

CITY OF PERRYSBURG, OHIO

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2006**

Prepared by:
David D. Creps
Director of Finance



Mary Taylor, CPA
Auditor of State

Members of Council and Mayor
City of Perrysburg
201 West Indiana Avenue
Perrysburg, Ohio 43551

We have reviewed the *Independent Auditor's Reports* of the City of Perrysburg, Wood County, prepared by Gilmore, Jasion, & Mahler, LTD, 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 Perrysburg is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 8, 2007

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CITY OF PERRYSBURG, OHIO

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GILMORE, JASION & MAHLER, LTD

Independent Auditor's Report

Members of Council and Mayor
City of Perrysburg
201 W Indiana Ave
Perrysburg, OH 43551

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 Perrysburg, Wood County, Ohio, (the "City"), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Perrysburg, Wood County, 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 30, 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 grants 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 respective budgetary comparison for the general fund on pages 3 through 11 and page 55 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 supplementary information. However, we did not audit the information and express no opinion on it.

Gilmore, Jasion & Mahler, LTD

Gilmore, Jasion & Mahler, Ltd.
June 30, 2007

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CITY OF PERRYSBURG, OHIO

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

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased \$5,510,994. Net assets of governmental activities increased \$3.2 million, which represents a 5.8% increase from 2005. Net assets of business-type activities increased \$2.3 million or 5.8% from 2005.
- ❑ General revenues accounted for \$16.6 million in revenue or 57.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 42.1% of total revenues of \$28,650,505.
- ❑ The City had \$16.3 million in expenses related to governmental activities; only \$3.3 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$16.6 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$16.5 million in revenues and \$11.8 million in expenditures. The general fund's fund balance increased \$1,348,637 to \$6,067,245 million.
- ❑ Net assets for enterprise funds increased by \$2,233,714. This increase is primarily the result of continuing capital expenditures relating to growth in the area. The City is committed to keeping pace with the infrastructure needs of the steadily growing community.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

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

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

CITY OF PERRYSBURG, OHIO

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

Unaudited

Government-wide Statements

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

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

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

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

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, parking meter and utility collection services are reported as business-type activities.

Fund Financial Statements

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

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

CITY OF PERRYSBURG, OHIO

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

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets between December 31, 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$16,413,629	\$16,293,008	\$8,334,744	\$8,947,597	\$24,748,373	\$25,240,605
Capital assets, Net	62,509,463	60,230,550	51,149,074	48,077,925	113,658,537	108,308,475
Total assets	78,923,092	76,523,558	59,483,818	57,025,522	138,406,910	133,549,080
Long-term debt outstanding	780,515	695,512	7,333,159	7,792,451	8,113,674	8,487,963
Other liabilities	18,529,910	19,463,599	11,184,272	10,529,458	29,714,182	29,993,057
Total liabilities	19,310,425	20,159,111	18,517,431	18,321,909	37,827,856	38,481,020
Net assets						
Invested in capital assets, net of related debt	48,150,463	49,258,550	33,574,111	30,824,940	81,724,574	80,083,490
Restricted	3,325,417	4,164,892	0	0	3,325,417	4,164,892
Unrestricted	8,136,787	2,941,005	7,392,276	7,878,673	15,529,063	10,819,678
Total net assets	<u>\$59,612,667</u>	<u>\$56,364,447</u>	<u>\$40,966,387</u>	<u>\$38,703,613</u>	<u>\$100,579,054</u>	<u>\$95,068,060</u>

CITY OF PERRYSBURG, OHIO

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

Unaudited

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services and Sales	\$1,798,435	\$1,709,921	\$8,725,329	\$8,101,991	\$10,523,764	\$9,811,912
Operating Grants and Contributions	596,105	1,754,946	0	0	596,105	1,754,946
Capital Grants and Contributions	951,623	215,237	0	587,002	951,623	802,239
Total Program Revenues	3,346,163	3,680,104	8,725,329	8,688,993	12,071,492	12,369,097
General revenues:						
Property Taxes	2,987,475	2,709,206	0	0	2,987,475	2,709,206
Income Taxes	10,636,514	10,441,971	0	0	10,636,514	10,441,971
Intergovernmental Revenues, Unrestricted	1,822,390	1,955,225	0	0	1,822,390	1,955,225
Investment Earnings	825,547	665,949	200	400	825,747	666,349
Miscellaneous	306,887	118,228	0	0	306,887	118,228
Total General Revenues	16,578,813	15,890,579	200	400	16,579,013	15,890,979
Total Revenues	19,924,976	19,570,683	8,725,529	8,689,393	28,650,505	28,260,076
Program Expenses						
Security of Persons and Property	6,920,766	6,283,347	0	0	6,920,766	6,283,347
Public Health and Welfare Services	25,250	23,863	0	0	25,250	23,863
Leisure Time Activities	786,515	854,269	0	0	786,515	854,269
Community Development	718,221	665,348	0	0	718,221	665,348
Basic Utility Service	980,978	974,621	0	0	980,978	974,621
Transportation	2,811,264	1,851,549	0	0	2,811,264	1,851,549
General Government	3,596,969	3,588,416	0	0	3,596,969	3,588,416
Interest and Fiscal Charges	514,465	294,764	0	0	514,465	294,764
Sewer	0	0	3,705,008	3,131,736	3,705,008	3,131,736
Water	0	0	3,080,075	2,580,529	3,080,075	2,580,529
Total Expenses	16,354,428	14,536,177	6,785,083	5,712,265	23,139,511	20,248,442
Change in Net Assets before Transfers	3,570,548	5,034,506	1,940,446	2,977,128	5,510,994	8,011,634
Transfers	(322,328)	(207,861)	322,328	207,861	0	0
Total Change in Net Assets	3,248,220	4,826,645	2,262,774	3,184,989	5,510,994	8,011,634
Beginning Net Assets	56,364,447	51,537,802	38,703,613	35,518,624	95,068,060	87,056,426
Ending Net Assets	\$59,612,667	\$56,364,447	\$40,966,387	\$38,703,613	\$100,579,054	\$95,068,060

Governmental Activities

Net assets of the City's governmental activities increased by \$3,248,220, which represents a decrease in the asset growth rate from 2005. This increase was due to several factors. Income tax collections were increased by approximately 5.6% in 2006, which represents a slowing in growth for 2005. Operational expenditures continue to be monitored closely.

