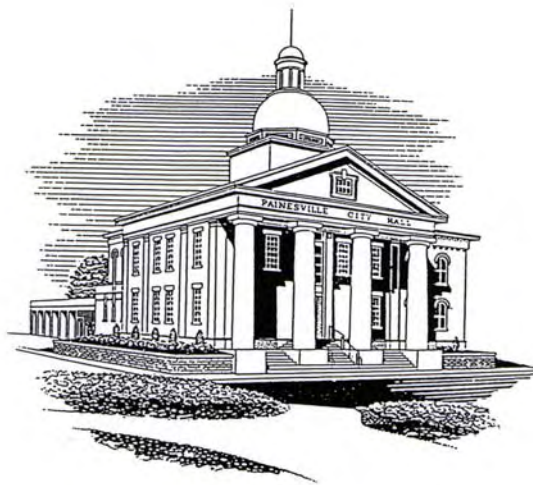


Lake County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

City Council
City of Painesville
7 Richmond Street
Painesville, Ohio 44077

We have reviewed the *Independent Auditors' Report* of the City of Painesville, Lake County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

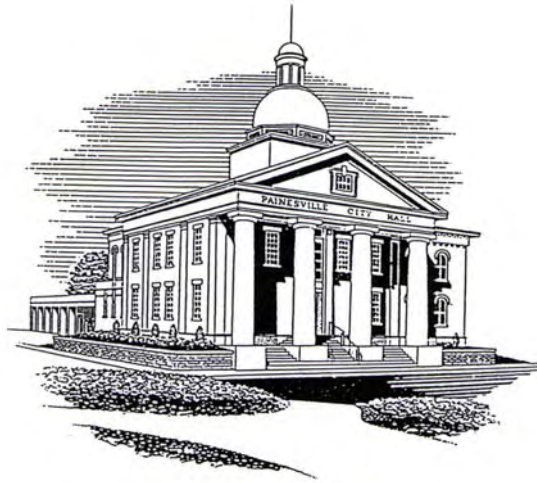
Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Painesville is responsible for compliance with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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 19, 2006

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005

Prepared by the Finance Department

Harlita H. Robinson
Director

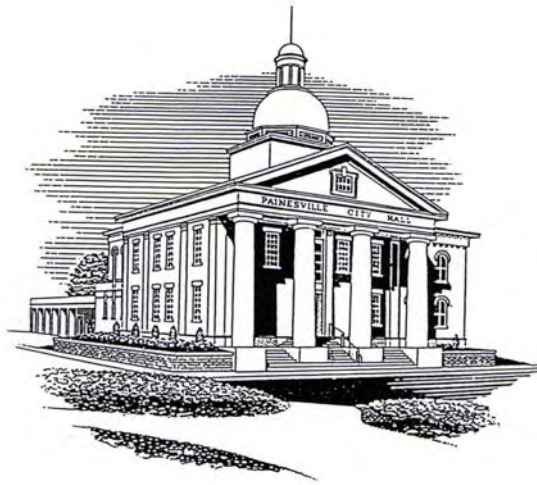


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LAKE COUNTY, OHIO

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INTRODUCTORY SECTION





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

June 23, 2006

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

We are pleased to present this Comprehensive Annual Financial Report for the City of Painesville, Ohio for the fiscal year ended December 31, 2005. The report has been prepared in conformity with Generally Accepted Accounting Principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

The Report

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2005***

The Reporting Entity

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

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

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

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

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

The History of the City

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

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

***Letter of Transmittal
For the Year Ended December 31, 2005***

The Management

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

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

Services Provided

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

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

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

The Organization

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

Letter of Transmittal

For the Year Ended December 31, 2005

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

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

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

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

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

Letter of Transmittal

For the Year Ended December 31, 2005

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

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

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

The *Community Development Department* is responsible for implementing plans and programs that promote the comprehensive and orderly development of the City. The department works in conjunction with the Planning Commission and the Board of Zoning. This department is responsible for interpreting and enforcing all building codes in the City. The department issues permits and citations, conducts site inspections, and licenses all contractors.

