7% of the City’s investments in Money Market Funds, 58% in Federal Home Loan Bank, 23% in Federal Home Loan Mortgage Discount Notes, and 12% in Federal National Mortgage Association.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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.

4. RECEIVABLES

Receivables at year end, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, accrued interest on investments and accounts receivable.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Special assessments expected to be collected in more than one year amounts to \$273,932 in the Special Assessments Bond Retirement Fund.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007 operations.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are 25 percent of true value.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reported on the 2006 and subsequent year returns is not subject to the personal property tax.

The assessed values of real and tangible personal property upon which current year property tax receipts were based are as follows:

Real Property	\$1,004,936,080
Public Utility	16,147,840
Tangible Personal Property	<u>77,362,457</u>
Total Valuation	<u>\$1,098,446,377</u>

Real property taxes are payable annually or semi-annually. The first payment is due January 20 with the remainder payable by June 20.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. Annual payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of year end for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at year end, nor were they levied to finance current year operations. The receivable is therefore offset by deferred revenue.

Income Taxes

The City levies a one percent income tax on wages, salaries, commissions and other compensation in addition to net profits of business activity. The tax applies to all income earned within the City plus income earned by residents who earned income outside the City. A credit up to one-half percent is allowed if an individual pays income taxes to another municipality.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly based on an annual declaration and file an annual tax return.

5. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1988, the City joined the Miami Valley Risk Management Association, Inc. (MVRMA) a risk sharing insurance pool. The pool consists of twenty municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability. The City pays an annual premium to MVRMA for this coverage. The agreement provides that the MVRMA will be self-sustaining through member premiums and excess insurance. The deductible per occurrence for all types of claims is \$2,500.

Excess insurance coverage will cover additional claims up to the limits listed below:

General Liability: \$7,000,000/occurrence

Automobile Liability: \$7,000,000/occurrence

MVRMA coverage: \$2 million/occurrence with \$1 million excess \$1 million reinsured by Government Entities Mutual, Inc. (GEM)

Excess Insurance: \$5 million/occurrence excess \$2 million insured by Illinois Union Insurance Co. (ACE) – Annual Aggregate \$15 million per member

Police Professional Liability:

MVRMA coverage: \$2 million/occurrence with \$1 million excess \$1 million reinsured by GEM

Excess Insurance: \$5 million/occurrence excess \$2 million insured by Illinois Union Insurance Co. (ACE) – Annual Aggregate \$10 million per member*

Employment Practices Liability and Public Officials Liability:

MVRMA coverage: \$2 million/occurrence and aggregate per member with \$1 million excess \$1 million reinsured by GEM

Excess Insurance: \$5 million/occurrence excess \$2 million insured by Illinois Union Insurance Co. (ACE) – Annual Aggregate \$10 million per member*

Property:

\$1 billion/occurrence

MVRMA SIR: \$200,000/occurrence

Coverage excess SIR provided by PEPiP USA with carriers as follows:

Lexington Insurance Company (Primary \$10 million)

Excess carriers (\$990 million excess \$10 million):

AXIS Specialty Insurance Corp.

Lloyds of London

Great Lakes

Commonwealth Ins. Co.

Essex Insurance Corp.

Arch Insurance

Insurance Company of the West

Flood (included in property policy):

\$25 million/occurrence and annual aggregate (Flood Zone A & V -\$5 million/occurrence and annual aggregate)

MVRMA SIR: \$100,000/occurrence excluding Flood Zones A & V

MVRMA SIR: \$250,000/occurrence Flood Zones A & V

Earthquake (included in property policy):

\$25 million/occurrence and annual aggregate

MVRMA SIR: \$100,000/occurrence

Boiler & Machinery (included in PEPiP Program):

\$100,000,000/occurrence

MVRMA SIR: \$5,000/occurrence

Coverage excess SIR provided by Continental Casualty

*Note: Police Professional, Employment Practices & Public Officials Liability are combined in a single aggregate limit of \$10 million per member by Illinois Union Insurance Co. (ACE).

There has been no material change in this coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

The City has a group health insurance program for employees and their eligible dependents. Premiums are paid into the General Fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the General Fund are available to pay claims and administrative costs. The plan is administered by a third party administrator, Custom Design Benefits, which monitors all claim payments.

The claims liability of \$216,086 reported in the General Fund at year end is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amounts were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2006	\$194,295	\$2,590,075	(\$2,568,284)	\$216,086
2005	\$129,247	\$2,135,645	(\$2,070,597)	\$194,295

6. CAPITAL ASSETS

Capital asset activity for the current year end was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$49,931,166	\$5,646,940	\$0	\$55,578,106
Construction in Progress	1,097,262	4,045,821	442,753	4,700,330
Total Capital Assets, not being depreciated	51,028,428	9,692,761	442,753	60,278,436
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	33,044,031	1,740,969	0	34,785,000
Equipment	11,461,385	1,542,506	566,881	12,437,010
Infrastructure	47,645,882	2,109,990	0	49,755,872
Totals at Historical Cost	143,179,726	15,086,226	1,009,634	157,256,318
Less Accumulated Depreciation:				
Buildings and Improvements	3,446,699	2,223,676	0	5,670,375
Equipment	5,602,046	1,057,928	503,131	6,156,843
Infrastructure	6,639,979	829,263	0	7,469,242
Total Accumulated Depreciation	15,688,724	4,110,867	503,131	19,296,460
Governmental Activities Capital Assets, Net	127,491,002	10,975,359	506,503	137,959,858

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$4,184,170	\$0	\$0	\$4,184,170
Construction in Progress	<u>36,071,724</u>	<u>6,237,954</u>	<u>41,460,831</u>	<u>848,847</u>
Total Capital Assets, not being depreciated	40,255,894	6,237,954	41,460,831	5,033,017
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	18,220,196	32,194,943	15,364,027	35,051,112
Equipment	778,128	5,767,347	165,151	6,380,324
Infrastructure	<u>63,107,751</u>	<u>5,741,989</u>	<u>0</u>	<u>68,849,740</u>
Totals at Historical Cost	<u>122,361,969</u>	<u>49,942,233</u>	<u>56,990,009</u>	<u>115,314,193</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,927,997	724,004	4,462,537	1,189,464
Equipment	544,939	231,873	151,524	625,288
Infrastructure	<u>8,628,508</u>	<u>1,147,492</u>	<u>0</u>	<u>9,776,000</u>
Total Accumulated Depreciation	<u>\$14,101,444</u>	<u>\$2,103,369</u>	<u>\$4,614,061</u>	<u>\$11,590,752</u>
Business-Type Activities Capital Assets, Net	<u>\$108,260,525</u>	<u>\$47,838,864</u>	<u>\$52,375,948</u>	<u>\$103,723,441</u>

During the year, the City capitalized \$498,499 of interest for Business-Type Activities.

Depreciation expense was charged to governmental functions as follows:

	Depreciation Expense	Transfer Accumulated Depreciation	Total
General Government	\$588,182	\$0	\$588,182
Public Safety	533,183	0	533,183
Leisure Time	228,550	1,406,459	1,635,009
Transporation	1,350,174	0	1,350,174
Basic Utility	<u>4,319</u>	<u>0</u>	<u>4,319</u>
Total Depreciation Expense	<u>\$2,704,408</u>	<u>\$1,406,459</u>	<u>\$4,110,867</u>

7. COMPENSATED ABSENCES

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service, subject to certain maximum accruals. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

Accumulated Unpaid Sick Leave

The City of Mason does not permit advancement of moneys on sick leave accrued.

Sick Leave Conversion at Retirement

- a. Upon retirement, a full-time, regular employee who meets the age and length of service requirements of the Public Employees Retirement System or the Police and Fireman's Disability and Pension Fund, whichever is applicable, and who was also in the service of the City of Mason for a period of ten (10) continuous years prior to retirement from the service of the City of Mason may redeem his or her accumulated sick leave providing all other criteria are met in order to receive the benefits (i.e. age for retirement).
- b. Redemption shall be at a rate of three (3) accumulated sick leave days exchanged for one (1) day of pay with a maximum redemption limited to one hundred twenty (120) days.
- c. Redemption for police officers shall be at a rate of three (3) accumulated sick days exchanged for (1) day of pay for the first two hundred (200) sick days. For the next thirty seven and a half (37 ½) sick days the redemption shall be two (2) accumulated sick days exchanged for one (1) day of pay. All remaining sick days the redemption shall be one (1) accumulated sick days exchanged for (1) day of pay. The maximum redemption is limited to two hundred seventy-five (275) sick days. A police officer must have at least fifty (50) sick days to be eligible for converting sick leave at retirement.
- d. Payment will be based on the employee's base rate of pay at the time of retirement.
- e. The conversion of sick leave to cash will be made as a lump sum payment and will eliminate all sick leave credit accrued by the employee.

8. NOTES PAYABLE

A summary of the note transactions for the current year end are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
General Fund:				
4.25% Road Improvement Note	\$4,550,000	\$0	(\$4,550,000)	\$0
4.85% Road Improvement Note	4,850,000	0	(4,850,000)	0
4.75% Road Improvement Note	0	3,550,000	0	3,550,000
4.75% Road Improvement Note	0	3,850,000	0	3,850,000
4.75% Real Estate Acquisition Note	0	4,500,000	0	4,500,000
Parks and Recreation Fund:				
4.25% Park Improvement Note	0	5,800,000	0	5,800,000
Socialville-Fosters Road Improvement Fund:				
4.75% Road Improvement Note	0	2,000,000	0	2,000,000
<u>Business-Type Activities:</u>				
Stormwater Fund:				
2.55% Stormwater Utility Improvement Note	900,000	0	(900,000)	0
4.25% Stormwater Utility Improvement Note	2,265,000	0	(2,265,000)	0
4.25% Stormwater Utility Improvement Note	<u>0</u>	<u>2,115,000</u>	<u>0</u>	<u>2,115,000</u>
Total	<u>\$12,565,000</u>	<u>\$21,815,000</u>	<u>(\$12,565,000)</u>	<u>\$21,815,000</u>

All of the notes are bond anticipation notes, are backed by the full faith and credit of the City, and mature within one year. The note liability is reflected in the fund which received the proceeds.

9. LONG-TERM DEBT

A schedule of changes in bonds and other long-term obligations of the City during the current year, follows:

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds</u>						
Road Improvement	4.47%	\$3,640,000	\$0	(\$215,000)	\$3,425,000	\$225,000
Tax Increment Financing	5.30%	600,000	0	0	600,000	0
Central Parke TIF	5.25%	1,095,000	0	(50,000)	1,045,000	50,000
Enterprise Parke TIF	6.00%	680,000	0	(5,000)	675,000	25,000
Tylersville TIF	1.25%	1,030,000	0	0	1,030,000	10,000
Total General Obligation Bonds		<u>7,045,000</u>	<u>0</u>	<u>(270,000)</u>	<u>6,775,000</u>	<u>310,000</u>
<u>Special Assessment Bonds</u>						
Northeast	6.75%	330,000	0	(55,000)	275,000	55,000
Snider Road	6.76%	90,000	0	(15,000)	75,000	15,000
Lindemann C.G	7.78%	6,000	0	(1,000)	5,000	2,000
Route 741	7.38%	125,000	0	(25,000)	100,000	25,000
Total Special Assessment Bonds		<u>551,000</u>	<u>0</u>	<u>(96,000)</u>	<u>455,000</u>	<u>97,000</u>
Capital Leases		<u>21,650,000</u>	<u>0</u>	<u>(645,000)</u>	<u>21,005,000</u>	<u>670,000</u>
Total Long-Term Liabilities Bonds		<u>29,246,000</u>	<u>0</u>	<u>(1,011,000)</u>	<u>28,235,000</u>	<u>1,077,000</u>
Compensated Absences		<u>838,981</u>	<u>752,914</u>	<u>(692,329)</u>	<u>899,566</u>	<u>473,266</u>
Total Governmental Activities		<u>\$30,084,981</u>	<u>\$752,914</u>	<u>(\$1,703,329)</u>	<u>\$29,134,566</u>	<u>\$1,550,266</u>
Business Type Activities						
<u>Special Assessment Bonds</u>						
Diley Utility	6.00%	<u>\$46,000</u>	<u>\$0</u>	<u>(\$4,000)</u>	<u>\$42,000</u>	<u>\$4,000</u>
<u>Mortgage Revenue Bonds</u>						
Sewer Mortgage Revenue	4.47%	<u>35,765,000</u>	<u>0</u>	<u>(1,000,000)</u>	<u>34,765,000</u>	<u>1,020,000</u>
Compensated Absences - Enterprise		<u>152,135</u>	<u>100,227</u>	<u>(113,179)</u>	<u>139,183</u>	<u>68,589</u>
Total Business-Type Activities		<u>\$35,963,135</u>	<u>\$100,227</u>	<u>(\$1,117,179)</u>	<u>\$34,946,183</u>	<u>\$1,092,589</u>

Compensated Absences will be paid from the fund from which the person is paid. Historically, this is the General Fund or a Special Revenue Fund.