CITY OF PERRYSBURG, OHIO

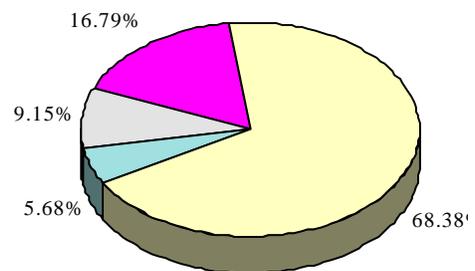
**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

The City receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 15% and 53.38% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 68.38% of total revenues from general tax revenues:

Revenue Sources	2006	Percent of Total
Intergovernmental Revenues, Unrestricted	\$1,822,390	9.15%
Program Revenues	3,346,163	16.79%
General Tax Revenues	13,623,989	68.38%
General Other	1,132,434	5.68%
Total Revenue	\$19,924,976	100.00%



Business-Type Activities

Net assets of the business-type activities increased by \$2,262,774. This increase was the result of several factors. The City's water and sewer systems continue to grow at a steady pace, reflecting the overall growth of the community. Revenues continue to grow at a modest rate, while expenditures increased by approximately 8%. Utility rates are increased annually based on a five-year rate study, incorporating current and future operational and capital needs. The City completed the most recent rate analysis in 2004. Excess revenues are used to reduce debt balances.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$(4,149,450), which is an increase from last year's balance of \$(5,524,711). The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$6,067,245	\$4,718,608	\$1,348,637
Capital Improvements	(7,937,015)	(8,615,059)	678,044
Way Library	(3,923,655)	(4,452,431)	528,776
Other Governmental	1,643,975	2,824,171	(1,180,196)
Total	(\$4,149,450)	(\$5,524,711)	\$1,375,261

CITY OF PERRYSBURG, OHIO

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

Unaudited

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

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$12,183,126	\$11,186,975	\$996,151
Intergovernmental Revenue	1,803,379	1,859,448	(56,069)
Charges for Services	516,141	503,166	12,975
Fines, Licenses and Permits	983,859	997,139	(13,280)
Investment Earnings	702,721	517,423	185,298
Special Assessments	132,664	132,293	371
All Other Revenue	182,017	126,367	55,650
Total	\$16,503,907	\$15,322,811	\$1,181,096

General Fund revenues in 2006 increased approximately 7.7% compared to revenues in fiscal year 2005. This increase is primarily the result of increased income tax collections. Intergovernmental revenues decreased due to a reduction in grants received. Inheritance tax distributions were up significantly, and tend to fluctuate from year to year. Investment earnings increased due to a rise in interest rates, as well as more aggressive investing by the City.

	2006 Expenditures	2005 Expenditures	Increase (Decrease)
Security of Persons and Property	\$5,811,891	\$5,416,133	\$395,758
Public Health and Welfare Services	25,250	23,863	1,387
Leisure Time Activities	1,168,054	1,126,733	41,321
Community Development	473,501	499,943	(26,442)
Transportation	960,520	974,564	(14,044)
General Government	3,409,938	3,188,577	221,361
Debt Service:			
Interest and Fiscal Charges	0	464	(464)
Total	\$11,849,154	\$11,230,277	\$618,877

General Fund expenditures increased by \$618,877 or 5.5% from the prior year mostly due to increases in salary and wages, retirement contributions, and health insurance premiums for the City's employees. All budgetary divisions, which support employees, have experienced steady cost increases. The City of Perrysburg has done its best to maintain the current level of services with modest additions to existing staff.

CITY OF PERRYSBURG, OHIO

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

Unaudited

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

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

For the General Fund, final budget basis revenue of \$16.6 million increased by \$1.9 million over the original budget estimates of \$14.7 million as a result of Income Tax and Local Government Fund revenues being significantly higher than budgetary expectations. Local Government Fund revenues were budgeted for 2005 in anticipation of the proposed 20% reduction as presented by the State Legislature. 2006 LGR revenues needed to be amended to reflect unexpected growth in 2005. Income Tax revenue growth was the result of continued growth. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 the City had \$113,658,537 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$62,509,463 was related to governmental activities and \$51,149,074 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$10,325,638	\$10,325,638	\$0
Buildings	14,846,934	14,846,934	0
Improvements Other Than Buildings	6,105,349	4,100,882	2,004,467
Infrastructure	38,423,018	38,070,354	352,664
Machinery and Equipment	9,350,372	8,004,435	1,345,937
Construction in Progress	415,953	581,305	(165,352)
Less: Accumulated Depreciation	(16,957,801)	(15,698,998)	(1,258,803)
Totals	\$62,509,463	\$60,230,550	\$2,278,913

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$321,383	\$321,383	\$0
Buildings	7,754,448	7,754,448	0
Improvements Other Than Buildings	49,194,138	45,019,098	4,175,040
Machinery and Equipment	11,908,409	11,800,953	107,456
Construction in Progress	1,562,647	1,276,413	286,234
Less: Accumulated Depreciation	(19,591,951)	(18,094,370)	(1,497,581)
Totals	\$51,149,074	\$48,077,925	\$3,071,149

CITY OF PERRYSBURG, OHIO

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

Unaudited

The primary increases occurred in improvements other than buildings as a result of several water and sewer projects including the Five Point Road sanitary sewer project, the over sizing of the sanitary sewer trunk line through the Horseshoe Bend subdivision and the Cherry Street Sewer Separation district 203 & 204.

As of December 31, 2006, the City has contractual commitments of \$4,204,033 for various remaining projects. Additional information on the City's capital assets can be found in Note 8.

Debt

The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Governmental Activities:		
General Obligation Notes	\$14,359,000	\$15,472,000
Compensated Absences	<u>780,515</u>	<u>695,512</u>
Total Governmental Activities	15,139,515	16,167,512
Business-Type Activities:		
General Obligation Notes	10,364,000	9,533,000
OWDA Loans Payable	7,210,963	7,719,985
Compensated Absences	<u>122,196</u>	<u>72,466</u>
Total Business-Type Activities	<u>17,697,159</u>	<u>17,325,451</u>
Totals	<u>\$32,836,674</u>	<u>\$33,492,963</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Perrysburg lies, is limited to ten mills. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

The City of Perrysburg has taken a conservative approach to budgeting for the past several years. Throughout the recent economic downturn, the City has been able to maintain its current level of services, without any significant budgetary changes. Income Tax revenues for 2007 are budgeted at a modest (4.0%) increase over 2006 actual figures, although year to date collections for 2007 have been very strong. These figures reflect a continued trend by the City of Perrysburg to experience steady growth despite a lagging regional economy. This revenue growth is offset by a continuing need for additional services by the constituency. The City continues to be vigilant in containing its operational costs.