The *Engineering Department* must insure that all contractors working in Painesville meet the general engineering requirements of the City. Engineering controls the review and implementation of plans and programs relating to the City's infrastructure.

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

Basis of Accounting

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

***Letter of Transmittal
For the Year Ended December 31, 2005***

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

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

ECONOMIC CONDITION AND OUTLOOK

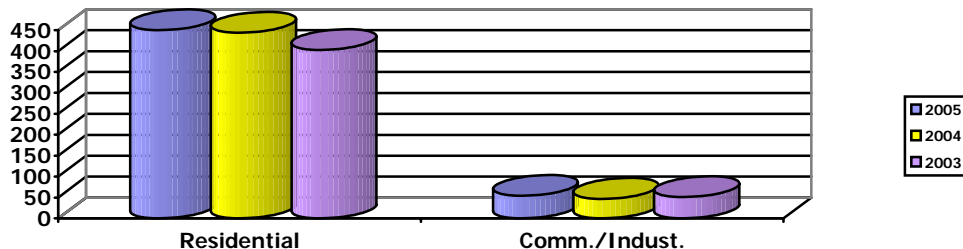
Local Economy

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

The City of Painesville began in 2003 to reap the benefits of its hard work in economic and community development. The City experienced substantial residential growth from the ten new subdivisions under construction or completed during 2004; In 2005 nine subdivisions were continuing development and expansion of the City. The chart below provides a summary and comparison of the number of permits issued for the last three years. Industrial, multi-family and single-family residential building permits increased from the previous year as noted in the chart below. The increased growth in commercial was due to the construction of two new commercial buildings that house three new retail businesses on a main thoroughfare leading to the center of town. The City anticipates continued growth in the level of activity in commercial, industrial, and residential construction. The City is expecting continual interest in economic and community development in the years to come.

Comparison of Permits Issued

Category	2005	2004	2003
Residential	451	444	403
Commercial/Industrial	54	47	51



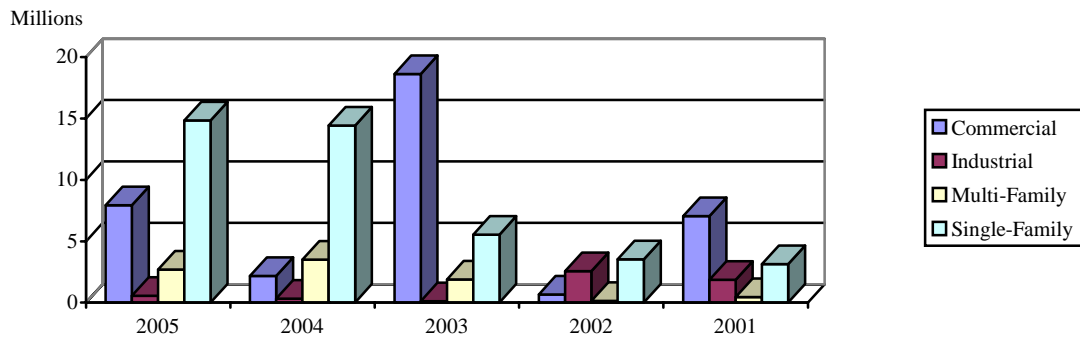
CITY OF PAINESVILLE, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2005**

Building Permit Valuations

Category	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Commercial	\$7,937,450	\$2,169,286	\$18,639,766	\$677,450	\$7,042,788
Industrial	551,000	315,700	122,836	2,577,000	1,858,000
Multi-Family	2,700,000	3,515,000	1,890,000	150,000	450,000
Single-Family	<u>14,839,553</u>	<u>14,445,603</u>	<u>5,553,151</u>	<u>3,537,296</u>	<u>3,151,974</u>
Totals	<u>\$26,028,003</u>	<u>\$20,445,589</u>	<u>\$26,205,753</u>	<u>\$6,941,746</u>	<u>\$12,502,762</u>