Principal and interest requirements to retire the City's long-term obligations outstanding at year end are as follows:

	General Obligation Bonds		Special Assessment Bonds		Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$310,000	\$288,443	\$101,000	\$34,064	\$1,020,000	\$1,545,695
2008	360,000	274,931	101,000	27,079	1,035,000	1,524,275
2009	385,000	259,371	101,000	20,114	1,070,000	1,498,400
2010	465,000	242,678	100,000	13,109	1,100,000	1,460,950
2011	480,000	221,776	76,000	6,203	1,145,000	1,416,950
2012-2016	2,885,000	753,391	18,000	2,280	6,440,000	6,383,698
2017-2021	1,680,000	126,347	0	0	8,045,000	4,778,888
2022-2026	210,000	4,000	0	0	10,135,000	2,705,094
2027-2028	0	0	0	0	4,775,000	361,000
	<u>\$6,775,000</u>	<u>\$2,170,937</u>	<u>\$497,000</u>	<u>\$102,849</u>	<u>\$34,765,000</u>	<u>\$21,674,950</u>

The Special Assessment Bonds are backed by the full faith and credit of the City and are repaid from the resources of the Debt Service Fund. The City levies an assessment against the effected property owners.

10. LEASES

The City leases the municipal building under a capital lease that extend into future years.

The City's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", and have been recorded on the government-wide statements. The leased assets have been capitalized for the amount of the present value of the minimum lease payments at the inception of the lease. The following is a schedule of the future long-term minimum lease payments required under the capital lease, and the present value of the minimum lease payments is as follows:

Year Ending December 31	
2007	\$1,669,660
2008	1,669,200
2009	1,671,400
2010	1,671,676
2011	1,669,964
2012-2016	8,355,021
2017-2021	8,344,000
2022-2026	8,349,500
Total minimum lease payments	<u>33,400,421</u>
Less: Amount representing interest	(12,395,421)
Present value of minimum lease payments	<u>\$21,005,000</u>

Capital lease payments are made from the Fire and Emergency Medical Service Fund and Government Reserve Fund. The costs of capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards Board No. 13 are as follows:

Buildings and Improvements \$24,400,000

11. PENSION PLANS

Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or (800) 222-7377, or by visiting the OPERS website at www.opers.org.

Members have a choice of three separate pension plans, a Traditional Pension Plan (TP), a Member-Directed Plan (MD) and a Combined Plan (CO). The TP Plan is a cost-sharing multiple-employer defined benefit pension plan. The MD Plan is a defined contribution plan in which member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustment to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits.

Plan members are required to contribute 9.0 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the City is 13.70 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ended December 31, 2006, 2005 and 2004 were \$692,163, \$662,838, and \$630,852, respectively. The full amount has been contributed for 2005 and 2004 and 92 percent has been contributed for 2006.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164, or by calling (614) 228-2975, or by visiting the OP&F website at www.op-f.org.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 percent for police and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for the years ending December 31, 2006, 2005 and 2004 were \$523,462, \$461,336 and \$403,313, respectively. The full amount has been contributed for 2005 and 2004 and 91 percent has been contributed for 2006.

12. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The current year employer contribution rate was 13.70 percent of covered payroll; 4.50 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rates plus an additional factor ranging from .50 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

At year end 2006, the number of active contributing participants in the Traditional and Combined Plans totaled 369,214. The City's actual contributions for the current year, which were used to fund postemployment benefits were \$289,911. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly 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 the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during the current year. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for the current year that were used to fund postemployment benefits were \$197,133 for police and \$107,109 for fire. The OP&F's total health care expenses for the year ended December 31, 2005, (the latest information available) were \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

13. CONDUIT DEBT OBLIGATIONS

From time to time, Industrial Revenue Bonds have been issued to provide financial assistance to private-sector entities for the acquisition and construction of commercial, healthcare, and housing facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, the State, or any political subdivision thereof is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The following is the conduit debt outstanding at December 31, 2006:

<u>Issuance</u>	<u>Year Issued</u>	<u>Original Amount</u>	<u>Outstanding December 31, 2006</u>	<u>Year Mature</u>
Spears, Inc. Series A	1989	\$3,300,000	\$485,000	2007
Cedar Village	1997	20,300,000	12,760,000	2017
Mt. Healthy Christian Home				
Healthcare 1997A	1997	4,600,000	4,130,000	2032
Housing 1997B	1997	2,150,000	1,930,000	2032
Mason Christian Village				
Healthcare Refunding	1998	7,650,000	6,815,000	2032
Healthcare Facilities	2000	4,400,000	4,135,000	2035
Total Conduit Debt Outstanding at December 31, 2006			<u>\$30,255,000</u>	

14. CONSTRUCTION COMMITMENTS

The City had the following outstanding commitments at year end:

Projects	Amount
Downtown Streetscape	\$33,039
Western Row & Kings Island	50,000
Socialville-Fosters Road Widening	597,437
Western Row Road Widening	73,084
Bethany Road Improvements	103,919
US 42 & Tylersville Intersection	44,349
Mason Road Widening	132,664
Mason Montgomery Road Widening - Church to I&O	107,803
42 Widening - Tylerville to Butler-Warren	144,785
Fireside Drive/Tylersville Road	70,660
Sports Park & Memorial Park	5,372,963
Skate Park	59,331
Street Lights on Cintas	15,136
US 42 Trunk Sewer - North Phase II	398,196
First Ave./S. Forest Storm Sewer	8,806
Hoff Run Flood Plain Study	25,791
Mason Road Widening	41,762
Muddy Creek Restoration	477,550
Monte Drive Stormwater	2,368
Total	\$7,759,643

15. COMPLIANCE AND ACCOUNTABILITY

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. At year end, the City had appropriations exceeding estimated resources in the following funds:

Socialville-Fosters Road Improvement	\$440,497
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Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it has been appropriated. At year end the following funds had disbursements exceeding appropriations at the legal level of control:

Socialville-Fosters Road Improvement	\$499,954
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At year end, the City had a deficit fund balance in the following fund: Socialville-Foster Road Improvement Fund. The deficit in fund balance was primarily due to accruals in GAAP. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. On the cash basis of accounting, no funds had deficit balances.

16. INTERFUND TRANSACTIONS

Interfund transactions at year end, consisted of the following individual transfers in and transfers out:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$89,568	\$2,677,147
Sewer	4,000	330,510
Other Governmental Funds	<u>3,351,770</u>	<u>768,191</u>
Total All Funds	<u>\$3,445,338</u>	<u>\$3,775,848</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed. Transfers out of Other Governmental Funds relate to funds closed by the City, where the remaining money was transferred into another fund. The transfer out reported from the Sewer Fund relates to capital assets and would not be matched by a corresponding transfer in the governmental funds because they do not report capital assets.

17. JOINT VENTURE

Liberty Township, the City of Mason, and the City of Middletown contracted to create the Liberty Township Joint Economic Development District (JEDD) for the purpose of facilitating economic development to create jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio and in the area of the contracting parties through facilitating economic development along the corridor of Interstate 75, Cincinnati Dayton Road and State Route 129.

A 1.5% income tax was enacted for the JEDD. Imposition of tax began on October 1, 2006 and terminates December 31, 2045, with two ten year extensions.

Mason's use of funds provide for the improvement of the transportation network within the City, including the improvements of Bethany and Mason Roads.

Distribution of Gross Tax:

- 5% Service Fee for Middletown to collect the income
- 1% Escrow payment for refunds
- 94% Net distribution

Net Distribution:

83% Liberty Township

2% Middletown

15% Mason

18. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2006, the City has implemented GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Statement No. 47, “Accounting for Termination Benefits”.

Statement No. 46 establishes that any amount of the primary government’s net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

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

19. SUBSEQUENT EVENT

On March 14, 2007, the City issued \$9,000,000 in bond anticipation notes for real estate acquisition of the Golf Center at Kings Island.

20. PRIOR PERIOD ADJUSTMENT

The beginning net asset balance of governmental activities has been adjusted for correction to the special assessment receivable detail as follows:

	<u>Governmental Activities</u>
December 31, 2005	
Net Assets, as previously stated	\$132,057,215
Adjustment for correction	<u>(768,709)</u>
December 31, 2005	
Net Assets, as restated	<u>\$131,288,506</u>

21. SUBSEQUENT EVENT

On June 5, 2007, the City issued \$4,000,000 in bond anticipation notes for the downtown improvements.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Mason
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$20,187,089	\$24,004,128	\$24,830,979	\$826,851
Fines, Licenses & Permits	1,159,090	1,219,412	1,306,075	86,663
Intergovernmental	3,726,450	2,104,098	2,184,446	80,348
Charges for Services	1,166,666	1,405,076	1,416,937	11,861
Investment Earnings	200,000	917,033	1,015,227	98,194
Other Revenues	1,030,000	519,634	546,891	27,257
Total Revenues	27,469,295	30,169,381	31,300,555	1,131,174
Expenditures:				
Current:				
General Government	12,400,949	12,213,238	11,172,076	1,041,162
Public Safety	5,445,158	5,716,497	5,396,808	319,689
Leisure Time Activities	3,131,312	3,170,146	2,380,656	789,490
Community Development	1,546,804	1,969,524	1,630,912	338,612
Basic Utility Service	168,873	494,449	494,449	0
Transportation & Street Repair	2,805,792	2,818,583	2,447,365	371,218
Capital Outlay	26,539,788	15,274,854	10,217,115	5,057,739
Debt Service:				
Principal Retirement	10,260,000	12,531,823	12,531,823	0
Interest and Fiscal Charges	1,359,328	1,359,328	833,338	525,990
Total Expenditures	63,658,004	55,548,442	47,104,542	8,443,900
Excess of Revenues Over (Under) Expenditures	(36,188,709)	(25,379,061)	(15,803,987)	9,575,074
Other financing sources (uses):				
Issuance of Debt	26,442,671	11,986,043	11,986,043	0
Transfers In	200,000	89,568	89,568	0
Transfers (Out)	0	(2,677,147)	(2,677,147)	0
Total Other Financing Sources (Uses)	26,642,671	9,398,464	9,398,464	0
Net Change in Fund Balance	(9,546,038)	(15,980,597)	(6,405,523)	9,575,074
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	22,581,502	22,581,502	22,581,502	0
Fund Balance End of Year	\$13,035,464	\$6,600,905	\$16,175,979	\$9,575,074

See accompanying notes to the required supplementary information.

City of Mason
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Fire and Emergency Medical Service Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$4,565,000	\$3,695,856	\$4,151,580	\$455,724
Intergovernmental	15,000	609,908	609,908	0
Charges for Services	0	434,155	498,690	64,535
Investment Earnings	25,000	187,235	207,827	20,592
Other Revenues	195,000	10,452	11,823	1,371
Total Revenues	<u>4,800,000</u>	<u>4,937,606</u>	<u>5,479,828</u>	<u>542,222</u>
Expenditures:				
Current:				
Public Safety	3,521,796	5,168,796	5,040,960	127,836
Capital Outlay	777,657	997,657	798,251	199,406
Total Expenditures	<u>4,299,453</u>	<u>6,166,453</u>	<u>5,839,211</u>	<u>327,242</u>
Net Change in Fund Balance	500,547	(1,228,847)	(359,383)	869,464
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>5,719,903</u>	<u>5,719,903</u>	<u>5,719,903</u>	<u>0</u>
Fund Balance End of Year	<u>\$6,220,450</u>	<u>\$4,491,056</u>	<u>\$5,360,520</u>	<u>\$869,464</u>

See accompanying notes to the required supplementary information.

City of Mason
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Parks and Recreation Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Fines, Licenses & Permits	\$195,000	\$45,000	\$45,700	\$700
Investment Earnings	5,000	15,000	36,730	21,730
Total Revenues	<u>200,000</u>	<u>60,000</u>	<u>82,430</u>	<u>22,430</u>
Expenditures:				
Current:				
Leisure Time Activities	0	500	400	100
Capital Outlay	487,000	5,486,500	5,485,400	1,100
Total Expenditures	<u>487,000</u>	<u>5,487,000</u>	<u>5,485,800</u>	<u>1,200</u>
Excess of Revenues Over (Under) Expenditures	<u>(287,000)</u>	<u>(5,427,000)</u>	<u>(5,403,370)</u>	<u>23,630</u>
Other financing sources (uses):				
Issuance of Debt	0	5,800,000	5,811,832	11,832
Total Other Financing Sources (Uses)	<u>0</u>	<u>5,800,000</u>	<u>5,811,832</u>	<u>11,832</u>
Net Change in Fund Balance	(287,000)	373,000	408,462	35,462
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>409,947</u>	<u>409,947</u>	<u>409,947</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$122,947</u></u>	<u><u>\$782,947</u></u>	<u><u>\$818,409</u></u>	<u><u>\$35,462</u></u>

See accompanying notes to the required supplementary information.

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the function level for the General Fund, Street Fund, State Highway Fund, Fire and Emergency Medical Services Fund, Sewer Fund and the Waste Collection Fund. All other funds are maintained at the fund level.

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

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

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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund, Fire and Emergency Medical Services Fund and Parks and Recreation Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund, Fire and Emergency Medical Services Fund, and Parks and Recreation Fund.

Net Change in Fund Balance

	<u>General</u>	<u>Fire and Emergency Medical Service</u>	<u>Parks and Recreation</u>
GAAP Basis	\$2,174,128	\$174,003	(\$32,420)
Net Adjustment for Revenue Accruals	889,614	42,206	(60,988)
Net Adjustment for Expenditure Accruals	(8,497,567)	53,950	187,270
Encumbrances	(12,871,698)	(629,542)	(5,485,400)
Proceeds of Debt	<u>11,900,000</u>	<u>0</u>	<u>5,800,000</u>
Budget Basis	<u>(\$6,405,523)</u>	<u>(\$359,383)</u>	<u>\$408,462</u>

**COMBINING STATEMENTS
AND INDIVIDUAL
FUND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

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

Street Construction, Maintenance and Repair - To account for 92.5% of the City's share of state gasoline taxes and motor vehicle license fees. State law requires that such monies be spent on street construction and maintenance.