CITY OF PERRYSBURG, OHIO

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

Unaudited

Perrysburg continues to be a growing, vital community. With the annexation of the Owens Illinois property in 2000, and the subsequent development of the Town Center at Levis Commons, the City has already realized a significant increase in income tax revenue, with prospects for additional growth in the near future, as the Levis Commons area continues to grow. In May 2005, O-I announced that it was relocating its World Headquarters, making the City of Perrysburg the home of a Fortune 500 container manufacturer. The O-I World Headquarters was completed in July, 2005, and has served as a catalyst for significant growth in the area. The City Administration and City Council continue to pursue all economic development possibilities, with an ultimate goal of reaching an optimal balance on a commercial/industrial/residential tax base.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-872-8030 or writing to City of Perrysburg Finance Department, 201 West Indiana Avenue, Perrysburg, Ohio 43551.

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CITY OF PERRYSBURG, OHIO

Statement of Net Assets
December 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 4,521,094	\$ 5,669,737	\$ 10,190,831
Investments	4,059,632	0	4,059,632
Receivables:			
Taxes	4,341,858	0	4,341,858
Accounts	80,351	2,319,195	2,399,546
Intergovernmental	1,869,830	0	1,869,830
Special Assessments	558,428	15,262	573,690
Loans	446,802	0	446,802
Internal Balances	(21,340)	21,340	0
Inventory of Supplies at Cost	65,635	292,741	358,376
Prepaid Items	100,514	16,469	116,983
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	390,825	0	390,825
Capital Assets, Net	62,509,463	51,149,074	113,658,537
Total Assets	<u>78,923,092</u>	<u>59,483,818</u>	<u>138,406,910</u>
Liabilities:			
Accounts Payable	338,420	480,067	818,487
Accrued Wages and Benefits	832,717	102,527	935,244
Intergovernmental Payable	0	40,362	40,362
Deferred Revenue	2,876,516	0	2,876,516
Accrued Interest Payable	123,257	197,316	320,573
General Obligation Notes Payable	14,359,000	10,364,000	24,723,000
Long-Term Liabilities:			
Due Within One Year	267,325	586,356	853,681
Due in More Than One Year	513,190	6,746,803	7,259,993
Total Liabilities	<u>19,310,425</u>	<u>18,517,431</u>	<u>37,827,856</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	48,150,463	33,574,111	81,724,574
Restricted For:			
Debt Service	30,590	0	30,590
Other Purposes	3,294,827	0	3,294,827
Unrestricted	8,136,787	7,392,276	15,529,063
Total Net Assets	<u>\$ 59,612,667</u>	<u>\$ 40,966,387</u>	<u>\$ 100,579,054</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Statement of Activities
For the Year Ended December 31, 2006

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 6,920,766	\$ 167,546	\$ 10,042	\$ 465,818
Public Health and Welfare Services	25,250	0	0	0
Leisure Time Activities	786,515	202,744	0	0
Community Development	718,221	259,763	33,445	75,003
Basic Utility Services	980,978	100,070	0	0
Transportation	2,811,264	5,048	552,618	410,802
General Government	3,596,969	1,063,264	0	0
Interest and Fiscal Charges	514,465	0	0	0
Total Governmental Activities	16,354,428	1,798,435	596,105	951,623
Business-Type Activities:				
Sewer	3,705,008	4,787,871	0	461,561
Water	3,080,075	3,315,053	0	160,844
Total Business-Type Activities	6,785,083	8,102,924	0	622,405
Totals	\$ 23,139,511	\$ 9,901,359	\$ 596,105	\$ 1,574,028

General Revenues

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year
Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,277,360)	\$ 0	\$ (6,277,360)
(25,250)	0	(25,250)
(583,771)	0	(583,771)
(350,010)	0	(350,010)
(880,908)	0	(880,908)
(1,842,796)	0	(1,842,796)
(2,533,705)	0	(2,533,705)
(514,465)	0	(514,465)
<u>(13,008,265)</u>	<u>0</u>	<u>(13,008,265)</u>
0	1,544,424	1,544,424
<u>0</u>	<u>395,822</u>	<u>395,822</u>
0	1,940,246	1,940,246
<u>(13,008,265)</u>	<u>1,940,246</u>	<u>(11,068,019)</u>
2,987,475	0	2,987,475
10,636,514	0	10,636,514
1,822,390	0	1,822,390
825,547	200	825,747
306,887	0	306,887
<u>(322,328)</u>	<u>322,328</u>	<u>0</u>
<u>16,256,485</u>	<u>322,528</u>	<u>16,579,013</u>
3,248,220	2,262,774	5,510,994
<u>56,364,447</u>	<u>38,703,613</u>	<u>95,068,060</u>
<u>\$ 59,612,667</u>	<u>\$ 40,966,387</u>	<u>\$ 100,579,054</u>

CITY OF PERRYSBURG, OHIO

Balance Sheet Governmental Funds December 31, 2006

	General	Capital Improvements	Way Library	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,579,658	\$ 1,100,471	\$ 32,803	\$ 1,560,566	\$ 4,273,498
Investments	3,125,365	0	66,681	867,586	4,059,632
Receivables:					
Taxes	2,409,112	0	654,359	1,278,387	4,341,858
Accounts	80,254	0	0	0	80,254
Intergovernmental	1,286,597	0	30,641	552,592	1,869,830
Special Assessments	469,448	12,647	0	76,333	558,428
Loans	0	0	0	446,802	446,802
Inventory of Supplies, at Cost	0	0	0	42,839	42,839
Prepaid Items	92,715	686	0	7,113	100,514
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	0	390,825	390,825
Total Assets	\$ 9,043,149	\$ 1,113,804	\$ 784,484	\$ 5,223,043	\$ 16,164,480
Liabilities:					
Accounts Payable	137,783	500	0	186,303	324,586
Accrued Wages and Benefits Payable	500,275	0	0	238,063	738,338
Deferred Revenue	2,337,846	12,647	685,000	1,733,256	4,768,749
Accrued Interest Payable	0	65,672	23,139	34,446	123,257
General Obligation Notes Payable	0	8,972,000	4,000,000	1,387,000	14,359,000
Total Liabilities	2,975,904	9,050,819	4,708,139	3,579,068	20,313,930
Fund Balances:					
Reserved for Encumbrances	296,850	639,559	0	232,080	1,168,489
Reserved for Prepaid Items	92,715	686	0	7,113	100,514
Reserved for Supplies Inventory	0	0	0	42,839	42,839
Reserved for Debt Service	0	0	0	6,688	6,688
Reserved for Loans Receivable	0	0	0	446,802	446,802
Undesignated/Unreserved in:					
General Fund	5,677,680	0	0	0	5,677,680
Special Revenue Funds	0	0	0	2,170,267	2,170,267
Capital Projects Funds	0	(8,577,260)	(3,923,655)	(1,261,814)	(13,762,729)
Total Fund Balances	6,067,245	(7,937,015)	(3,923,655)	1,643,975	(4,149,450)
Total Liabilities and Fund Balances	\$ 9,043,149	\$ 1,113,804	\$ 784,484	\$ 5,223,043	\$ 16,164,480