Comparison of Building Permits



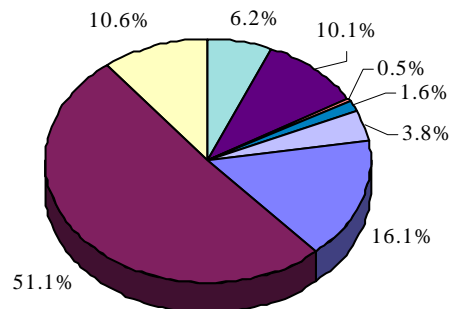
Unemployment in Lake County was lower than the state and higher than national levels during 2005. The unemployment rate for Lake County decreased by .5% below the 2004 rate of 5.7%. Listed below are the respective unemployment rates for the county, state and nation as of December 31, 2005:

Lake County	5.2%
Ohio	5.6%
United States	4.6%

Local Business

The City of Painesville has 577 businesses which employ approximately 6,450 workers in all sectors of the economy. The percentage of businesses by sector breakdown is as follows:

Sector	Businesses	Percentage of Total
Retail	93	16.1%
Service	295	51.1%
Manufacturing	61	10.6%
Construction	36	6.2%
Finance, Insurance and Real Estate	58	10.1%
Other	3	0.5%
Wholesale	9	1.6%
Government	22	3.8%
Total	577	100.00%



Letter of Transmittal

For the Year Ended December 31, 2005

The largest business sector of the City is the service sector which is comprised of a little more than half of the businesses in the City. The largest business is in the government sector which contains the Lake County Offices and is the county seat. The remainder of the business composite is primarily in retail, manufacturing and the finance, insurance and real estate sectors with 16.1%, 10.6% and 10.1% respectively.

The Economic Development Department made marked progress in achieving the City's development goals. The Economic Development Department has been busy enhancing communication with current City businesses, improving the department's marketing abilities, organizing a variety of special events and diligently working on development projects that will attract new businesses and jobs to the City.

Listed below are new businesses, which have opened in or relocated to the City of Painesville during 2005. The City of Painesville has taken a very aggressive approach with its economic development programs and is making a concerted effort to acquaint new businesses with the advantages of locating in the City of Painesville.

- Rhino Gear Company
- Family Dollar
- Soto's Inc.
- D.C.'s Restaurant
- Chester's Legacy Tavern
- Marcia's Place
- Allavas Company
- Roberto's Italian and American Restaurant
- Dunkin Donuts / Baskin Robins
- M&M Autobody and Detail
- Advance America
- Hemphill's Vacation Store
- Revol
- Summit Academy

The new businesses in Painesville are a direct result of the economic development activities of the City of Painesville in the form of business breakfasts, energy audits and the creation or enhancement of business resources. The Economic Development Department continues to publish its quarterly newsletter entitled "Works for Business." Several special events that introduce business in Painesville to the residents and the surrounding community were Farmer's Market, Art in the Park, Taste of Painesville, Painesville Holiday Open Houses and the first Annual Holiday Business Gathering. The department purchased new "Welcome" banners for the main thoroughfare in the City.

MAJOR INITIATIVES

Current Year Projects

The mission of the City of Painesville, City Council and City employees is to enhance and improve the quality of life and growth in the community by providing the highest level of service in an efficient and cost effective manner. In 2005, the City upheld that mission by expanding and improving services, upgrading and constructing infrastructure, and enhancing public grounds and facilities.

Letter of Transmittal

For the Year Ended December 31, 2005

Several general government functions received vehicles to improve the overall fleet of the City. The Public Works Division, Fire and Utilities Office received vehicle upgrades. The Parks Division asphalt resurfaced the remaining portion of the roadways in Recreation Park, with the assistance of the Public Works Division. There were also several improvements made to the baseball diamonds in Recreation Park and new playground equipment was installed in Recreation, Homeworth, and Lexington Parks with CDBG grant assistance. The City used its long term debt fund to acquire 16+ acres of park land adjacent to the Grand River in conformance with the City's Park Master Plan. The Public Works Division upgraded their asphalt trailer and snowplow equipment. They also acquired a Hydraulic lift to begin an in-house vehicle maintenance program. The municipal court began their systematic replacement of computer terminals.