State Highway Improvement - To account for the remaining 7.5% of the City's share of state gasoline taxes and motor vehicle license fees. State law requires that such monies be spent on state highways construction and improvements.

Warren County Motor Vehicle License Tax - To account for monies received from motor vehicle license taxes.

Street Improvement - To account for monies used to maintain and upgrade streets.

Federal Grant - This fund is used to account for grant funds received in conjunction with the Federal COPS Grant Program.

D.A.R.E Grant - This fund is used to account for grant funds received in conjunction with the State DARE Grant Program.

Downtown Development Loan - This fund is used to account for the repayment of loans to area businesses.

Indiana and Ohio Railroad - This fund is used to account for the repayment of debt pertaining to a cooperative agreement between the City and the I & O Railroad to promote job creation.

CIC/Veterans Memorial - This fund is used to account for monies designated to be used for the CIC/Veterans Memorial.

Bicycle and Pedestrian Way - This fund is to account for funds received to construct and improve paths throughout the City for bicycle and pedestrian traffic.

Police Crime Prevention - This fund is used to account for donations received for the prevention of crime within the City.

Drug Law Enforcement - To account for monies designated to be used for drug law enforcement.

Law Enforcement and Education - To account for monies received from court fines imposed for drivers convicted of driving under the influence of drugs and alcohol. Monies generated under this fund shall be used for enforcement and education of the public of such dangers.

Indigent Driver - This fund is used to account for fees collected in conjunction with DUI offenses. Revenues received are used, by the court, for treatment and education of drug and alcohol offenders.

Municipal Court Computer Costs - To account for monies received from court fines. Monies generated under this fund shall be used for computer related expenses of the Court.

Municipal Court Computer Education - This fund is used to account for a \$2.00 fee assessed in conjunction with court costs. Revenues collected are used for computer education and training within the Municipal Court.

Municipal Court Improvement - This fund is used to account for a \$5.00 fee assessed in conjunction with court costs. Revenues collected are used for improvements to the Municipal Court facilities.

Vehicle Immobilization Fee - This fund is used to account for reimbursements received from the State of Ohio for costs incurred with the Court ordered immobilization of a vehicle.

Municipal Court Probation Services - To account for monies received from court fines. Monies generated under this fund shall be used for probation services provided by the Court.

Subdivision Inspection - This fund is used to account for the revenues received and expenses incurred for inspection services rendered in the City of Mason.

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

General Obligation Bond Retirement - To accumulate monies for the payment of long-term and short-term debt issued without a vote of the people.

Special Assessment Bond Retirement - To account for payment of bonds issued for improvements deemed to benefit specific properties against which assessments are levied.

Capital Projects Funds: The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Tax Increment Financing - This fund is used to account for the financial resources and expenditures related to the development of 42 North Commerce Parke.

Central Parke TIF - This fund is used to account for the financial resources and expenditures related to the development of the Central Park business park.

Mason Enterprise Parke TIF - This fund is used to account for the financial resources and expenditures related to the development of the Mason Enterprise business park.

Tylersville Road TIF - This fund is used to account for the financial resources and expenditures related to the development of the Tylersville Crossing business park.

Downtown Investment - This fund is used to account for the financial resources and expenditures related to the improvements of Mason's downtown.

Tylersville Road Project - This fund is used to account for financial resources used for improvements to Tylersville Road.

Kings Mills Road Project - This fund is used to account for financial resources used for improvements to Kings Mill Road.

Western Row/Snider Road Improvement - This fund is used to account for financial resources used for improvements to Western Row/Snider Road.

Socialville-Fosters Road Improvement - This fund is used to account for financial resources used for improvements to Socialville-Fosters Road.

Government Center Reserve - This fund is used to account for the financial resources and expenditures related to the construction of the Mason Municipal Center.

City of Mason
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$4,620,210	\$54,216	\$1,336,090	\$6,010,516
Restricted Cash and Investments	0	0	2,615,742	2,615,742
Receivables:				
Taxes	2,034	336,053	0	338,087
Accounts	36,397	0	0	36,397
Interest	23,279	0	7,271	30,550
Intergovernmental	678,784	17,964	696,589	1,393,337
Special Assessments	0	348,470	0	348,470
Total Assets	5,360,704	756,703	4,655,692	10,773,099
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	14,643	88	19,991	34,722
Accrued Wages and Benefits	24,074	0	0	24,074
Compensated Absences	5,182	0	0	5,182
Retainage Payable	0	0	162,112	162,112
Accrued Interest Payable	0	0	57,260	57,260
Contracts Payable	27,106	0	479,322	506,428
Deferred Revenue	466,853	702,487	0	1,169,340
General Obligation Notes Payable	0	0	2,000,000	2,000,000
Total Liabilities	537,858	702,575	2,718,685	3,959,118
Fund Balances:				
Reserved for Encumbrances	491,935	0	937,924	1,429,859
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	4,330,911	0	0	4,330,911
Debt Service Funds	0	54,128	0	54,128
Capital Projects Funds	0	0	999,083	999,083
Total Fund Balances	4,822,846	54,128	1,937,007	6,813,981
Total Liabilities and Fund Balances	\$5,360,704	\$756,703	\$4,655,692	\$10,773,099

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$2,034	\$71,680	\$275,673	\$349,387
Fines, Licenses & Permits	754,921	0	0	754,921
Investment Earnings	136,504	0	96,868	233,372
Intergovernmental	1,536,255	19,798	729,061	2,285,114
Special Assessments	0	93,272	0	93,272
Other Revenues	187,000	0	204,287	391,287
Total Revenues	2,616,714	184,750	1,305,889	4,107,353
Expenditures:				
Current:				
General Government	788,710	0	0	788,710
Public Safety	35,727	0	0	35,727
Community Development	214	0	130,749	130,963
Transportation and Street Repair	858,035	0	38,744	896,779
Capital Outlay	193,393	0	1,906,735	2,100,128
Debt Service:				
Principal Retirement	0	311,000	700,000	1,011,000
Interest and Fiscal Charges	0	202,000	1,229,895	1,431,895
Total Expenditures	1,876,079	513,000	4,006,123	6,395,202
Excess of Revenues Over (Under) Expend	740,635	(328,250)	(2,700,234)	(2,287,849)
Other Financing Sources (Uses):				
Transfers In	674,623	50,500	2,626,647	3,351,770
Transfers (Out)	(89,568)	(4,000)	(674,623)	(768,191)
Total Other Financing Sources (Uses)	585,055	46,500	1,952,024	2,583,579
Net Change in Fund Balance	1,325,690	(281,750)	(748,210)	295,730
Fund Balance Beginning of Year	3,497,156	335,878	2,685,217	6,518,251
Fund Balance End of Year	\$4,822,846	\$54,128	\$1,937,007	\$6,813,981

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City of Mason
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2006

	Street Construction, Maintenance and Repair	State Highway Improvement	Warren County Motor Vehicle License Tax	Street Improvement	Federal Grant
Assets:					
Equity in Pooled Cash and Investments	\$1,482,078	\$274,973	\$674,623	\$884,737	\$0
Receivables:					
Taxes	0	0	2,034	0	0
Accounts	0	0	0	0	0
Interest	10,675	1,981	0	6,372	0
Intergovernmental	627,873	50,911	0	0	0
Total Assets	<u>2,120,626</u>	<u>327,865</u>	<u>676,657</u>	<u>891,109</u>	<u>0</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	7,658	1,676	0	0	0
Accrued Wages and Benefits	1,692	0	0	0	0
Compensated Absences	796	0	0	0	0
Contracts Payable	27,106	0	0	0	0
Deferred Revenue	426,060	35,140	0	3,391	0
Total Liabilities	<u>463,312</u>	<u>36,816</u>	<u>0</u>	<u>3,391</u>	<u>0</u>
Fund Balances:					
Reserved for Encumbrances	220,634	194,450	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	<u>1,436,680</u>	<u>96,599</u>	<u>676,657</u>	<u>887,718</u>	<u>0</u>
Total Fund Balances	<u>1,657,314</u>	<u>291,049</u>	<u>676,657</u>	<u>887,718</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$2,120,626</u>	<u>\$327,865</u>	<u>\$676,657</u>	<u>\$891,109</u>	<u>\$0</u>

D.A.R.E. Grant	Downtown Development Loan	Indiana and Ohio Railroad	CIC/Veterans Memorial	Bicycle and Pedestrian Way	Police Crime Prevention	Drug Law Enforcement	Law Enforcement and Education
\$0	\$89,811	\$266,451	\$187,000	\$9,970	\$636	\$8,821	\$12,689
0	0	0	0	0	0	0	0
0	0	0	0	0	50	275	225
0	0	1,919	0	0	0	0	0
0	0	0	0	0	0	0	0
0	89,811	268,370	187,000	9,970	686	9,096	12,914
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	1,021	0	0	0	0	0
0	0	1,021	0	0	0	0	0
0	0	0	0	0	0	0	5,027
0	89,811	267,349	187,000	9,970	686	9,096	7,887
0	89,811	267,349	187,000	9,970	686	9,096	12,914
\$0	\$89,811	\$268,370	\$187,000	\$9,970	\$686	\$9,096	\$12,914

Continued

City of Mason
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006

	Indigent Driver	Municipal Court Computer Costs	Municipal Court Computer Education	Municipal Court Improvement	Vehicle Immobilization Fee
Assets:					
Equity in Pooled Cash and Investments	\$141,535	\$65,090	\$67,321	\$66,219	\$9,730
Receivables:					
Taxes	0	0	0	0	0
Accounts	463	3,616	1,124	15,337	135
Interest	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Total Assets	141,998	68,706	68,445	81,556	9,865
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	0	0	0	2,130	0
Accrued Wages and Benefits	0	889	0	7,974	0
Compensated Absences	0	278	0	1,105	0
Contracts Payable	0	0	0	0	0
Deferred Revenue	0	0	0	0	0
Total Liabilities	0	1,167	0	11,209	0
Fund Balances:					
Reserved for Encumbrances	375	1,524	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	141,623	66,015	68,445	70,347	9,865
Total Fund Balances	141,998	67,539	68,445	70,347	9,865
Total Liabilities and Fund Balances	\$141,998	\$68,706	\$68,445	\$81,556	\$9,865

<u>Municipal Court Probation Services</u>	<u>Subdivision Inspection</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$54,757	\$323,769	\$4,620,210
0	0	2,034
15,172	0	36,397
0	2,332	23,279
0	0	678,784
<u>69,929</u>	<u>326,101</u>	<u>5,360,704</u>
2,965	214	14,643
8,696	4,823	24,074
2,054	949	5,182
0	0	27,106
0	1,241	466,853
<u>13,715</u>	<u>7,227</u>	<u>537,858</u>
4,516	65,409	491,935
<u>51,698</u>	<u>253,465</u>	<u>4,330,911</u>
<u>56,214</u>	<u>318,874</u>	<u>4,822,846</u>
<u>\$69,929</u>	<u>\$326,101</u>	<u>\$5,360,704</u>

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

	Street Construction, Maintenance and Repair	State Highway Improvement	Warren County Motor Vehicle License Tax	Street Improvement	Federal Grant
Revenues:					
Taxes	\$0	\$0	\$2,034	\$0	\$0
Fines, Licenses & Permits	0	0	0	28,800	0
Investment Earnings	61,613	10,692	0	36,502	0
Intergovernmental	1,280,344	255,911	0	0	0
Other Revenues	0	0	0	0	0
Total Revenues	1,341,957	266,603	2,034	65,302	0
Expenditures:					
Current:					
General Government	0	0	0	0	0
Public Safety	0	0	0	0	0
Community Development	0	0	0	0	0
Transportation and Street Repair	856,359	1,676	0	0	0
Capital Outlay	27,323	143,630	0	0	0
Total Expenditures	883,682	145,306	0	0	0
Excess of Revenues Over (Under) Expenditures	458,275	121,297	2,034	65,302	0
Other Financing Sources (Uses):					
Transfers In	0	0	674,623	0	0
Transfers (Out)	0	0	0	0	(10,134)
Total Other Financing Sources (Uses)	0	0	674,623	0	(10,134)
Net Change in Fund Balance	458,275	121,297	676,657	65,302	(10,134)
Fund Balance Beginning of Year	1,199,039	169,752	0	822,416	10,134
Fund Balance End of Year	\$1,657,314	\$291,049	\$676,657	\$887,718	\$0

D.A.R.E. Grant	Downtown Development Loan	Indiana and Ohio Railroad	CIC/Veterans Memorial	Bicycle and Pedestrian Way	Police Crime Prevention	Drug Law Enforcement	Law Enforcement and Education
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	250	2,580	2,215
0	3,320	11,074	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	187,000	0	0	0	0
0	3,320	11,074	187,000	0	250	2,580	2,215
0	0	0	0	0	0	0	0
16,192	0	0	0	0	677	9,393	9,465
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
16,192	0	0	0	0	677	9,393	9,465
(16,192)	3,320	11,074	187,000	0	(427)	(6,813)	(7,250)
0	0	0	0	0	0	0	0
(79,434)	0	0	0	0	0	0	0
(79,434)	0	0	0	0	0	0	0
(95,626)	3,320	11,074	187,000	0	(427)	(6,813)	(7,250)
95,626	86,491	256,275	0	9,970	1,113	15,909	20,164
\$0	\$89,811	\$267,349	\$187,000	\$9,970	\$686	\$9,096	\$12,914