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

Total Governmental Fund Balances	(\$4,149,450)
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	62,509,463
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	1,892,233
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	140,936
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(780,515)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 59,612,667</u></u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

	General	Capital Improvements	Way Library	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,066,789	\$ 0	\$ 670,941	\$ 1,234,769	\$ 2,972,499
Municipal Income Tax	11,116,337	0	0	0	11,116,337
Intergovernmental Revenues	1,803,379	398,064	0	974,138	3,175,581
Charges for Services	516,141	0	0	100,148	616,289
Licenses and Permits	259,631	0	0	24,408	284,039
Investment Earnings	702,721	0	16,204	106,622	825,547
Special Assessments	132,664	13,221	0	49,307	195,192
Fines and Forfeitures	724,228	0	0	170,944	895,172
All Other Revenue	182,017	108,358	0	63,559	353,934
Total Revenue	16,503,907	519,643	687,145	2,723,895	20,434,590
Expenditures:					
Current:					
Security of Persons and Property	5,811,891	0	0	805,299	6,617,190
Public Health and Welfare Services	25,250	0	0	0	25,250
Leisure Time Activities	1,168,054	0	0	0	1,168,054
Community Development	473,501	0	0	247,308	720,809
Basic Utility Services	0	0	0	1,035,181	1,035,181
Transportation	960,520	0	0	1,327,594	2,288,114
General Government	3,409,938	0	12,914	254,003	3,676,855
Capital Outlay	0	1,814,744	0	888,405	2,703,149
Debt Service:					
Interest & Fiscal Charges	0	316,855	145,455	52,155	514,465
Total Expenditures	11,849,154	2,131,599	158,369	4,609,945	18,749,067
Excess (Deficiency) of Revenues Over Expenditures	4,654,753	(1,611,956)	528,776	(1,886,050)	1,685,523
Other Financing Sources (Uses):					
Transfers In	31,212	2,290,000	0	725,000	3,046,212
Transfers Out	(3,337,328)	0	0	(31,212)	(3,368,540)
Total Other Financing Sources (Uses)	(3,306,116)	2,290,000	0	693,788	(322,328)
Net Change in Fund Balances	1,348,637	678,044	528,776	(1,192,262)	1,363,195
Fund Balances (Deficit) at Beginning of Year	4,718,608	(8,615,059)	(4,452,431)	2,824,171	(5,524,711)
Increase in Inventory Reserve	0	0	0	12,066	12,066
Fund Balances (Deficit) End of Year	\$ 6,067,245	\$ (7,937,015)	\$ (3,923,655)	\$ 1,643,975	\$ (4,149,450)

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2006***

Net Change in Fund Balances - Total Governmental Funds	\$ 1,363,195
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	2,300,289
The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets.	(21,376)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(515,114)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(72,937)
The internal service funds are used by management to charge the costs of services to individual funds is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.	<u>194,163</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 3,248,220</u></u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Statement of Net Assets Proprietary Funds December 31, 2006

	Business-Type Activities Enterprise Funds					Governmental Activities -
	Sewer	Water	Parking Meter	Utility Collection	Total	Internal Service Funds
Assets:						
<i>Current Assets:</i>						
Cash and Cash Equivalents	\$ 4,968,725	\$ 663,850	\$ 0	\$ 37,162	\$ 5,669,737	\$ 247,596
Receivables:						
Accounts	1,287,134	1,032,061	0	0	2,319,195	97
Special Assessments	0	15,262	0	0	15,262	0
Inventory of Supplies at Cost	3,367	289,374	0	0	292,741	22,796
Prepaid Items	5,994	10,475	0	0	16,469	0
Total Current Assets	6,265,220	2,011,022	0	37,162	8,313,404	270,489
<i>Non Current Assets:</i>						
Capital Assets, Net	36,106,014	14,995,060	48,000	0	51,149,074	0
Total Assets	42,371,234	17,006,082	48,000	37,162	59,462,478	270,489
Liabilities:						
<i>Current Liabilities:</i>						
Accounts Payable	337,052	143,015	0	0	480,067	13,834
Accrued Wages and Benefits	63,074	39,453	0	0	102,527	94,379
Intergovernmental Payable	0	0	0	40,362	40,362	0
General Obligation Notes Payable	8,741,000	1,623,000	0	0	10,364,000	0
OWDA Loans - Current	547,368	0	0	0	547,368	0
Total Current Liabilities	9,688,494	1,805,468	0	40,362	11,534,324	108,213
<i>Long Term Liabilities:</i>						
Compensated Absences Payable	55,507	66,689	0	0	122,196	0
Accrued Interest Payable	187,927	9,389	0	0	197,316	0
OWDA Loans Payable	6,663,595	0	0	0	6,663,595	0
Total Liabilities	16,595,523	1,881,546	0	40,362	18,517,431	108,213
Net Assets:						
Invested in Capital Assets, Net of Related Debt	20,154,051	13,372,060	48,000	0	33,574,111	0
Unrestricted	5,621,660	1,752,476	0	(3,200)	7,370,936	162,276
Total Net Assets	\$ 25,775,711	\$ 15,124,536	\$ 48,000	\$ (3,200)	40,945,047	\$ 162,276
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.					21,340	
Net Assets of Business-type Activities					<u>\$ 40,966,387</u>	

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

	Business-Type Activities Enterprise Funds				Total	Governmental Activities -
	Sewer	Water	Parking Meter	Utility Collection		Internal Service Funds
Operating Revenues:						
Charges for Services	\$ 4,787,871	\$ 3,315,053	\$ 0	\$ 0	\$ 8,102,924	\$ 1,513,172
Total Operating Revenues	<u>4,787,871</u>	<u>3,315,053</u>	<u>0</u>	<u>0</u>	<u>8,102,924</u>	<u>1,513,172</u>
Operating Expenses:						
Personal Services	1,020,253	605,019	0	0	1,625,272	1,060,491
Contractual Services	455,713	1,889,333	0	0	2,345,046	3,362
Materials and Supplies	390,431	0	0	0	390,431	231,784
Depreciation	1,012,137	497,567	0	0	1,509,704	0
Total Operating Expenses	<u>2,878,534</u>	<u>2,991,919</u>	<u>0</u>	<u>0</u>	<u>5,870,453</u>	<u>1,295,637</u>
Operating Income	1,909,337	323,134	0	0	2,232,471	217,535
Nonoperating Revenue (Expenses):						
Investment Earnings	0	200	0	0	200	5,688
Interest Expense	(844,709)	(98,981)	0	0	(943,690)	0
Total Nonoperating Revenues (Expenses)	<u>(844,709)</u>	<u>(98,781)</u>	<u>0</u>	<u>0</u>	<u>(943,490)</u>	<u>5,688</u>
Income Before Transfers and Contributions	1,064,628	224,353	0	0	1,288,981	223,223
Transfers:						
Transfers In	322,328	0	0	0	322,328	0
Capital Contributions	461,561	160,844	0	0	622,405	0
Total Transfers and Contributions	<u>783,889</u>	<u>160,844</u>	<u>0</u>	<u>0</u>	<u>944,733</u>	<u>0</u>
Change in Net Assets	1,848,517	385,197	0	0	2,233,714	223,223
Net Assets Beginning of Year	23,927,194	14,739,339	48,000	(3,200)	38,711,333	(60,947)
Net Assets End of Year	<u>\$ 25,775,711</u>	<u>\$ 15,124,536</u>	<u>\$ 48,000</u>	<u>\$ (3,200)</u>	<u>40,945,047</u>	<u>\$ 162,276</u>
Change in Net Assets - Total Enterprise Funds					2,233,714	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.					29,060	
Change in Net Assets - Business-type Activities					<u>\$ 2,262,774</u>	