Various improvements to infrastructure occurred throughout the City in 2005. The fourth year of an annual resurfacing program was completed. Five or more city roadways are resurfaced on an annual basis under this program. A full street reconstruction of Argonne Drive that consisted of replacing pavement, curbs, sidewalks, drive aprons, and a new storm sewer and waterline were constructed in 2005. The City in cooperation with Ohio Department of Transportation re-surfaced SR84/SR86 throughout the City. The City in cooperation with Lake County, resurfaced Liberty from Bank Street to Richmond Street. Private developers continued to install and dedicate street and utility infrastructure in several developments throughout the City. Engineering and design services continued in the design and analysis of the new interchange for State Route 44.

The Department of Utilities had several projects to improve infrastructure, replace obsolete equipment, and to purchase vehicles. The Division of Water upgraded the 24-inch intake, high service motors were upgraded at the Water Plant. The Division also replaced the water line on Owego Street and the water line on Auburn Rd and SR 86 in Concord Township due to County Road improvements. Water Pollution Control Division purchased a Tri-axel vehicle to be used to transport sludge to the landfill. The Plant also made improvements to the aeration tank diffusers and began the process of constructing a greenhouse for sludge dewatering. The Electric Division replaced two vehicles used for employee transport and continued the systematic replacement of equipment with a new line construction truck. The Electric Plant continued its upgrades and preparation to meet the pending EPA clean Air regulations that are to be implemented in 2007. New controls and opacity meters were installed and the turbine generator #4 was inspected and re-built.

Future Projects

Numerous projects are planned for 2006. The General Fund operations are projected to have limited expenditures focusing on needed improvements to enhance operations. Capital expenditures are expected to be limited to purchase of three new Police Vehicles, and inspector's vehicle and exterior maintenance on the City Hall building. The Parks Division is expected to improve the roof and HVAC system at Morse Avenue Community Center with funds from a CDBG grant. The Fire Division is planning to focus on health and safety improvements with new training equipment. Safety improvements are expected in the pressurized cylinder fill station. All funded from grants and the Fire Levy fund.

***Letter of Transmittal
For the Year Ended December 31, 2005***

The Public Works Division will continue the street asphalt overlay program and several major street resurfacings in 2006. The City will resurface Chester Street from Richmond to N. State Street through local funds and State Issue II funding. The City will begin preparing for future year road improvements by doing the engineering for East Main Street. Sidewalks are expected to be installed and improved on West Eagle Street with the support of CDBG funding. The Public Works Division will also continue their truck replacement program with the acquisition of pick-up with plow to be used on the growing number of cul-de-sac streets in the City. An asphalt compactor and a multi-use bobcat to be used for both mowing and sidewalk plowing are projected to be purchased. The engineering and design on the Jackson/44 interchange upgrade will continue funded by ODOT. The construction of Shamrock Blvd is expected to proceed with the TIF financing. The Storm Water Fund is will support several projects in both construction and engineering this year; including storm water improvements on Elm Street, N. State and Chester Streets, Stockwell, W. South Street, Grand River and Payne Avenue, to name a few.

The 2006 expenditures in the Water Division will focus on equipment and maintenance improvements including replacing three vehicles in Distribution and two vehicles at the Plant. The interior of the Chestnut Street water tank is projected to be painted and several waterline projects for future year's construction are to be designed.

The Water Pollution Control Fund is projecting three sections of sanitary sewer one on West Jackson Street, the other on Mentor Avenue and the third are the three crossing of the N&S RR tracks using Issue II funds and Sewer funds. At the Plant, improvements in the hypochlorination generation equipment are also planned.