Continued

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

	Indigent Driver	Municipal Court Computer Costs	Municipal Court Computer Education	Municipal Court Improvement	Vehicle Immobilization Fee
Revenues:					
Taxes	\$0	\$0	\$0	\$0	\$0
Fines, Licenses & Permits	13,044	56,909	17,797	234,113	635
Investment Earnings	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Other Revenues	0	0	0	0	0
Total Revenues	13,044	56,909	17,797	234,113	635
Expenditures:					
Current:					
General Government	1,625	69,391	0	255,118	0
Public Safety	0	0	0	0	0
Community Development	0	0	0	0	0
Transportation and Street Repair	0	0	0	0	0
Capital Outlay	0	0	0	22,440	0
Total Expenditures	1,625	69,391	0	277,558	0
Excess of Revenues Over (Under) Expenditures	11,419	(12,482)	17,797	(43,445)	635
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	0
Transfers (Out)	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balance	11,419	(12,482)	17,797	(43,445)	635
Fund Balance Beginning of Year	130,579	80,021	50,648	113,792	9,230
Fund Balance End of Year	\$141,998	\$67,539	\$68,445	\$70,347	\$9,865

Municipal Court Probation Services	Subdivision Inspection	Total Nonmajor Special Revenue Funds
\$0	\$0	\$2,034
185,837	212,741	754,921
0	13,303	136,504
0	0	1,536,255
0	0	187,000
<u>185,837</u>	<u>226,044</u>	<u>2,616,714</u>
296,083	166,493	788,710
0	0	35,727
0	214	214
0	0	858,035
0	0	193,393
<u>296,083</u>	<u>166,707</u>	<u>1,876,079</u>
<u>(110,246)</u>	<u>59,337</u>	<u>740,635</u>
0	0	674,623
0	0	(89,568)
<u>0</u>	<u>0</u>	<u>585,055</u>
(110,246)	59,337	1,325,690
166,460	259,537	3,497,156
<u>\$56,214</u>	<u>\$318,874</u>	<u>\$4,822,846</u>

City of Mason
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2006

	General Obligation Bond Retirement	Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Assets:			
Equity in Pooled Cash and Investments	\$52,975	\$1,241	\$54,216
Receivables:			
Taxes	336,053	0	336,053
Intergovernmental	17,964	0	17,964
Special Assessments	0	348,470	348,470
Total Assets	406,992	349,711	756,703
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	0	88	88
Deferred Revenue	354,017	348,470	702,487
Total Liabilities	354,017	348,558	702,575
Fund Balances:			
Unreserved, Undesignated, Reported in: Debt Service Funds	52,975	1,153	54,128
Total Fund Balances	52,975	1,153	54,128
Total Liabilities and Fund Balances	\$406,992	\$349,711	\$756,703

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

	General Obligation Bond Retirement	Special Assessment Bond Retirement	Total Nonmajor Debt Service Funds
Revenues:			
Taxes	\$71,680	\$0	\$71,680
Intergovernmental	19,798	0	19,798
Special Assessments	0	93,272	93,272
Total Revenues	91,478	93,272	184,750
Expenditures:			
Debt Service:			
Principal Retirement	215,000	96,000	311,000
Interest and Fiscal Charges	159,260	42,740	202,000
Total Expenditures	374,260	138,740	513,000
Excess of Revenues Over (Under) Expenditures	(282,782)	(45,468)	(328,250)
Other Financing Sources (Uses):			
Transfers In	0	50,500	50,500
Transfers (Out)	0	(4,000)	(4,000)
Total Other Financing Sources (Uses)	0	46,500	46,500
Net Change in Fund Balance	(282,782)	1,032	(281,750)
Fund Balance Beginning of Year	335,757	121	335,878
Fund Balance End of Year	\$52,975	\$1,153	\$54,128

City of Mason
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 December 31, 2006

	Tax Increment Financing	Central Parke TIF	Mason Enterprise Parke TIF	Tylersville Road TIF	Downtown Investment
Assets:					
Equity in Pooled Cash and Investments	\$0	\$0	\$0	\$0	\$746,752
Restricted Cash and Investments	182,031	334,049	74,249	60,052	0
Receivables:					
Interest	6	234	1	388	0
Intergovernmental	0	0	0	0	19,991
Total Assets	182,037	334,283	74,250	60,440	766,743
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	0	0	0	0	19,991
Retainage Payable	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	0
Contracts Payable	0	0	0	0	967
General Obligation Notes Payable	0	0	0	0	0
Total Liabilities	0	0	0	0	20,958
Fund Balances:					
Reserved for Encumbrances	0	0	0	0	224,332
Unreserved, Undesignated, Reported in: Capital Projects Funds	182,037	334,283	74,250	60,440	521,453
Total Fund Balances	182,037	334,283	74,250	60,440	745,785
Total Liabilities and Fund Balances	\$182,037	\$334,283	\$74,250	\$60,440	\$766,743

Tylersville Road Project	Kings Mills Road Project	Western Row / Snider Road Improvement	Socialville- Fosters Road Improvement	Government Center Reserve	Total Nonmajor Capital Projects Funds
\$0	\$0	\$0	\$589,338	\$0	\$1,336,090
0	0	0	162,112	1,803,249	2,615,742
0	0	0	0	6,642	7,271
0	0	0	676,598	0	696,589
0	0	0	1,428,048	1,809,891	4,655,692
0	0	0	0	0	19,991
0	0	0	162,112	0	162,112
0	0	0	57,260	0	57,260
0	0	0	478,355	0	479,322
0	0	0	2,000,000	0	2,000,000
0	0	0	2,697,727	0	2,718,685
0	0	0	713,592	0	937,924
0	0	0	(1,983,271)	1,809,891	999,083
0	0	0	(1,269,679)	1,809,891	1,937,007
\$0	\$0	\$0	\$1,428,048	\$1,809,891	\$4,655,692

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

	Tax Increment Financing	Central Parke TIF	Mason Enterprise Parke TIF	Tylersville Road TIF	Downtown Investment
Revenues:					
Taxes	\$70,777	\$134,831	\$70,065	\$0	\$0
Investment Earnings	36	4,806	109	14,851	0
Intergovernmental	0	0	0	0	52,463
Other Revenues	0	0	73,000	0	0
Total Revenues	70,813	139,637	143,174	14,851	52,463
Expenditures:					
Current:					
Community Development	0	63,943	43,054	0	23,752
Transportation and Street Repair	0	0	0	38,744	0
Capital Outlay	0	0	0	0	967
Debt Service:					
Principal Retirement	0	50,000	5,000	0	0
Interest and Fiscal Charges	32,550	38,733	41,550	35,955	0
Total Expenditures	32,550	152,676	89,604	74,699	24,719
Excess of Revenues Over (Under) Expenditures	38,263	(13,039)	53,570	(59,848)	27,744
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	625,000
Transfers (Out)	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	625,000
Net Change in Fund Balance	38,263	(13,039)	53,570	(59,848)	652,744
Fund Balance Beginning of Year	143,774	347,322	20,680	120,288	93,041
Fund Balance End of Year	\$182,037	\$334,283	\$74,250	\$60,440	\$745,785

Tylersville Road Project	Kings Mills Road Project	Western Row / Snider Road Improvement	Socialville- Fosters Road Improvement	Government Center Reserve	Total Nonmajor Capital Projects Funds
\$0	\$0	\$0	\$0	\$0	\$275,673
0	4,248	969	0	71,849	96,868
0	0	0	676,598	0	729,061
0	0	116,687	14,600	0	204,287
0	4,248	117,656	691,198	71,849	1,305,889
0	0	0	0	0	130,749
0	0	0	0	0	38,744
1,181	0	970	1,903,617	0	1,906,735
0	0	0	0	645,000	700,000
0	0	0	57,260	1,023,847	1,229,895
1,181	0	970	1,960,877	1,668,847	4,006,123
(1,181)	4,248	116,686	(1,269,679)	(1,596,998)	(2,700,234)
0	0	0	0	2,001,647	2,626,647
(468,055)	(180,353)	(26,215)	0	0	(674,623)
(468,055)	(180,353)	(26,215)	0	2,001,647	1,952,024
(469,236)	(176,105)	90,471	(1,269,679)	404,649	(748,210)
469,236	176,105	(90,471)	0	1,405,242	2,685,217
\$0	\$0	\$0	(\$1,269,679)	\$1,809,891	\$1,937,007

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Street Construction, Maintenance and Repair Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$1,270,000	\$1,286,048	\$16,048
Investment Earnings	50,000	53,044	3,044
Total Revenues	<u>1,320,000</u>	<u>1,339,092</u>	<u>19,092</u>
Expenditures:			
Current:			
Transportation & Street Repair	1,170,972	1,169,688	1,284
Capital Outlay	<u>271,996</u>	<u>153,630</u>	<u>118,366</u>
Total Expenditures	<u>1,442,968</u>	<u>1,323,318</u>	<u>119,650</u>
Net Change in Fund Balance	(122,968)	15,774	138,742
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>1,217,640</u>	<u>1,217,640</u>	<u>0</u>
Fund Balance End of Year	<u>\$1,094,672</u>	<u>\$1,233,414</u>	<u>\$138,742</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	State Highway Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$254,000	\$256,373	\$2,373
Investment Earnings	8,000	8,814	814
Total Revenues	<u>262,000</u>	<u>265,187</u>	<u>3,187</u>
Expenditures:			
Capital Outlay	<u>357,231</u>	<u>357,141</u>	<u>90</u>
Total Expenditures	<u>357,231</u>	<u>357,141</u>	<u>90</u>
Net Change in Fund Balance	(95,231)	(91,954)	3,277
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>168,998</u>	<u>168,998</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$73,767</u></u>	<u><u>\$77,044</u></u>	<u><u>\$3,277</u></u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Warren County Motor Vehicle License Tax Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
General Government	0	0	0
Total Expenditures	0	0	0
Excess of Revenues Over (Under) Expenditures	0	0	0
Other financing sources (uses):			
Transfers In	674,623	674,623	0
Total Other Financing Sources (Uses)	674,623	674,623	0
Net Change in Fund Balance	674,623	674,623	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance End of Year	<u>\$674,623</u>	<u>\$674,623</u>	<u>\$0</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Street Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$28,600	\$28,800	\$200
Investment Earnings	28,900	31,850	2,950
Total Revenues	<u>57,500</u>	<u>60,650</u>	<u>3,150</u>
Expenditures:			
Capital Outlay	819,854	0	819,854
Total Expenditures	<u>819,854</u>	<u>0</u>	<u>819,854</u>
Net Change in Fund Balance	(762,354)	60,650	823,004
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>818,275</u>	<u>818,275</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$55,921</u></u>	<u><u>\$878,925</u></u>	<u><u>\$823,004</u></u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Federal Grant Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
General Government	0	0	0
Total Expenditures	0	0	0
Excess of Revenues Over (Under) Expenditures	0	0	0
Other financing sources (uses):			
Transfers (Out)	(10,134)	(10,134)	0
Total Other Financing Sources (Uses)	(10,134)	(10,134)	0
Net Change in Fund Balance	(10,134)	(10,134)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,134	10,134	0
Fund Balance End of Year	\$0	\$0	\$0

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	D.A.R.E. Grant Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
Public Safety	16,191	16,191	0
Total Expenditures	16,191	16,191	0
Excess of Revenues Over (Under) Expenditures	(16,191)	(16,191)	0
Other financing sources (uses):			
Transfers (Out)	(79,434)	(79,434)	0
Total Other Financing Sources (Uses)	(79,434)	(79,434)	0
Net Change in Fund Balance	(95,625)	(95,625)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	95,625	95,625	0
Fund Balance End of Year	\$0	\$0	\$0

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Downtown Development Loan Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$3,000	\$3,320	\$320
Total Revenues	3,000	3,320	320
Expenditures:			
Current:			
Community Development	86,280	0	86,280
Total Expenditures	86,280	0	86,280
Net Change in Fund Balance	(83,280)	3,320	86,600
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	86,491	86,491	0
Fund Balance End of Year	\$3,211	\$89,811	\$86,600