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

	Business-Type Activities				Governmental Activities Internal Service Funds
	Enterprise Funds				
	Sewer	Water	Utility Collection	Totals	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$4,565,037	\$3,616,664	\$381,214	\$8,562,915	\$1,515,959
Cash Payments for Goods and Services	(1,220,861)	(2,165,755)	(382,150)	(3,768,766)	(203,783)
Cash Payments to Employees	(969,359)	(594,799)	0	(1,564,158)	(1,105,815)
Net Cash Provided (Used) by Operating Activities	2,374,817	856,110	(936)	3,229,991	206,361
Cash Flows from Noncapital Financing Activities:					
Transfers In from Other Funds	322,328	0	0	322,328	0
Net Cash Provided by Noncapital Financing Activities	322,328	0	0	322,328	0
Cash Flows from Capital and Related Financing Activities:					
Proceeds of Intergovernmental Grants	308,016	0	0	308,016	0
Receipts of Special Assessments	233,846	0	0	233,846	0
Proceeds from Sale of Bond Anticipation Notes	8,741,000	1,623,000	0	10,364,000	0
Acquisition and Construction of Assets	(4,218,243)	(48,221)	0	(4,266,464)	0
Principal Paid on Bond Anticipation Notes	(6,231,000)	(3,302,000)	0	(9,533,000)	0
Principal Paid on Ohio Water Development Authority Loans	(509,022)	0	0	(509,022)	0
Interest Paid on All Debt	(767,914)	(115,309)	0	(883,223)	0
Net Cash Used for Capital and Related Financing Activities	(2,443,317)	(1,842,530)	0	(4,285,847)	0
Cash Flows from Investing Activities:					
Receipts of Interest	0	200	0	200	5,688
Net Cash Provided by Investing Activities	0	200	0	200	5,688
Net Increase (Decrease) in Cash and Cash Equivalents	253,828	(986,220)	(936)	(733,328)	212,049
Cash and Cash Equivalents at Beginning of Year	4,714,897	1,650,070	38,098	6,403,065	35,547
Cash and Cash Equivalents at End of Year	\$4,968,725	\$663,850	\$37,162	\$5,669,737	\$247,596
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income	\$1,909,337	\$323,134	\$0	\$2,232,471	\$217,535
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	1,012,137	497,567	0	1,509,704	0
Changes in Assets and Liabilities:					
Decrease (Increase) in Accounts Receivable	(76,334)	114,313	0	37,979	2,787
Increase in Special Assessments Receivable	(223,740)	(5,798)	0	(229,538)	0
Increase in Inventory	(663)	(146,601)	0	(147,264)	(3,604)
Decrease in Prepaid Items	2,243	11,319	0	13,562	0
Increase (Decrease) in Accounts Payable	(297,570)	52,882	0	(244,688)	(7,735)
Decrease in Intergovernmental Payables	0	0	(936)	(936)	0
Increase (Decrease) in Accrued Wages and Benefits	6,980	1,991	0	8,971	(2,622)
Increase in Compensated Absences	42,427	7,303	0	49,730	0
Total Adjustments	465,480	532,976	(936)	997,520	(11,174)
Net Cash Provided (Used) by Operating Activities	\$2,374,817	\$856,110	(\$936)	\$3,229,991	\$206,361

Schedule of Noncash Investing, Capital and Financing Activities:

During 2006, the Water and Sewer Funds received \$160,844 and \$461,561, respectively, of capital contributions from other sources.

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Statement of Net Assets
Fiduciary Funds
December 31, 2006

	Private Purpose Trust	
	Unclaimed Monies Fund	Agency
Assets:		
Cash and Cash Equivalents	\$ 52,758	\$ 84,900
Receivables:		
Taxes	0	176,829
Intergovernmental	0	8,171
Total Assets	<u>52,758</u>	<u>269,900</u>
Liabilities:		
Intergovernmental Payable	0	221,568
Due to Others	0	48,332
Total Liabilities	<u>0</u>	<u>269,900</u>
Net Assets:		
Unrestricted	<u>52,758</u>	<u>0</u>
Total Net Assets	<u>\$ 52,758</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

	Private Purpose Trust <u>Unclaimed Monies Fund</u>
Additions:	
Contributions:	
Private Donations	\$ 4,093
Total Additions	<u>4,093</u>
Deductions:	<u>0</u>
Change in Net Assets	4,093
Net Assets at Beginning of Year	<u>48,665</u>
Net Assets End of Year	<u>\$ 52,758</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Perrysburg, Ohio (the "City") is a body corporate and politic established under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1960 and has been amended several times, most recently in 1995.

A. Reporting Entity

The accompanying basic financial statements of the City present the financial position of the various fund types and, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

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

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety, highways and streets, water, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. In addition, the City maintains water, sewer and parking meter operations which are reported as enterprise funds.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/ expenses. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

Capital Improvements Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Way Library Fund - This fund is used to manage the debt issued by the City on behalf of the Library.

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund - This fund is used to account for the operation of the City's water service.

Sewer Fund - This fund is used to account for the operation of the City's sanitary sewer service.

Parking Meter Fund - This fund is used to account for the operation of the City's parking lots.

Utility Collection Fund - This fund is used to account for money collected through utility billing on behalf of other entities.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The internal service funds are eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2006 but which are not intended to finance 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5 "Taxes".