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

MANAGEMENT PRACTICES

Internal Control

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

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

***Letter of Transmittal
For the Year Ended December 31, 2005***

Budgetary System

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

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

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

Accounting System

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

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

***Letter of Transmittal
For the Year Ended December 31, 2005***

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

Debt Capacity

The City is well within statutory limitations for both voted and unvoted debt. The computation of the legal debt margins at December 31, 2005 is included in the Statistical Section of this report, along with other related computations and ratios relevant to the City's note and bonded debt. The City currently has no general obligation bonded debt supported by property taxes.

Cash Management

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

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

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2005***

Risk Management

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

OTHER INFORMATION

Independent Audit

Under federal law, the City is required to have an audit performed every year. The accounting firm of Ciuni & Panichi, Inc. performed the 2005 audit. The independent auditors’ unqualified report has been included in this report. The Administration plans to continue this audit procedure as required by law as part of the preparation of its CAFR. The annual audit and management letter submitted by the independent public accounting firm provides information to the City to enable it to maintain and strengthen the City’s accounting and budgeting controls.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Painesville, Ohio for its Comprehensive Annual Financial Report for the year ended December 31, 2004. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement represents a significant accomplishment by a governmental unit.

***Letter of Transmittal
For the Year Ended December 31, 2005***

A Certificate of Achievement is valid for a period of one year. Painesville has received a Certificate of Achievement for the last eighteen consecutive years, fiscal years ended 1987 – 2004. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting the report to the GFOA to determine its eligibility for another certificate.

Public Disclosure

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

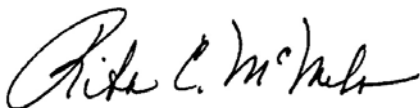
Acknowledgements

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

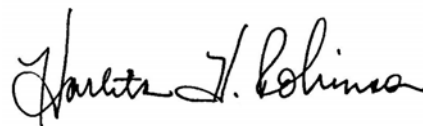
Special thanks are also due to Donald J. Schonhardt, President, Donald J. Schonhardt & Associates, Inc., Columbus, Ohio, and the members of his staff for their efforts in converting the City's budgetary basis accounting records to the generally accepted accounting principles (GAAP) basis. In addition,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