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Indiana and Ohio Railroad Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$9,000	\$9,716	\$716
Total Revenues	9,000	9,716	716
Expenditures:			
Current:			
Transportation & Street Repair	258,106	0	258,106
Total Expenditures	258,106	0	258,106
Net Change in Fund Balance	(249,106)	9,716	258,822
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	254,986	254,986	0
Fund Balance End of Year	<u>\$5,880</u>	<u>\$264,702</u>	<u>\$258,822</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	CIC/ Veterans Memorial Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Other Revenues	\$187,000	\$187,000	\$0
Total Revenues	187,000	187,000	0
Expenditures:			
Current:			
General Government	0	0	0
Total Expenditures	0	0	0
Net Change in Fund Balance	187,000	187,000	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance End of Year	<u>\$187,000</u>	<u>\$187,000</u>	<u>\$0</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Bicycle and Pedestrian Way Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
Community Development	9,970	0	9,970
Total Expenditures	9,970	0	9,970
Net Change in Fund Balance	(9,970)	0	9,970
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	9,970	9,970	0
Fund Balance End of Year	<u>\$0</u>	<u>\$9,970</u>	<u>\$9,970</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Police Crime Prevention Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$200	\$200	\$0
Total Revenues	200	200	0
Expenditures:			
Current:			
Public Safety	1,000	677	323
Total Expenditures	1,000	677	323
Net Change in Fund Balance	(800)	(477)	323
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,113	1,113	0
Fund Balance End of Year	<u>\$313</u>	<u>\$636</u>	<u>\$323</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Drug Law Enforcement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$3,300	\$3,723	\$423
Total Revenues	3,300	3,723	423
Expenditures:			
Current:			
Public Safety	13,201	9,393	3,808
Total Expenditures	13,201	9,393	3,808
Net Change in Fund Balance	(9,901)	(5,670)	4,231
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	14,490	14,490	0
Fund Balance End of Year	<u>\$4,589</u>	<u>\$8,820</u>	<u>\$4,231</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Law Enforcement and Education Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$2,000	\$2,140	\$140
Total Revenues	2,000	2,140	140
Expenditures:			
Current:			
Public Safety	19,000	14,492	4,508
Total Expenditures	19,000	14,492	4,508
Net Change in Fund Balance	(17,000)	(12,352)	4,648
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	20,014	20,014	0
Fund Balance End of Year	<u>\$3,014</u>	<u>\$7,662</u>	<u>\$4,648</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Indigent Driver Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$13,300	\$13,059	(\$241)
Total Revenues	13,300	13,059	(241)
Expenditures:			
Current:			
General Government	144,000	2,606	141,394
Total Expenditures	144,000	2,606	141,394
Net Change in Fund Balance	(130,700)	10,453	141,153
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	130,707	130,707	0
Fund Balance End of Year	\$7	\$141,160	\$141,153

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Municipal Court Computer Costs Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$52,500	\$57,254	\$4,754
Total Revenues	52,500	57,254	4,754
Expenditures:			
Current:			
General Government	114,898	71,027	43,871
Total Expenditures	114,898	71,027	43,871
Net Change in Fund Balance	(62,398)	(13,773)	48,625
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	77,338	77,338	0
Fund Balance End of Year	\$14,940	\$63,565	\$48,625

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Municipal Court Computer Education Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$16,000	\$17,901	\$1,901
Total Revenues	16,000	17,901	1,901
Expenditures:			
Current:			
General Government	55,000	0	55,000
Total Expenditures	55,000	0	55,000
Net Change in Fund Balance	(39,000)	17,901	56,901
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	49,420	49,420	0
Fund Balance End of Year	\$10,420	\$67,321	\$56,901

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Municipal Court Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$216,000	\$235,222	\$19,222
Total Revenues	216,000	235,222	19,222
Expenditures:			
Current:			
General Government	279,604	262,562	17,042
Capital Outlay	23,000	22,440	560
Total Expenditures	302,604	285,002	17,602
Net Change in Fund Balance	(86,604)	(49,780)	36,824
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	115,187	115,187	0
Fund Balance End of Year	\$28,583	\$65,407	\$36,824

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Vehicle Immobilization Fee Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$500	\$500	\$0
Total Revenues	500	500	0
Expenditures:			
Current:			
General Government	9,700	0	9,700
Total Expenditures	9,700	0	9,700
Net Change in Fund Balance	(9,200)	500	9,700
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	9,230	9,230	0
Fund Balance End of Year	\$30	\$9,730	\$9,700

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Municipal Court Probation Services Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$168,000	\$183,352	\$15,352
Total Revenues	168,000	183,352	15,352
Expenditures:			
Current:			
General Government	323,625	300,027	23,598
Total Expenditures	323,625	300,027	23,598
Net Change in Fund Balance	(155,625)	(116,675)	38,950
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	163,951	163,951	0
Fund Balance End of Year	\$8,326	\$47,276	\$38,950

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Subdivision Inspection Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Fines, Licenses & Permits	\$212,741	\$212,741	\$0
Investment Earnings	10,340	11,445	1,105
Total Revenues	<u>223,081</u>	<u>224,186</u>	<u>1,105</u>
Expenditures:			
Current:			
General Government	424,765	236,861	187,904
Total Expenditures	<u>424,765</u>	<u>236,861</u>	<u>187,904</u>
Net Change in Fund Balance	(201,684)	(12,675)	189,009
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>268,695</u>	<u>268,695</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$67,011</u></u>	<u><u>\$256,020</u></u>	<u><u>\$189,009</u></u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	General Obligation Bond Retirement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$64,387	\$71,680	\$7,293
Intergovernmental	19,798	19,798	0
Total Revenues	<u>84,185</u>	<u>91,478</u>	<u>7,293</u>
Expenditures:			
Debt Service:			
Principal Retirement	215,000	215,000	0
Interest and Fiscal Charges	161,260	159,260	2,000
Total Expenditures	<u>376,260</u>	<u>374,260</u>	<u>2,000</u>
Net Change in Fund Balance	(292,075)	(282,782)	9,293
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>335,757</u>	<u>335,757</u>	<u>0</u>
Fund Balance End of Year	<u>\$43,682</u>	<u>\$52,975</u>	<u>\$9,293</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Special Assessment Bond Retirement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Special Assessments	\$93,272	\$93,272	\$0
Total Revenues	93,272	93,272	0
Expenditures:			
Debt Service:			
Principal Retirement	100,000	100,000	0
Interest and Fiscal Charges	43,970	43,040	930
Total Expenditures	143,970	143,040	930
Excess of Revenues Over (Under) Expenditures	(50,698)	(49,768)	930
Other financing sources (uses):			
Transfers In	50,500	50,500	0
Total Other Financing Sources (Uses)	50,500	50,500	0
Net Change in Fund Balance	(198)	732	930
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	507	507	0
Fund Balance End of Year	\$309	\$1,239	\$930

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Tax Increment Financing Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$70,770	\$70,778	\$8
Investment Earnings	30	31	1
Total Revenues	<u>70,800</u>	<u>70,809</u>	<u>9</u>
Expenditures:			
Debt Service:			
Interest and Fiscal Charges	<u>33,400</u>	<u>32,550</u>	<u>850</u>
Total Expenditures	<u>33,400</u>	<u>32,550</u>	<u>850</u>
Excess of Revenues Over (Under) Expenditures	<u>37,400</u>	<u>38,259</u>	<u>859</u>
Other financing sources (uses):			
Transfers (Out)	<u>(73,800)</u>	<u>0</u>	<u>73,800</u>
Total Other Financing Sources (Uses)	<u>(73,800)</u>	<u>0</u>	<u>73,800</u>
Net Change in Fund Balance	(36,400)	38,259	74,659
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>143,772</u>	<u>143,772</u>	<u>0</u>
Fund Balance End of Year	<u>\$107,372</u>	<u>\$182,031</u>	<u>\$74,659</u>

City of Mason
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Central Parke TIF Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$134,831	\$134,831	\$0
Investment Earnings	4,133	4,958	825
Total Revenues	<u>138,964</u>	<u>139,789</u>	<u>825</u>
Expenditures:			
Current:			
Community Development	76,356	64,299	12,057
Debt Service:			
Principal Retirement	55,000	50,000	5,000
Interest and Fiscal Charges	55,388	38,733	16,655
Total Expenditures	<u>186,744</u>	<u>153,032</u>	<u>33,712</u>
Excess of Revenues Over (Under) Expenditures	<u>(47,780)</u>	<u>(13,243)</u>	<u>34,537</u>
Other financing sources (uses):			
Transfers (Out)	(78,789)	0	78,789
Total Other Financing Sources (Uses)	<u>(78,789)</u>	<u>0</u>	<u>78,789</u>
Net Change in Fund Balance	(126,569)	(13,243)	113,326
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>347,292</u>	<u>347,292</u>	<u>0</u>
Fund Balance End of Year	<u>\$220,723</u>	<u>\$334,049</u>	<u>\$113,326</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Mason Enterprise Parke TIF Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$70,066	\$70,066	\$0
Investment Earnings	74	108	34
Other Revenues	73,000	73,000	0
Total Revenues	143,140	143,174	34
Expenditures:			
Current:			
Community Development	112,000	43,054	68,946
Debt Service:			
Principal Retirement	5,000	5,000	0
Interest and Fiscal Charges	43,800	41,550	2,250
Total Expenditures	160,800	89,604	71,196
Net Change in Fund Balance	(17,660)	53,570	71,230
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	20,680	20,680	0
Fund Balance End of Year	\$3,020	\$74,250	\$71,230

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Tylersville Road TIF Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$14,105	\$16,796	\$2,691
Total Revenues	14,105	16,796	2,691
Expenditures:			
Current:			
Transportation & Street Repair	99,153	38,743	60,410
Debt Service:			
Interest and Fiscal Charges	14,875	35,955	(21,080)
Total Expenditures	114,028	74,698	39,330
Net Change in Fund Balance	(99,923)	(57,902)	42,021
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	117,955	117,955	0
Fund Balance End of Year	\$18,032	\$60,053	\$42,021

City of Mason
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Downtown Investment Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$31,900	\$43,534	\$11,634
Total Revenues	31,900	43,534	11,634
Expenditures:			
Current:			
Community Development	0	100,450	(100,450)
Capital Outlay	768,938	180,610	588,328
Total Expenditures	768,938	281,060	487,878
Excess of Revenues Over (Under) Expenditures	(737,038)	(237,526)	499,512
Other financing sources (uses):			
Transfers In	625,000	625,000	0
Total Other Financing Sources (Uses)	625,000	625,000	0
Net Change in Fund Balance	(112,038)	387,474	499,512
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	113,988	113,988	0
Fund Balance End of Year	\$1,950	\$501,462	\$499,512

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Tylersville Road Project Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Capital Outlay	35,915	35,915	0
Total Expenditures	35,915	35,915	0
Excess of Revenues Over (Under) Expenditures	(35,915)	(35,915)	0
Other financing sources (uses):			
Transfers (Out)	(468,055)	(468,055)	0
Total Other Financing Sources (Uses)	(468,055)	(468,055)	0
Net Change in Fund Balance	(503,970)	(503,970)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	503,970	503,970	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Kings Mills Road Project Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$5,400	\$5,400	\$0
Total Revenues	5,400	5,400	0
Expenditures:			
Capital Outlay	52,543	52,543	0
Total Expenditures	52,543	52,543	0
Excess of Revenues Over (Under) Expenditures	(47,143)	(47,143)	0
Other financing sources (uses):			
Transfers (Out)	(180,353)	(180,353)	0
Total Other Financing Sources (Uses)	(180,353)	(180,353)	0
Net Change in Fund Balance	(227,496)	(227,496)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	227,496	227,496	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Western Row / Snider Road Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$969	\$969	\$0
Other Revenues	116,687	116,687	0
Total Revenues	117,656	117,656	0
Expenditures:			
Capital Outlay	292,364	292,364	0
Total Expenditures	292,364	292,364	0
Excess of Revenues Over (Under) Expenditures	(174,708)	(174,708)	0
Other financing sources (uses):			
Transfers In	0	0	0
Transfers (Out)	(26,215)	(26,215)	0
Total Other Financing Sources (Uses)	(26,215)	(26,215)	0
Net Change in Fund Balance	(200,923)	(200,923)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	200,923	200,923	0
Fund Balance End of Year	\$0	\$0	\$0

City of Mason
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2006

	Socialville- Fosters Road Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Capital Outlay	1,955,143	2,455,097	(499,954)
Total Expenditures	1,955,143	2,455,097	(499,954)
Excess of Revenues Over (Under) Expenditures	(1,955,143)	(2,455,097)	(499,954)
Other financing sources (uses):			
Issuance of Debt	2,014,600	2,014,600	0
Total Other Financing Sources (Uses)	2,014,600	2,014,600	0
Net Change in Fund Balance	59,457	(440,497)	(499,954)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance End of Year	<u>\$59,457</u>	<u>(\$440,497)</u>	<u>(\$499,954)</u>

City of Mason
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended December 31, 2006

	Government Center Reserve Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$56,805	\$69,912	\$13,107
Total Revenues	56,805	69,912	13,107
Expenditures:			
Debt Service:			
Principal Retirement	645,000	645,000	0
Interest and Fiscal Charges	1,028,722	1,023,847	4,875
Total Expenditures	1,673,722	1,668,847	4,875
Excess of Revenues Over (Under) Expenditures	(1,616,917)	(1,598,935)	17,982
Other financing sources (uses):			
Transfers In	2,001,647	2,001,647	0
Total Other Financing Sources (Uses)	2,001,647	2,001,647	0
Net Change in Fund Balance	384,730	402,712	17,982
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,400,537	1,400,537	0
Fund Balance End of Year	\$1,785,267	\$1,803,249	\$17,982

City of Mason
Statement of Changes In Assets and Liabilities
Agency Fund
For the Fiscal Year Ended December 31, 2006

	Municipal Court			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$73,512	\$2,046,280	\$2,053,680	\$66,112
Total Assets	<u>73,512</u>	<u>2,046,280</u>	<u>2,053,680</u>	<u>66,112</u>
Liabilities:				
Due to Others	73,512	2,046,280	2,053,680	66,112
Total Liabilities	<u>\$73,512</u>	<u>\$2,046,280</u>	<u>\$2,053,680</u>	<u>\$66,112</u>

**STATISTICAL
SECTION**

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Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader understand and assess the City's most significant local revenue source, the income tax.

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.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.

Operating Information

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

Sources: 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 2003; schedules presenting government-wide information include information beginning in that fiscal year.