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

E. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

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

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2006, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

5. Lapsing of Appropriations

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

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CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

<u>Net Change In Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	\$1,348,637
Increase (Decrease):	
Accrued Revenues at December 31, 2006 received during 2007	(2,454,162)
Accrued Revenues at December 31, 2005 received during 2006	1,991,246
Accrued Expenditures at December 31, 2006 paid during 2007	638,058
Accrued Expenditures at December 31, 2005 paid during 2006	(595,496)
2005 Prepays for 2006	117,331
2006 Prepays for 2007	(92,715)
Cash With Fiscal Agent 2005	5,932
Outstanding Encumbrances	(384,680)
Budget Basis	<u>\$574,151</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

For purposes of the combined statement of cash flows and for the presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

I. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", has been reported.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Property, Plant and Equipment – Business Type Activities

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

3. Depreciation

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

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	30 - 40
Improvements other than Buildings	50
Infrastructure	10-50
Machinery, Equipment, Furniture and Fixtures	5 - 15

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
Ohio Water Development Authority Loans	Sewer Fund
Compensated Absences	General Fund
	Income Tax Fund
	Litter Control Fund
	Water Fund
	Sewer Fund

K. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

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

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction 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.

M. Pensions

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

N. Interfund Activity

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.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

O. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items, debt service, loans receivable and encumbered amounts which have not been accrued at year end.

CITY OF PERRYSBURG, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

The preparation of 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.

Q. Restricted Assets

Cash with fiscal agent amounts are classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

S. Extraordinary and Special Items

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

CITY OF PERRYSBURG, OHIO

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

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Delinquent Income Tax Revenue	\$110,495
Delinquent Property Tax Revenue	110,672
Shared Revenues	1,112,638
Special Assessment Revenue	558,428
	<u>\$1,892,233</u>

Long-Term liabilities not reported in the funds:

Compensated Absences Payable	(\$780,515)
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B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

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

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

Capital Outlay	\$3,770,894
Depreciation Expense	(1,470,605)
	<u>\$2,300,289</u>

Governmental revenues not reported in the funds:

Decrease in Delinquent Income Tax Revenue	(\$479,823)
Increase in Delinquent Property Tax	14,976
Decrease in Shared Revenue	(408,329)
Increase in Special Assessment Revenue	358,062
	<u>(\$515,114)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$85,003)
Increase in supplies inventory	12,066
	<u>(\$72,937)</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The accumulated deficit at December 31, 2006 of \$3,200 in the Utility Collection Fund (enterprise fund) arose from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting. The fund deficits at December 31, 2006 of \$3,923,655 in the Way Library Fund, \$1,260,100 in the Park Land Acquisition and Development Fund and \$7,937,015 in the Capital Improvements Fund (capital projects funds) arise from the recording of general obligation notes payable within the individual funds. Deficits do not exist under the budgetary/cash basis of accounting. The general fund provides transfers when cash is required, not when accruals occur.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the City into three categories:

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

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

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

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

CITY OF PERRYSBURG, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks. All deposits, except for deposits held by fiscal and escrow agents or trustees, are collateralized with eligible securities. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Collateral permitted by Chapter 135 of the ORC is limited to obligations of the United States and its agencies, bonds of any state, and bonds and other obligations of any country, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Such collateral, as permitted by Chapter 135 of the ORC is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at a Federal Reserve Bank in the name of the City.

CITY OF PERRYSBURG, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits (Continued)

At year end the carrying amount of the City's deposits was \$10,709,314 and the bank balance was \$9,059,655. The Federal Deposit Insurance Corporation (FDIC) covered \$300,000 of the bank balance and \$8,759,655 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	\$8,759,655
Total Balance	\$8,759,655

B. Investments

The City's investments at December 31, 2006 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
U.S. Savings Bonds	\$10,000	N/A	\$10,000	\$0
FHLMC	4,059,632	AAA ¹ / Aaa ²	0	4,059,632
Total Investments	\$4,069,632		\$10,000	\$4,059,632

¹ Standard & Poor's

² Moody's Investor Service

Interest Rate Risk – The City's investment policy limits security purchases to those that mature within five years of settlement date with an average weighted maturity not to exceed two years.

Credit Risk – The City's investments in FHLMC securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services.

Custodial Credit Risk – The City's investments in FHLMC securities in the amount of \$4,059,632 is uninsured and unregistered with securities held by the counterparty's trust department or agent not in the City's name.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer.

CITY OF PERRYSBURG, OHIO

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

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

A reconciliation between classifications of cash and investments on the financial statements and classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents *	Investments
Per Financial Statements	\$10,719,314	\$4,059,632
Investments:		
Series H Bonds	(10,000)	10,000
Per Footnote Section A	<u>\$10,709,314</u>	<u>\$4,069,632</u>

* Includes Cash with Fiscal Agent

NOTE 5 - TAXES

A. Property Taxes

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

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

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

CITY OF PERRYSBURG, OHIO

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

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Perrysburg. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2006 was \$5.65 per \$1,000 of assessed value. The assessed value upon which the 2006 receipts were based was \$561,778,182. This amount constitutes \$537,367,040 in real property assessed value, \$4,651,130 in public utility assessed value and \$19,760,012 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .565% (5.65 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 50% of the tax paid to another municipality to a maximum of 50% of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, loans, special assessments, accounts receivable and intergovernmental receivables.

NOTE 7 - TRANSFERS

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

	Transfers In:				Total
	General Fund	Capital Improvements Fund	Other Governmental Funds	Sewer Fund	
Transfers Out:					
General Fund	\$0	\$2,290,000	\$725,000	\$322,328	\$3,337,328
Other Governmental Funds	31,212	0	0	0	31,212
	<u>\$31,212</u>	<u>\$2,290,000</u>	<u>\$725,000</u>	<u>\$322,328</u>	<u>\$3,368,540</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

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

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$10,325,638	\$0	\$0	\$10,325,638
Construction in Progress	581,305	345,059	(510,411)	415,953
Subtotal	10,906,943	345,059	(510,411)	10,741,591
<i>Capital assets being depreciated:</i>				
Buildings	14,846,934	0	0	14,846,934
Improvements Other than Buildings	4,100,882	2,004,467	0	6,105,349
Infrastructure	38,070,354	572,945	(220,281)	38,423,018
Machinery and Equipment	8,004,435	1,358,834	(12,897)	9,350,372
Subtotal	65,022,605	3,936,246	(233,178)	68,725,673
Total Cost	\$75,929,548	\$4,281,305	(\$743,589)	\$79,467,264

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$2,694,462)	(\$358,113)	\$0	(\$3,052,575)
Improvements Other than Buildings	(517,179)	(103,184)	0	(620,363)
Infrastructure	(8,192,445)	(515,009)	11,725	(8,695,729)
Machinery and Equipment	(4,294,912)	(494,299)	200,077	(4,589,134)
Total Depreciation	(\$15,698,998)	(\$1,470,605) *	\$211,802	(\$16,957,801)
Net Value:	\$60,230,550			\$62,509,463