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

Sincerely,



Rita C. McMahon
City Manager



Harlita H. Robinson
Director of Finance

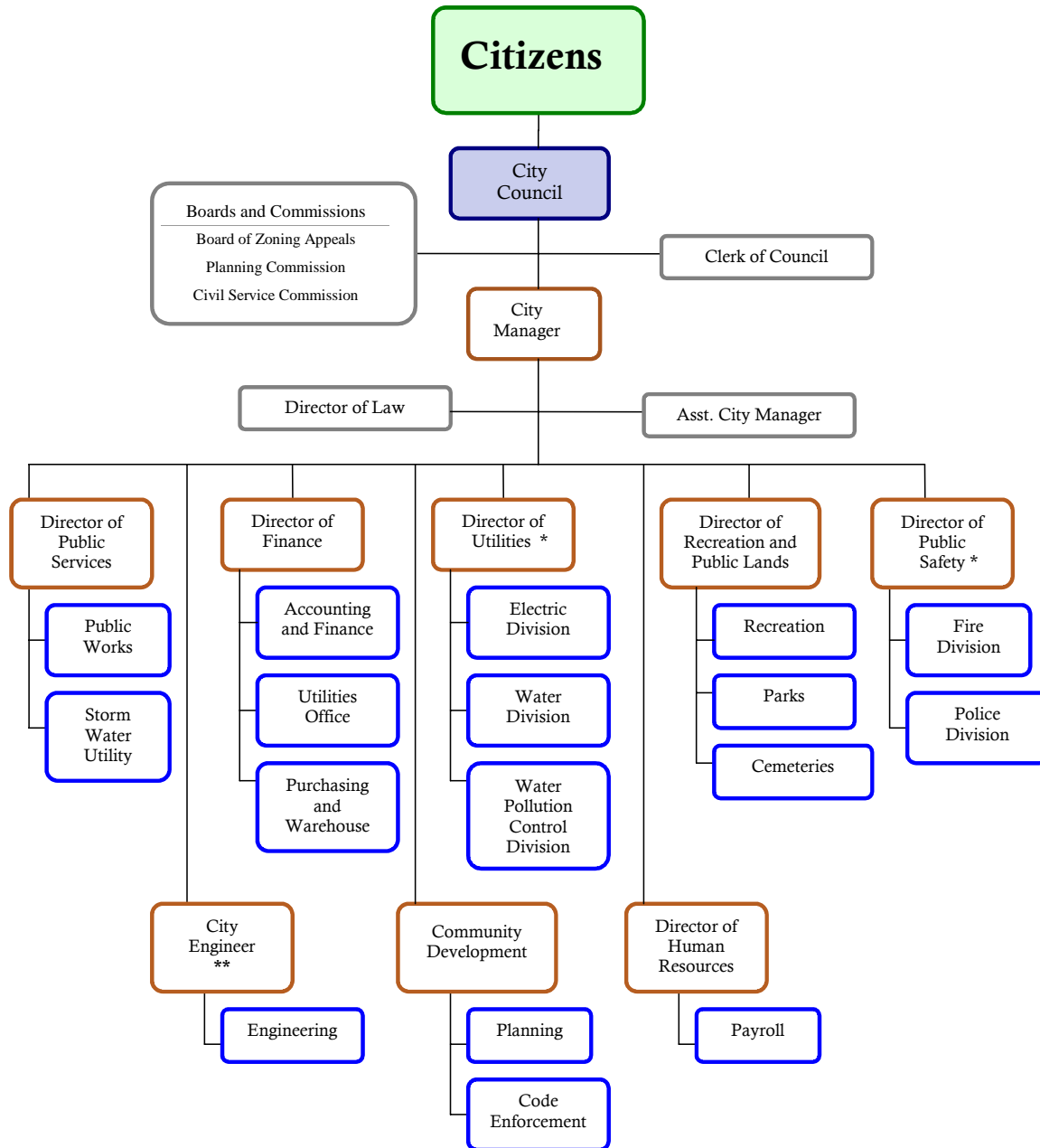
CITY OF PAINESVILLE, OHIO

**List of Principal Officials
For the Year Ended December 31, 2005**

Name	Title	Position	Years of Municipal/Governmental Service			
			City	Municipal/ Governmental Service	Other	Total Public Service
CITY COUNCIL						
William Horvath	President	(Ward 2)	3.0	10.5	0.0	10.5
Robert Fountain	Vice President	(Ward 3)	3.0	10.0	0.0	10.0
Abby DelaMotte	Council Member	(at Large)	16.0	16.0	25.0	27.0
Paul W. Hach II	Council Member	(Ward 4)	2.0	2.0	0.0	2.0
Andrew Flock	Council Member	(Ward 1)	10.5	10.5	0.0	10.5
Joseph Hada, Jr.	Council Member	(at Large)	24.0	24.0	0.0	24.0
Arlene L. Becks	Council Member	(at Large)	4.0	4.0	0.0	4.0
Jennifer Bell	Clerk of Council		4.2	4.2	4.2	8.4
CITY ADMINISTRATION						
Rita C. McMahon	City Manager		8.5	13.5	9.5	23.0
Vacant	Assistant City Manager		0.0	0.0	0.0	0.0
Harlita H. Robinson	Director of Finance		4.4	4.4	7.1	11.5
Joseph M. Gurley	Director of Law		18.0	25.3	14.3	26.3
DEPARTMENT/DIVISION HEADS						
Kevin Lynch	Service Director		1.2	1.2	20.1	21.3
Vacant	City Engineer		0.0	0.0	0.0	0.0
Thomas A. Green, P.E.	Electric Power Superintendent		27.0	27.0	0.0	27.0
Randy Bruback	Water Pollution Control Superintendent		3.8	3.8	16.0	19.8
Mark Mlachak	Fire Chief		3.3	25.3	0.0	25.3
David R. Luhta	Chief of Police		4.3	27.2	0.0	27.2
William E. Vargyas	Water Superintendent		19.5	28.0	4.5	32.5
Robert C. Baetzel	Human Resources Director		7.5	7.5	0.0	7.5
Lee Homyoock	Director of Recreation and Public Lands		1.7	1.7	20.0	21.7
Brian Frantz	City Planner		2.5	2.5	5.0	7.5