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Table 1

**City of Mason
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)**

	Fiscal Year					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities						
Invested in Capital Assets, Net of Related Debt	\$19,155,677	\$36,025,545	\$82,482,220	\$83,295,651	\$89,318,991	\$96,275,726
Restricted	12,774,373	17,235,858	15,052,307	13,470,109	14,336,740	14,692,178
Unrestricted	15,853,479	6,649,481	8,843,433	24,522,571	28,401,484	34,803,772
Total Governmental Activities Net Assets	\$47,783,529	\$59,910,884	\$106,377,960	\$121,288,331	\$132,057,215	\$145,771,676
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$69,687,504	\$44,347,689	\$74,722,678	\$64,318,163	\$73,165,544	\$66,801,441
Restricted	0	0	0	23,251,862	11,290,444	10,055,068
Unrestricted	16,824,466	13,521,952	3,110,125	(3,139,725)	6,610,919	7,280,452
Total Business-Type Activities Net Assets	\$86,511,970	\$57,869,641	\$77,832,803	\$84,430,300	\$91,066,907	\$84,136,961
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$88,843,181	\$80,373,234	\$157,204,898	\$147,613,814	\$162,484,535	\$163,077,167
Restricted	12,774,373	17,235,858	15,052,307	36,721,971	25,627,184	24,747,246
Unrestricted	32,677,945	20,171,433	11,953,558	21,382,846	35,012,403	42,084,224
Total Governmental Activities Net Assets	\$134,295,499	\$117,780,525	\$184,210,763	\$205,718,631	\$223,124,122	\$229,908,637

Source: City of Mason, Ohio, Department of Finance

Table 2

**City of Mason
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)**

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Expenses						
Governmental Activities:						
General Government	\$4,651,491	\$6,529,294	\$7,489,906	\$9,585,638	\$10,055,191	\$8,304,944
Public Safety	4,033,646	5,881,818	6,357,600	7,677,404	7,647,086	10,239,722
Leisure Time Activities	1,533,017	1,817,847	2,229,243	2,025,140	1,927,193	2,345,289
Community Development	471,327	863,009	1,666,254	1,055,133	1,219,316	1,682,201
Basic Utility Service	231,186	50,941	1,124	0	0	513,694
Transportation and Street Repair	1,668,159	1,926,062	2,456,994	2,763,009	3,433,612	4,163,181
Interest and Fiscal Charges	1,277,293	1,780,444	1,564,957	1,516,711	1,685,015	1,821,938
Total Governmental Activities Expenses	13,866,119	18,849,415	21,766,078	24,623,035	25,967,413	29,070,969
Business-type activities						
Water	4,215,342	1,290,013	117,370	320,815	0	0
Sewer	2,838,752	2,856,787	2,884,956	3,588,785	3,838,763	5,511,880
Waste Collection	864,591	882,229	926,630	995,282	1,067,929	1,129,056
Stormwater Utility	418,590	744,887	1,251,621	1,256,452	1,051,464	1,067,755
Community Center	0	0	1,453,474	1,973,163	3,112,769	2,439,545
Total business-type activities expenses	8,337,275	5,773,916	6,634,051	8,134,497	9,070,925	10,148,236
Total primary government expenses	\$22,203,394	\$24,623,331	\$28,400,129	\$32,757,532	\$35,038,338	\$39,219,205
Program Revenues						
Governmental Activities:						
Charges for Services:						
General Government	\$1,053,973	\$879,532	\$1,343,668	\$1,515,220	\$1,211,763	\$1,491,615
Public Safety	266,973	358,177	297,445	887,039	1,551,532	1,747,817
Leisure Time Activities	373,155	434,532	223,460	320,394	407,548	514,992
Community Development	592,164	491,491	435,081	398,360	489,196	391,088
Basic Utility Service	236,108	199,229	256,831	285,781	0	228,738
Transportation and Street Repair	78,577	113,154	104,038	0	0	13,969
Interest and Fiscal Charges	3,022	0	0	0	6,022	963
Operating Grants and Contributions	1,507,655	551,231	1,286,339	1,469,711	1,847,807	2,352,269
Capital Grants and Contributions	4,758,764	6,458,499	3,001,393	7,720,265	3,175,748	2,914,592
Total Governmental Activities Program Revenues	8,870,391	9,485,845	6,948,255	12,596,770	8,689,616	9,656,043
Business-Type Activities						
Charges for Services:						
Water	5,033,091	477,771	0	0	0	0
Sewer	5,490,698	5,532,399	5,858,754	5,381,425	5,288,919	5,342,578
Waste Collection	877,648	786,572	880,859	982,973	1,028,451	1,075,574

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Stormwater Utility	309,138	678,199	749,570	784,892	788,602	793,059
Community Center	0	0	1,955,985	2,301,675	2,537,560	2,749,431
Operating Grants and Contributions	0	0	0	0	0	0
Capital Grants and Contributions	3,066,340	5,863,365	6,539,646	4,505,577	3,807,321	3,167,731
Total Business-Type Activities Program Revenues	14,776,915	13,338,306	15,984,814	13,956,542	13,450,853	13,128,373
Total Primary Government Program Revenues	\$23,647,306	\$22,824,151	\$22,933,069	\$26,553,312	\$22,140,469	\$22,784,416

Net (Expense)/Revenue						
Governmental Activities	(\$4,995,728)	(\$9,363,570)	(\$14,817,823)	(\$12,026,265)	(\$17,277,797)	(\$19,414,926)
Business-Type Activities	6,439,640	7,564,390	9,350,763	5,822,045	4,379,928	2,980,137
Total Primary Government Net Expense	\$1,443,912	(\$1,799,180)	(\$5,467,060)	(\$6,204,220)	(\$12,897,869)	(\$16,434,789)

General Revenues and Other Changes in Net Assets

Governmental Activities:						
Income Taxes	\$13,244,640	\$14,236,939	\$14,750,306	\$17,629,586	\$19,803,888	\$21,324,631
Property Taxes Levied for:						
General Purposes	1,244,776	1,209,868	1,344,408	1,727,974	1,861,088	2,068,561
Special Revenue Purposes	3,250,009	3,265,998	3,619,235	4,318,008	4,125,581	4,121,987
Debt Service Purposes	487,903	471,560	555,903	401,942	181,859	85,178
Capital Project Purposes	69,931	171,456	188,314	220,283	217,918	275,675
Unrestricted Grants and Entitlements	2,686,346	1,482,935	1,930,644	2,075,585	1,915,791	3,208,505
Unrestricted Contributions	0	0	0	25,000	0	0
Investment Earnings	1,554,128	683,584	273,376	178,414	910,574	1,928,561
Other Revenues	299,756	532,121	473,513	639,483	375,644	558,488
Transfers-Internal Activities	(328,000)	(563,536)	(574,596)	(279,639)	(1,345,662)	326,510
Total Governmental Activities	22,509,489	21,490,925	22,561,103	26,936,636	28,046,681	33,898,096
Business-Type Activities						
Investment Earnings	1,032,080	424,833	187,552	435,371	898,940	980,492
Other Revenues	0	0	0	60,442	12,077	16,542
Transfers-Internal Activities	328,000	563,536	574,596	279,639	1,345,662	(326,510)
Special Item		(37,195,088)				(10,580,607)
Total Business-Type Activities	1,360,080	(36,206,719)	762,148	775,452	2,256,679	(9,910,083)
Total Primary Government	\$23,869,569	(\$14,715,794)	\$23,323,251	\$27,712,088	\$30,303,360	\$23,988,013

Changes in Net Assets

Governmental Activities	\$17,513,761	\$12,127,355	\$7,743,280	\$14,910,371	\$10,768,884	\$14,483,170
Business-Type Activities	7,799,720	(28,642,329)	10,112,911	6,597,497	6,636,607	(6,929,946)
Total Primary Government	\$25,313,481	(\$16,514,974)	\$17,856,191	\$21,507,868	\$17,405,491	\$7,553,224

Table 3

**City of Mason
Governmental Activities Tax Revenues by Source
Last Six Fiscal Years
(accrual basis of accounting)**

Fiscal Year	Income Tax	Property taxes levied for:					Total Property Taxes	Total
		General	Special Revenue	Debt Service	Capital Project			
2001	\$13,244,640	\$1,244,776	\$3,250,009	\$487,903	\$69,931	\$5,052,619	\$18,297,259	
2002	14,236,939	1,209,868	3,265,998	471,560	171,456	5,118,882	19,355,821	
2003	14,750,306	1,344,408	3,619,235	555,903	188,314	5,707,860	20,458,166	
2004	17,629,586	1,727,974	4,318,008	401,942	220,283	6,668,207	24,297,793	
2005	19,803,888	1,861,088	4,125,581	181,859	217,918	6,386,446	26,190,334	
2006	21,324,631	2,068,561	4,121,987	85,178	275,675	6,551,401	27,876,032	

Table 4

**City of Mason
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$469,167	\$1,136,893	\$2,308,169	\$2,113,695	\$3,921,914	\$7,174,085	\$6,148,247	\$5,855,656	\$10,729,834	\$12,032,677
Unreserved	2,885,962	3,259,025	(796,098)	1,671,731	3,734,644	(1,952,977)	1,380,089	7,039,758	5,580,027	6,524,041
Total General Fund	\$3,355,129	\$4,395,918	\$1,512,071	\$3,785,426	\$7,656,558	\$5,221,108	\$7,528,336	\$12,895,414	\$16,309,861	\$18,556,718
All Other Governmental Funds										
Reserved	1,285,561	3,516,042	3,959,002	3,614,281	5,260,028	2,546,516	905,514	3,675,638	1,633,574	7,375,036
Unreserved, Reported in:										
Special Revenue Funds	1,614,055	1,427,020	1,494,660	2,890,985	5,466,047	5,763,841	6,498,710	7,772,452	8,460,746	4,582,009
Debt Service Funds	30,406	242,749	154,243	217,934	279,290	305,471	432,170	486,201	335,878	54,128
Capital Projects Funds	(2,339,372)	1,704,185	3,331,632	3,577,599	15,508,028	6,538,042	5,263,108	(466,641)	2,132,108	999,083
Total All Other Governmental Funds	\$590,650	\$6,889,996	\$8,939,537	\$10,300,799	\$26,513,393	\$15,153,870	\$13,099,502	\$11,467,650	\$12,562,306	\$13,010,256

Table 5

City of Mason
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$8,026,592	\$11,285,156	\$13,659,376	\$18,631,015	\$18,548,398	\$18,740,840	\$21,497,719	\$23,356,100	\$25,337,338	\$28,120,047
Fines, Licensed & Permits	1,106,781	1,007,029	1,515,812	1,528,868	1,403,849	1,426,086	1,360,999	2,051,550	2,285,087	2,208,160
Charges for Services	101,296	113,396	479,512	570,489	948,446	826,334	748,435	872,720	978,335	1,842,446
Investment Earning	305,578	365,681	632,878	1,191,891	1,596,253	644,010	326,847	180,449	950,697	1,758,873
Intergovernmental	1,892,164	1,410,940	2,912,297	2,188,404	3,237,732	2,699,661	5,390,672	3,598,728	3,628,520	5,230,246
Special Assessments	282,464	237,093	214,265	126,344	227,899	201,511	156,177	137,175	93,272	93,272
Other Revenue	503,170	632,957	362,094	1,097,951	538,532	699,051	965,749	1,022,872	706,464	944,165
Total Revenues	12,218,045	15,052,252	19,776,234	25,334,962	26,503,109	25,237,493	30,290,421	31,238,596	34,023,616	40,197,209
Expenditures										
General Government	2,467,675	2,764,506	4,521,868	3,534,139	4,553,052	6,465,327	9,825,426	8,813,705	8,186,487	8,101,110
Public Safety	1,871,057	5,744,068	5,643,558	6,349,783	3,680,855	5,519,019	6,548,683	7,200,461	7,107,465	10,084,749
Leisure Time Activities	997,274	947,894	1,975,052	1,602,077	1,324,854	2,129,899	2,122,965	1,803,066	1,736,255	2,117,159
Community Development	431,390	494,394	621,413	790,131	467,328	860,047	1,666,254	1,014,147	977,332	1,670,017
Basic Utility Service	348,506	103,774	179,570	98,122	236,812	47,392	400	0	0	513,694
Transportation and Street Repair	2,497,783	2,545,323	3,442,523	3,004,975	1,316,126	2,845,564	3,928,251	2,656,910	2,251,292	3,153,016
Capital Outlay	1,814,758	1,200,196	3,912,061	6,425,700	16,602,012	18,326,483	2,571,833	4,757,098	6,767,208	8,892,757
Debt Service										
Principal Retirement	202,000	211,000	391,438	387,000	1,108,228	1,252,488	1,237,162	1,163,741	1,163,420	1,011,000
Interest and Fiscal Charges	324,744	334,514	377,283	665,463	1,752,493	1,776,594	1,564,937	1,530,848	1,471,650	2,038,266
Total Expenditures	10,955,187	14,345,669	21,064,766	22,857,390	31,041,760	39,222,813	29,465,931	28,941,976	29,661,109	37,581,768
Excess of Revenues Over (Under) Expenditures	1,262,858	706,583	(1,288,532)	2,477,572	(4,538,651)	(13,985,320)	824,490	2,296,620	4,362,507	2,615,441