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$370,189
Leisure Time Activities	120,483
Community Development	15,130
Basic Utility Services	35,324
Transportation	599,951
General Government	329,528
Total Depreciation Expense	<u>\$1,470,605</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$321,383	\$0	\$0	\$321,383
Construction in Progress	1,276,413	1,298,589	(1,012,355)	1,562,647
Subtotal	1,597,796	1,298,589	(1,012,355)	1,884,030
<i>Capital assets being depreciated:</i>				
Buildings	7,754,448	0	0	7,754,448
Improvements Other than Buildings	45,019,098	4,175,040	0	49,194,138
Machinery and Equipment	11,800,953	119,579	(12,123)	11,908,409
Subtotal	64,574,499	4,294,619	(12,123)	68,856,995
Total Cost	\$66,172,295	\$5,593,208	(\$1,024,478)	\$70,741,025

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$2,987,485)	(\$187,132)	\$0	(\$3,174,617)
Improvements Other than Buildings	(9,594,473)	(929,834)	0	(10,524,307)
Machinery and Equipment	(5,512,412)	(392,738)	12,123	(5,893,027)
Total Depreciation	(\$18,094,370)	(\$1,509,704)	\$12,123	(\$19,591,951)
Net Value:	\$48,077,925			\$51,149,074

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CITY OF PERRYSBURG, OHIO

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (the "Ohio PERS")

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$688,344, \$637,609 and \$623,369, respectively, which were equal to the required contributions for each year.

CITY OF PERRYSBURG, OHIO

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$226,098.

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

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

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

CITY OF PERRYSBURG, OHIO

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$390,223, \$373,954 and \$350,659 for police and \$400,088, \$329,036 and \$312,325 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$155,089 representing 7.75% of covered payroll for police and \$129,195 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

CITY OF PERRYSBURG, OHIO

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

NOTE 10 - COMPENSATED ABSENCES

Employees are eligible for vacation at varying rates depending on their years of service to the City. Any vacation earned during the year must be taken during the subsequent year. Unless requested by the City, no employee will receive vacation pay in lieu of vacation time off with pay.

Sick leave is accrued by all employees at the rate of .0577 hours for each hour worked for a total of 120 hours in an employee's anniversary year. A percentage of accrued sick leave time is liquidated in cash upon normal retirement under the appropriate State of Ohio retirement system after ten years of credited service, or upon death, or upon termination of employment other than for disciplinary reasons after fifteen years of service with the City. The rate of cash compensation for sick leave payout varies within specified limits under collective bargaining agreements or under law. Generally, employees may receive 50% of their sick leave accrued prior to September 14, 1976 and 25% of their sick leave accrued after September 14, 1976 after meeting the minimum service time requirement. Cash compensation for sick leave is paid at the employee's full rate of pay at the time of termination or retirement.

At December 31, 2006, the City's accumulated, unpaid compensated absences amounted to \$902,711, of which \$780,515 is recorded as a liability of the Governmental Activities and \$122,196 is recorded as a liability of the Business-Type Activities.

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CITY OF PERRYSBURG, OHIO

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

NOTE 11 - NOTES PAYABLE

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

	Balance December 31, 2005	Issued	(Retired)	Balance December 31, 2006
Capital Projects Funds:				
3.65% Library Building	\$4,500,000	\$0	(\$4,500,000)	\$0
4.25% Library Building	0	4,000,000	0	4,000,000
3.75% Eckel Junction	556,000	0	(556,000)	0
4.50% Eckel Junction	0	512,000	0	512,000
3.75% Rivercrest Park Land	201,000	0	(201,000)	0
4.00% Rivercrest Park Land	0	182,000	0	182,000
3.65% Municipal Park	1,270,000	0	(1,270,000)	0
4.25% Municipal Park	0	1,205,000	0	1,205,000
3.65% Police Station	7,400,000	0	(7,400,000)	0
4.25% Police Station	0	7,000,000	0	7,000,000
3.65% West Boundary Improvements	377,000	0	(377,000)	0
4.25% West Boundary Improvements	0	354,000	0	354,000
3.75% SR25/Roachton Road	468,000	0	(468,000)	0
4.00% SR25/Roachton Road	0	441,000	0	441,000
3.65% SR25 Storm Drainage	700,000	0	(700,000)	0
4.25% SR25 Storm Drainage	0	665,000	0	665,000
Total Capital Projects Funds	<u>15,472,000</u>	<u>14,359,000</u>	<u>(15,472,000)</u>	<u>14,359,000</u>

(Continued)

CITY OF PERRYSBURG, OHIO

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

NOTE 11 - NOTES PAYABLE (Continued)

	Balance December 31, 2005	Issued	(Retired)	Balance December 31, 2006
Enterprise Funds:				
3.65% Route 795 Water Line	480,000	0	(480,000)	0
3.65% Route 795 Water Line	0	0	0	0
3.75% Water System Improvement	170,000	0	(170,000)	0
3.75% Water System Improvement	0	0	0	0
3.75% Sewer System Improvement	2,406,000	0	(2,406,000)	0
4.50% Sewer System Improvement	0	2,872,000	0	2,872,000
3.65% Miscellaneous Water System Improvements	664,000	0	(664,000)	0
4.25% Miscellaneous Water System Improvements	0	588,000	0	588,000
3.65% 5 Pt./Fort Meigs Waterline Improvements	600,000	0	(600,000)	0
4.25% 5 Pt./Fort Meigs Waterline Improvements	0	555,000	0	555,000
3.65% W.S. Bound Waterline	510,000	0	(510,000)	0
4.25% W.S. Boundry	0	480,000	0	480,000
3.75% W.S. Reserve	878,000	0	(878,000)	0
3.75% W.S. Reserve	0	0	0	0
3.75% Route 795 Pump Station	455,000	0	(455,000)	0
4.00% Waste Water Treatment Plant Improvement	0	3,500,000	0	3,500,000
3.75% SR25/5PT. Road	1,312,000	0	(1,312,000)	0
4.00% SR25/5PT. Road	0	1,234,000	0	1,234,000
3.75% Simmons Road Sewer	1,215,000	0	(1,215,000)	0
4.00% Simmons Road Sewer	0	1,135,000	0	1,135,000
3.75% River's Edge Sewer	577,000	0	(577,000)	0
3.75% River's Edge Sewer	0	0	0	0
3.65% 5PT. Road Sewer	266,000	0	(266,000)	0
Total Enterprise Funds	<u>9,533,000</u>	<u>10,364,000</u>	<u>(9,533,000)</u>	<u>10,364,000</u>
Total Notes Payable	<u>\$25,005,000</u>	<u>\$24,723,000</u>	<u>(\$25,005,000)</u>	<u>\$24,723,000</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 12 - LONG-TERM DEBT