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other Financing Sources (Uses)										
Transfer In	2,466,135	5,219,982	4,117,409	8,869,877	2,867,923	12,619,642	2,707,796	684,506	5,372,100	3,441,338
Transfer Out	(2,433,501)	(4,888,021)	(4,267,239)	(8,835,425)	(3,195,923)	(13,180,859)	(3,282,392)	(964,145)	(5,375,100)	(3,445,338)
Issuance of Long-Term Capital-Related Debt		4,945,000	600,000	1,135,000	24,440,000	680,000		1,030,000		
Capital Leases		1,861,896								
Total Other Financing Sources (Uses)	32,634	7,138,857	450,170	1,169,452	24,112,000	118,783	(574,596)	750,361	(3,000)	(4,000)
Net Change in Fund Balances	\$1,295,492	\$7,845,440	(\$838,362)	\$3,647,024	\$19,573,349	(\$13,866,537)	\$249,894	\$3,046,981	\$4,359,507	\$2,611,441
Debt Service as a Percentage of Noncapital Expenditures	5.8%	4.1%	4.5%	6.4%	19.8%	14.5%	10.4%	11.1%	11.5%	10.6%

Table 6

**City of Mason
Income Tax Revenue by Payer Type
Last Ten Fiscal Years
(budget (cash) basis of accounting)**

<u>Fiscal Year</u>	<u>Withholding</u>	<u>Business</u>	<u>Individual</u>	<u>Total</u>	<u>Percentage of Total</u>			
					<u>Withholding</u>	<u>Business</u>	<u>Individual</u>	<u>Total</u>
1997	\$4,338,750	\$875,098	\$1,673,244	\$6,887,092	63.0%	12.7%	24.3%	100.0%
1998	5,392,390	2,073,572	1,972,448	9,438,410	57.1%	22.0%	20.9%	100.0%
1999	6,553,361	1,906,145	2,301,391	10,760,897	60.9%	17.7%	21.4%	100.0%
2000	7,458,765	2,004,888	2,505,456	11,969,109	62.3%	16.8%	20.9%	100.0%
2001	8,031,833	1,580,798	3,034,811	12,647,441	63.5%	12.5%	24.0%	100.0%
2002	8,431,402	2,015,247	3,357,722	13,804,371	61.1%	14.6%	24.3%	100.0%
2003	9,350,057	2,045,319	3,777,725	15,173,101	61.6%	13.5%	24.9%	100.0%
2004	9,914,215	2,098,410	4,401,360	16,413,985	60.4%	12.8%	26.8%	100.0%
2005	11,164,670	2,961,019	4,868,994	18,994,683	58.8%	15.6%	25.6%	100.0%
2006	13,513,267	4,232,817	4,925,272	22,671,356	59.6%	18.7%	21.7%	100.0%

**City of Mason
General Governmental Income Tax Revenue by Tax Year
Last Three Fiscal Years
(budget (cash) basis of accounting)**

<u>Fiscal Year</u>	<u>Delinquent</u>	<u>Penalties</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>
2004	\$481,221	\$233,928	\$5,017,927	\$10,680,909	\$16,413,985
2005	473,596	211,910	6,251,436	12,057,741	18,994,683
2006	294,034	135,615	6,512,430	15,729,277	22,671,356

Table 7

**City of Mason
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Tax Year	Real Property		Public Utility		Tangible Personal Property		Total		Assessed Value as a Percentage of Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1997	\$324,890,600	\$928,258,857	\$14,210,190	\$16,147,943	\$64,048,349	\$256,189,396	\$403,149,139	\$1,200,596,196	33.58%
1998	387,938,790	1,108,396,542	15,757,910	18,538,717	76,841,043	307,364,172	480,537,743	1,434,299,431	33.50%
1999	448,944,160	1,282,697,600	17,969,920	20,420,363	95,712,317	382,849,268	562,626,397	1,685,967,231	33.37%
2000	576,089,580	1,645,970,230	18,882,620	21,457,520	115,114,210	460,456,840	710,086,410	2,127,884,590	33.37%
2001	633,752,330	1,810,720,940	12,944,150	14,709,260	146,826,249	587,304,990	793,522,729	2,412,735,190	32.89%
2002	683,142,740	1,951,836,400	14,667,310	16,667,390	149,946,460	599,785,848	847,756,510	2,568,289,638	33.01%
2003	771,214,670	2,203,470,485	15,312,680	17,400,772	147,357,520	589,430,080	933,884,870	2,810,301,337	33.23%
2004	825,905,960	2,359,731,314	15,736,660	17,882,568	137,059,790	548,239,160	978,702,410	2,925,853,042	33.45%
2005	861,180,630	2,460,516,085	16,252,830	18,469,125	110,500,187	442,000,748	987,933,647	2,920,985,958	33.82%
2006	1,004,936,080	2,871,245,942	16,147,840	18,349,818	77,362,457	412,599,770	1,098,446,377	3,302,193,530	33.26%

Source: Warren County Auditor's Office

Table 8

**City of Mason
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years (1)**

Tax Year	City of Mason				Overlapping Rates					
	General Fund	Fire Operating	Debt Service	Total	Mason City School District	Warren County	Joint Voc. School	Special District	Total	
1997	2.12%		0.20%	2.32%	61.95%	5.00%	2.70%	5.45%	77.42%	
1998	2.15%	5.00%	0.17%	7.32%	61.95%	4.75%	2.70%	1.50%	78.22%	
1999	2.15%	5.00%	0.17%	7.32%	61.95%	4.00%	2.70%	1.50%	77.47%	
2000	1.47%	5.00%	0.85%	7.32%	64.57%	4.00%	2.70%	1.50%	80.09%	
2001	1.67%	5.00%	0.65%	7.32%	71.11%	4.00%	2.70%	1.50%	86.63%	
2002	1.67%	5.00%	0.65%	7.32%	72.61%	4.96%	2.70%	1.50%	89.09%	
2003	1.67%	5.00%	0.65%	7.32%	74.11%	6.53%	2.70%	1.50%	92.16%	
2004	1.87%	5.00%	0.45%	7.32%	74.11%	6.46%	2.70%	1.50%	92.09%	
2005	2.11%	5.00%	0.21%	7.32%	80.65%	6.46%	2.70%	1.50%	98.63%	
2006	1.96%	5.00%	0.36%	7.32%	81.76%	6.71%	2.70%	1.50%	99.99%	

Source: Warren County Auditor's Office

(1) Rates equivalent to \$1 in tax per \$1,000 of assessed valuation.

Table 9

**City of Mason
Principal Property Taxpayers
December 31, 2006**

Taxpayer	Fiscal Year 2006			Fiscal Year 1997		
	Assessed Valuation	Rank	Percentage Of Total Assessed Valuation	Assessed Valuation	Rank	Percentage Of Total Assessed Valuation
Kings Island Company	\$34,154,480		3.11%			-
Procter & Gamble Company	14,805,690		1.35%	7,577,330	3	1.88%
Cincinnati Gas & Electric	11,609,140		1.06%	9,180,630	2	2.28%
Twin Fountains of Mason	8,695,050		0.79%			-
Mason Christian Village	6,966,732		0.63%	4,022,870	5	1.00%
Cintas Sales Corporation	6,091,477		0.55%			-
Cintas Corporation #2	5,189,520		0.47%			-
Lenscrafters	4,329,920		0.39%			-
H.J. Heinz/Portion Pac	4,030,990		0.37%			-
Mitsubishi Electric Auto	4,152,505		0.38%	13,118,650	1	3.25%
United Telephone Company	-		-	4,486,300	4	1.11%
Deerfield Manufacturing	-		-	3,269,650	6	0.81%
Buckeye Steel Castings	-		-	3,259,740	7	0.81%
A Mold Corporation	-		-	3,056,590	8	0.76%
Zaring Homes	-		-	2,585,980	9	0.64%
Leggett Partners	-		-	2,571,460	10	0.64%
All Others	998,420,873		90.89%	355,177,379		88.10%
Total Assessed Valuation	\$1,098,446,377		100%	\$403,149,139		100%

Source: Warren County Auditor's Office

Table 10

**City of Mason
Property Tax Levies and Collections
Real, Public Utility and Tangible Personal Property
Last Ten Fiscal Years**

Tax Year:	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
Fiscal Year:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Current Tax Levy	\$604,903	\$949,077	\$3,569,426	\$4,007,289	\$4,865,120	\$5,241,254	\$5,508,483	\$6,682,436	\$6,932,404	\$6,803,940
Current Tax Collections	598,675	933,999	3,495,198	3,914,640	4,789,569	5,000,981	5,401,874	6,330,702	6,657,907	6,580,586
Percent of Levy Collected	98.97%	98.41%	97.92%	97.69%	98.45%	95.42%	98.06%	94.74%	96.04%	96.72%
Delinquent Tax Collections	9,974	11,261	57,416	64,478	130,292	47,448	294,933	123,183	167,596	125,232
Total Tax Collections	608,649	945,260	3,552,614	3,979,118	4,919,861	5,048,429	5,696,807	6,453,885	6,825,503	6,705,818
Ratio of Total Tax Collections to Current Taxes Levied	100.62%	99.60%	99.53%	99.30%	101.13%	96.32%	103.42%	96.58%	98.46%	98.56%

Source: Warren County Auditor's Office

Table 11

**City of Mason
Special Assessment Billings and Collections
Last Ten Fiscal Years**

Tax Year	Current Assessments Billings	Current Assessments Collected	Ratio of Collection To Amount Billed
1996	\$272,394	\$260,503	95.63%
1997	234,472	195,326	83.30%
1998	258,506	218,038	84.35%
1999	228,615	199,333	87.19%
2000	213,739	201,300	94.18%
2001	188,571	170,041	90.17%
2002	200,231	185,006	92.40%
2003	162,255	148,675	91.63%
2004	135,244	124,578	92.11%
2005	109,086	93,272	85.50%

Tax Year 2006 is billed and due in 2007

Source: Warren County Auditor's Office

Table 12

**City of Mason
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities										Total Governmental Activities	
	General Obligation Bonds	Bond Anticipation Notes	Tax Increment Financing	Certificates of Participation	Special Assessments Bonds	Installment Loan	Capital Leases					
1997	\$255,000	\$3,500,000	\$0	\$0	\$1,767,000	\$346,876	\$0	\$5,868,876				\$5,868,876
1998	5,155,000	450,000	0	0	1,601,000	173,438	1,861,896	9,241,334				9,241,334
1999	4,920,000	4,530,000	600,000	0	1,445,000	0	1,571,763	13,066,763				13,066,763
2000	4,725,000	5,280,000	1,735,000	0	1,281,000	0	1,267,039	14,288,039				14,288,039
2001	4,505,000	9,650,000	1,435,000	24,020,000	1,121,000	0	958,811	41,689,811				41,689,811
2002	4,275,000	8,400,000	2,415,000	23,455,000	963,000	0	659,323	40,167,323				40,167,323
2003	4,045,000	5,700,000	2,430,000	22,875,000	816,000	0	379,161	36,245,161				36,245,161
2004	3,845,000	9,700,000	3,450,000	22,275,000	684,000	0	155,420	40,109,420				40,109,420
2005	3,640,000	9,400,000	3,405,000	21,650,000	551,000	0	0	38,646,000				38,646,000
2006	3,425,000	19,700,000	3,350,000	21,005,000	455,000	0	0	47,935,000				47,935,000

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income(1)	Per Capita(1)
	Mortgage Revenue Bonds	Bond Anticipation Notes	Special Assessments Bonds	Business-Type Activities			
1997	\$15,930,000	\$525,000	\$68,000	\$16,523,000	\$22,391,876	5.11%	\$1,266
1998	15,505,000	250,000	66,000	15,821,000	25,062,334	4.97%	1,307
1999	15,055,000	0	64,000	15,119,000	28,185,763	4.76%	1,336
2000	14,845,000	0	61,000	14,906,000	29,194,039	4.56%	1,326
2001	14,090,000	0	58,000	14,148,000	55,837,811	7.57%	2,308
2002	6,690,000	0	55,000	6,745,000	46,912,323	5.80%	1,808
2003	6,445,000	0	52,000	6,497,000	42,742,161	4.90%	1,567
2004	36,745,000	0	49,000	36,794,000	76,903,420	8.37%	2,741
2005	35,765,000	3,165,000	46,000	38,976,000	77,622,000	7.83%	2,691
2005	34,973,698	2,115,000	42,000	37,130,698	85,065,698	8.13%	2,896

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on Table 18 for personal income and population data.

Table 13

**City of Mason
Ratios of Net General Bonded Debt Outstanding
To Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Population(1)	Assessed Value (2)	General Bonded Debt (3)	Less Debt Service Fund (4)	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value		Net Bonded Debt Per Capita
						Bonded Debt Value	Bonded Debt Value	
1997	17,691	\$403,149,139	\$255,000	\$30,406	\$224,594	0.06%	\$13	
1998	19,182	480,537,743	5,155,000	25,966	5,129,034	1.07%	267	
1999	21,097	562,626,397	4,945,000	8,566	4,936,434	0.88%	234	
2000	22,016	710,086,410	4,725,000	138,702	4,586,298	0.65%	208	
2001	24,188	793,522,729	4,505,000	230,472	4,274,528	0.54%	177	
2002	25,947	847,756,510	4,275,000	302,523	3,972,477	0.47%	153	
2003	27,276	933,884,870	4,045,000	428,899	3,616,101	0.39%	133	
2004	28,054	978,702,410	3,845,000	484,775	3,360,225	0.34%	120	
2005	28,847	987,933,647	3,640,000	335,757	3,304,243	0.33%	115	
2006	29,376	1,098,446,377	3,425,000	52,975	3,372,025	0.31%	115	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) U.S. Census Bureau Estimate for 2006: City of Mason Planning and Economic Development
- (2) Assessed Value from Warren County Auditor's Office
- (3) Does not include Bond Anticipation Notes or Special Assessment debt with governmental commitment.
- (4) Does not include debt service fund balances for Special Assessment debt with governmental commitment.

Table 14

**City of Mason
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt (1)
To Total General Government Expenditures
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest(2)	Total		Total General Government Expenditures	Ratio of Debt Service To General Government Expenditures
			Debt	Service		
1997	\$40,000	\$26,550	\$66,550		\$2,455,116	2.71%
1998	45,000	22,950	67,950		2,712,168	2.51%
1999	210,000	225,513	435,513		4,506,728	9.66%
2000	215,000	223,943	438,943		3,495,706	12.56%
2001	220,000	238,355	458,355		4,286,353	10.69%
2002	230,000	324,463	554,463		6,055,452	9.16%
2003	230,000	318,555	548,555		9,056,710	6.06%
2004	200,000	188,973	388,973		8,813,705	4.41%
2005	205,000	153,317	358,317		8,186,487	4.38%
2006	215,000	159,260	374,260		8,101,110	4.62%

Source: City of Mason, Ohio, Department of Finance

(1) General obligation bonds reported in the enterprise funds and special assessment debt with governmental commitment have been excluded.

(2) Excludes bond issuance and other costs.

Table 15

**City of Mason
Direct and Overlapping Governmental Activities Debt
As of December 31, 2006**

	<u>Net General Obligations Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
City of Mason	\$25,240,000	100.00%	\$25,240,000
Warren County	337,400	19.96%	67,345
Lebanon City School District	46,109,964	0.33%	152,163
Mason City School District	134,055,000	63.08%	84,561,894
Kings Local School District	31,598,182	13.45%	4,249,955
Great Oaks Careec Center Joint Vocational School	13,325,000	4.89%	651,593
Deerfield Township	16,566,000	0.17%	<u>28,162</u>
		Total:	<u><u>\$114,951,112</u></u>

Source: Ohio Municipal Advisory Council

Table 16

**City of Mason
Legal Debt Margin Information
Last Ten Fiscal Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Debt Limit (1)										
Total Debt Limit (10.5%)	\$42,330,660	\$50,456,463	\$59,075,772	\$74,559,073	\$83,319,887	\$89,014,434	\$98,057,911	\$102,763,753	\$103,733,033	\$115,336,870
Total Net Debt Applicable to Limits	3,724,594	5,880,966	5,663,566	9,843,997	6,009,528	6,387,477	9,301,101	13,060,225	12,704,243	25,187,025
Legal Debt Limit Margin	\$38,606,066	\$44,575,497	\$53,412,206	\$64,715,076	\$77,310,359	\$82,626,957	\$88,756,810	\$89,703,528	\$91,028,790	\$90,149,845
Total Net Debt Applicable to the Limit as a Percentage of Total Debt Limit	8.80%	11.66%	9.59%	13.20%	7.21%	7.18%	9.49%	12.71%	12.25%	21.84%
Total Unvoted Debt Limit (1)										
Total Unvoted Debt Limit (5.5%)	22,173,203	26,429,576	30,944,452	39,054,753	43,643,750	46,626,608	51,363,668	53,828,633	54,336,351	60,414,551
Total Net Debt Applicable to Limits	3,724,594	5,880,966	5,663,566	9,843,997	6,009,528	6,387,477	9,301,101	13,060,225	12,704,243	25,187,025
Legal Unvoted Debt Limit Margin	\$18,448,609	\$20,548,610	\$25,280,886	\$29,210,756	\$37,634,222	\$40,239,131	\$42,062,567	\$40,768,408	\$41,632,108	\$35,227,526
Total Net Debt Applicable to the Limit as a Percentage of Total Unvoted Debt Limit	16.80%	22.25%	18.30%	25.21%	13.77%	13.70%	18.11%	24.26%	23.38%	41.69%

Legal Debt Margin Calculation for Fiscal Year 2006

Total Debt Limit	\$1,098,446,377	Total Unvoted Debt Limit	\$1,098,446,377
Net assessed valuation	10.5%		5.5%
Statutory legal debt limitation (1)	\$115,336,870		\$60,414,551
Total debt limitation			
Debt applicable to limit:			
Debt applicable to limit(2)	25,240,000		25,240,000
Less: applicable debt service fund amounts(3)	(52,975)		(52,975)
Total net debt applicable to limit	25,187,025		25,187,025
Legal debt margin	\$90,149,845		\$35,227,526

- (1) Direct debt limitation based upon Section 133, the Uniform Bond Act of the Ohio Revised Code. Total debt limit should not exceed 10.5% of net assessed property value. Total unvoted debt limit should not exceed 5.5% of net assessed property value.
- (2) City debt outstanding includes non self-supporting general obligation notes and bonds only. Enterprise debt is not considered in the computation of the legal debt margin.
- (3) Does not include debt service fund balances for Special Assessment debt with governmental commitment.

Table 17

**City of Mason
Pledged-Revenue Coverage
Last Ten Fiscal Years**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sewer Fund Bond Coverage:										
Operating Revenue	\$4,438,971	\$5,324,578	\$6,082,820	\$5,775,367	\$5,490,698	\$5,532,399	\$5,858,754	\$5,385,198	\$5,297,841	\$5,351,189
Operating Expenses	1,194,196	1,230,354	1,417,723	1,647,272	1,659,929	1,586,898	1,688,635	1,166,731	2,195,817	2,431,976
Net Available for Debt Service	3,244,775	4,094,224	4,665,097	4,128,095	3,830,769	3,945,501	4,170,119	4,218,467	3,102,024	2,919,213
Debt Service Requirements:										
Revenue Bonds:										
Principal	185,000	190,000	200,000	210,000	220,000	230,000	245,000	1,360,000	980,000	1,000,000
Interest	451,810	443,670	423,399	425,430	415,388	404,140	391,212	1,209,372	1,585,295	1,565,695
Total Debt Service Requirement	\$636,810	\$633,670	\$623,399	\$635,430	\$635,388	\$634,140	\$636,212	\$2,569,372	\$2,565,295	\$2,565,695
Coverage	5.10	6.46	7.48	6.50	6.03	6.22	6.55	1.64	1.21	1.14

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Sewer operating revenue does not include investment earnings or capital grants and contributions. Operating expenses do not include interest or depreciation expense. The 2004 Sewer System Revenue Refunding and Improvement Bonds require a coverage of 1.20.

Table 18

**City of Mason
Demographic and Economic Statistics
December 31, 2006**

Year	Area (Square Miles)	Population (1)	Estimated Personal Income		Median Age(4)	School Enrollment(5)	Unemployment Rates(6)		
			Income(2)	Income(3)			Warren County	Ohio	United States
1997	17.0	17,691	\$438,506,817	\$24,787		4,371	3.1%	4.6%	4.9%
1998	17.5	19,182	504,467,418	26,299		5,364	2.9%	4.3%	4.5%
1999	17.5	21,097	591,939,626	28,058		6,100	3.0%	4.0%	4.1%
2000	17.5	22,016	639,718,912	29,057	34.5	6,711	2.9%	3.9%	4.0%
2001	17.5	24,188	737,153,488	30,476	34.5	7,411	3.3%	4.8%	5.8%
2002	17.5	25,947	808,197,156	31,148	34.5	7,363	4.0%	5.3%	6.0%
2003	17.5	27,276	872,804,724	31,999	34.5	8,003	3.1%	5.5%	5.7%
2004	17.9	28,054	918,431,852	32,738	34.5	8,635	4.0%	5.9%	5.4%
2005	18.0	28,847	991,413,696	34,368	34.5	9,731	4.4%	5.9%	4.9%
2006	18.0	29,376	1,046,314,368	35,618	34.5	10,269	4.2%	5.4%	4.3%

(1) U.S. Census Bureau Estimate for 2006: City of Mason Planning and Economic Development

(2) Population estimate times per capita person income

(3) U.S. Department of Commerce, Bureau of Economic Analysis for the Cincinnati Metropolitan Statistical Area

(4) U.S. Census Bureau 2000 census

(5) Mason City Schools

(6) Ohio Department of Job & Family Services, Office of Workforce Development, Bureau of Labor Market Information, seasonally adjusted. Information only available for Warren County

Table 19

**City of Mason
Principal Employers
December 31, 2006**

<u>Employer</u>	<u>Business Activity</u>	<u>Full-time Employees</u>
Procter & Gamble Company	Healthcare research	2,500
Cintas Corporation	Professional uniforms	1,800
Luxottica (Lenscrafters)	Eyewear and lens	1,586
Mason City Schools	Local school district	919
Blackhawk Automotive	Plastic molding	616
H.J. Heinz/Portion Pac	Portion-controlled condiments	486
L3 Cincinnati Electronics	Aerospace and defense industry electronics	463
Mitsubishi Electric	Automotive electrical componets	423
J.W. Harris	Brazing, soldering and welding alloys	252
W/S Packaging-Superior Label	Print pressured sensitive labels	215

<u>Employer</u>	<u>Business Activity</u>	<u>Income Tax Withholding Raking(1)</u>
Procter & Gamble Company	Healthcare research	1
Luxottica (Lenscrafters)	Eyewear and lens	2
Cintas Corporation	Professional uniforms	3
Mason City Schools	Local school district	4
Kings Island	Amusement Park	5
L3 Cincinnati Electronics	Aerospace and defense industry electronics	6
H.J. Heinz/Portion Pac	Portion-controlled condiments	7
Mitsubishi Electric	Automotive electrical componets	8
J.W. Harris	Brazing, soldering and welding alloys	9
Mankino, Inc	Precision machine tools	10

Source: Full-time employees from City of Mason Economic Development
Income tax withholding raking from City of Mason Income Tax

(1) State law and city income tax ordinance prohibits the release of income tax information. The withholding amount could not be provided.

Table 20

**City of Mason
Full-time City of Mason Employee by Function
Last Ten Fiscal Years**

Full-time position at December 31	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
City Administration	6	6	6	6	9	9	9	9	10	10
Council	1	1	1	1	1	1	1	1	1	1
Engineering	8	8	8	9	9	10	10	10	10	12
Facility						1	1	1	1	1
Finance	5	5	5	7	7	8	9	10	10	10
Municipal Court	8	8	9	9	10	15	18	24	22	22
Public Safety										
Police										
Officers	22	25	28	28	35	36	36	36	38	38
Non-sworn	2	2	2	2	3	4	4	4	6	6
Fire (1)	8	8	8	9	9	15	15	15	23	32
Leisure Time Activities	6	6	6	8	9	17	18	18	19	20
Community Development										
Planning	1	1	1	1	1	1	1	1	1	1
Building Inspection	3	4	4	4	4	4	4	4	4	4
Economic Development	1	1	2	2	2	2	2	3	3	3
Basic Utility Service	22	22	22	22	20	15	15	15	15	15
Billing	3	3	3	3	3	1	1	1	1	1
Stormwater					1	1	1	1	1	1
Transportation and Street Repair	17	18	18	18	19	19	20	20	20	21
Total Full-Time Positions	105	118	123	129	142	159	165	173	185	198
Total Part-Time Positions	N/A	122	146	146	146	123	314	240	287	265

Source: City of Mason Annual Budget for full-time positions and City of Mason payroll for part-time positions

(1) Fire Department began as a City department in 1998.
N/A: Not available. Information not published in 1997.

Table 21

**City of Mason
Operating Indicators and Capital Asset Statistics
Last Ten Fiscal Years**

	Fiscal Years									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police Protection:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Marked Patrol Vehicles	10	14	21	23	23	21	19	19	19	19
Calls for Service	10,838	11,370	11,239	13,287	13,248	11,756	11,229	10,065	12,564	14,804
Moving Violation Citations	2,761	2,568	2,496	2,858	2,986	3,067	3,237	3,718	2,628	2,779
Arrests	512	711	471	637	287	613	560	711	611	739
Fire & Emergency Medical(1):										
Fire Responses		N/A	1,324	1,657	1,225	1,021	846	915	1,087	992
Emergency Medical Responses		N/A	1,948	2,156	1,939	2,114	2,268	2,077	2,287	2,257
Number of Stations		2	2	2	2	2	2	2	2	2
Number of Emergency Vehicles		17	18	18	18	19	19	17	17	17
Leisure Time Activities										
Parks	5	6	6	6	6	6	6	6	6	6
Park acreage (developed)	225	237	239	242	242	242	242	242	242	279
Swimming Pool	1	1	1	1	1	1	1	1	1	1
Community Center (opened in 2002)						1	1	1	1	1
Community Development										
Permits Issued	525	513	537	413	445	367	298	211	179	97
Utility Services										
Sanitary sewers (miles)	N/A	N/A	N/A	95	97	102	116	118	123	129
Storm sewers (miles)	N/A	N/A	N/A	61	67	72	78	80	84	87
Sewage Treatment capacity per day (million gallons)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	8.67
Transportation & Street Repair										
Number of Streets (dedicated)	237	244	284	307	325	348	381	387	408	420
Lane Miles	258	281	320	327	329	329	339	341	341	343
Traffic Signals	13	18	23	28	32	34	34	36	39	40
Bike Paths (miles)	N/A	N/A	N/A	3	7	10	10	10	11	12

(1) The Fire Department became part of the City in 1998.

N/A Information not available.

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Mary Taylor, CPA
Auditor of State

CITY OF MASON

WARREN 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 10, 2007**