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

	Balance December 31, 2005	Additions	(Reductions)	Balance December 31, 2006	Due Within One Year
Governmental Activities:					
Compensated Absences	\$695,512	\$780,515	(\$695,512)	\$780,515	\$267,325
Total Governmental Activities Long-Term Debt	<u>\$695,512</u>	<u>\$780,515</u>	<u>(\$695,512)</u>	<u>\$780,515</u>	<u>\$267,325</u>
	Balance December 31, 2005	Additions	(Reductions)	Balance December 31, 2006	Amount Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority (O.W.D.A.) Loans:					
7.51% Waste Water Treatment Plant 1990	\$7,019,619	\$0	(\$463,386)	\$6,556,233	\$498,186
7.77% Sewer Separation 1991	700,366	0	(45,636)	654,730	49,182
Total O.W.D.A. Loans	7,719,985	0	(509,022)	7,210,963	547,368
Compensated Absences	\$72,466	\$122,196	(\$72,466)	\$122,196	\$38,988
Total Business-Type Long-Term Debt	<u>\$7,792,451</u>	<u>\$122,196</u>	<u>(\$581,488)</u>	<u>\$7,333,159</u>	<u>\$586,356</u>

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2006 follows:

Years	OWDA Loans	
	Principal	Interest
2007	\$547,368	\$543,246
2008	588,603	502,011
2009	632,945	457,667
2010	680,627	409,986
2011	731,902	358,708
2012-2016	4,029,518	878,243
Totals	<u>\$7,210,963</u>	<u>\$3,149,861</u>

CITY OF PERRYSBURG, OHIO

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

NOTE 13 - INSURANCE AND 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 1989, the City joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 585 member political subdivisions. The City pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City also pays unemployment claims to the State of Ohio as incurred.

The City maintains a self-funded health insurance program with claims processed by Administrative Service Consultants – Findlay on behalf of the City. A separate Self Insurance Fund (an internal service fund) was created in 1980 to account for and finance the health insurance program. As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$35,000 per individual per year up to a maximum of \$1,000,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past five fiscal years.

All funds of the City from which employee salaries are paid participate in the health insurance program and make payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions to the program during the year were \$1,287,429. The claims liability of \$94,379 reported in the Self Insurance Fund at December 31, 2006 is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Management Omnibus," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and if the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2005 and 2006 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2005	\$151,014	\$1,375,641	(\$1,429,654)	\$97,001
2006	97,001	1,103,193	(1,105,815)	94,379

CITY OF PERRYSBURG, OHIO

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

NOTE 14 - CONSTRUCTION COMMITMENTS

As of December 31, 2006 the City had the following commitments with respect to various construction projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Schaller Building Renovations	\$7,269	2007
Comprehensive Plan Update	136,781	2007
Hydropillar Painting	172,263	2007
Cross-Town Force Main	17,632	2007
Cherry Street Sewer Master Plan	7,000	2007
Maumee River Interceptor Replacement	64,000	2007
WWTP Expansion Phase I	3,348,475	2008
Cherry Street Sewer Separation	2,348	2007
Findlay Street Extension	8,466	2007
Roachton Road Improvement	141,890	2007
SR 25 Signal Coordination	12,244	2007
Ladder Truck	272,814	2007
Rivercrest Park Lights	3,014	2007
Municipal Park	9,837	2007
Total	<u>\$4,204,033</u>	

NOTE 15 - CONTINGENCIES

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

NOTE 16 - RELATED ORGANIZATION

Perrysburg Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Perrysburg City Council. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Perrysburg Public Library, Clerk/Treasurer, 101 East Indiana Avenue, Perrysburg, Ohio 43551.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF PERRYSBURG, OHIO

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 966,500	\$ 1,068,500	\$ 1,066,789	\$ (1,711)
Municipal Income Tax	10,000,000	10,900,000	10,810,513	(89,487)
Intergovernmental Revenue	1,618,770	2,024,270	1,909,137	(115,133)
Charges for Services	518,100	578,100	511,909	(66,191)
Licenses and Permits	398,100	424,100	259,631	(164,469)
Investment Earnings	250,000	450,000	438,090	(11,910)
Special Assessments	130,000	133,000	132,664	(336)
Fines and Forfeitures	708,950	751,450	722,233	(29,217)
All Other Revenues	67,250	197,423	190,025	(7,398)
Total Revenues	<u>14,657,670</u>	<u>16,526,843</u>	<u>16,040,991</u>	<u>(485,852)</u>
Expenditures:				
Current:				
Security of Persons and Property	6,580,173	6,413,957	5,906,904	507,053
Public Health and Welfare Services	28,000	28,000	25,250	2,750
Leisure Time Activities	1,268,352	1,304,102	1,223,856	80,246
Community Development	841,963	840,463	632,664	207,799
Transportation	1,032,540	1,004,540	955,814	48,726
General Government	3,450,322	3,741,758	3,416,236	325,522
Total Expenditures	<u>13,201,350</u>	<u>13,332,820</u>	<u>12,160,724</u>	<u>1,172,096</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,456,320	3,194,023	3,880,267	686,244
Other Financing Sources (Uses):				
Transfers In	36,000	40,000	31,212	(8,788)
Transfers Out	(1,825,000)	(4,562,328)	(3,337,328)	1,225,000
Total Other Financing Sources (Uses):	<u>(1,789,000)</u>	<u>(4,522,328)</u>	<u>(3,306,116)</u>	<u>1,216,212</u>
Net Change In Fund Balance	(332,680)	(1,328,305)	574,151	1,902,456
Fund Balance at Beginning of Year	2,999,468	2,999,468	2,999,468	0
Prior Year Encumbrances	200,127	200,127	200,127	0
Fund Balance at End of Year	<u>\$ 2,866,915</u>	<u>\$ 1,871,290</u>	<u>\$ 3,773,746</u>	<u>\$ 1,902,456</u>

CITY OF PERRYSBURG, OHIO

INDEPENDENT AUDITOR'S REPORT

INTERNAL CONTROL

GILMORE, JASION & MAHLER, LTD

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

City of Perrysburg
Wood County
201 W. Indiana Ave
Perrysburg, Ohio 43551

To the Mayor and Members of City Council

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Perrysburg (the City) as of and for the year ended December 31, 2006, and have issued our report thereon dated June 30, 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.

Kevin M. Gilmore, CPA, CVA

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such as that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

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.

J. Stephen Schult, CPA

Philip J. Newlove, CPA

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

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Charles F. Heid, CPA

Compliance and Other Matters

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

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

Gilmore, Jason & Mahler, LTD

June 30, 2007

**CITY OF PERRYSBURG
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

No findings noted.



Mary Taylor, CPA
Auditor of State

CITY OF PERRYSBURG

WOOD 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
OCTOBER 18, 2007**