CITY OF PAINESVILLE, OHIO

**City Organizational Chart
For the Year Ended December 31, 2005**



* Filled by City Manager
** Vacant

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Painesville,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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

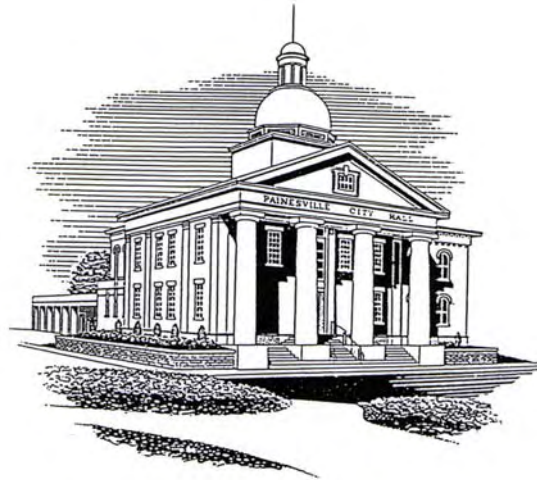


Carla E. Perry

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION



Independent Auditors' Report

Members of the City Council
Painesville, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Ohio as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Painesville, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Ohio, as of December 31, 2005, and the respective changes in financial position, and, where applicable, cash flows and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended December 31, 2005, the City implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006 on our consideration of the City of Painesville, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the City Council
Painesville, Ohio

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

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 23, 2006

The discussion and analysis of the City of Painesville's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2005. 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 2005 are as follows:

- ❑ In total, net assets increased by \$4,811,037. Net assets of governmental activities increased by \$939,571, which represents a 6.1% increase from 2004. Net assets of business-type activities increased by \$3,871,466, or 7.1% from 2004.
- ❑ General revenues accounted for \$11,404,877 in revenue, or 24.4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$35,370,497, or 75.6% of total revenues of \$46,775,374.
- ❑ The City had \$14,384,238 in expenses related to governmental activities; only \$3,928,101 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$11,395,708 were adequate to fully provide for these programs
- ❑ Among major funds, the general fund had \$12,693,491 in revenues, including other financing sources and \$12,829,511 in expenditures, including other financing uses. The general fund's fund balance decreased \$149,635.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following tables provides a comparison of the City's net assets at December 31, 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$14,428,713	\$11,942,470	\$32,968,249	\$30,720,138	\$47,396,962	\$42,662,608
Capital assets, Net	13,623,925	13,497,862	44,955,528	45,446,575	58,579,453	58,944,437
Total assets	<u>28,052,638</u>	<u>25,440,332</u>	<u>77,923,777</u>	<u>76,166,713</u>	<u>105,976,415</u>	<u>101,607,045</u>
Long-term debt outstanding	4,820,480	4,516,279	14,740,744	15,472,356	19,561,224	19,988,635
Other liabilities	6,880,941	5,512,407	4,766,795	5,529,223	11,647,736	11,041,630
Total liabilities	<u>11,701,421</u>	<u>10,028,686</u>	<u>19,507,539</u>	<u>21,001,579</u>	<u>31,208,960</u>	<u>31,030,265</u>
Net assets						
Invested in capital assets, net of related debt	12,923,925	13,157,862	32,921,887	32,171,389	45,845,812	45,329,251
Restricted	2,082,124	1,902,860	896,417	910,426	2,978,541	2,813,286
Unrestricted	1,345,168	350,924	24,597,934	22,083,319	25,943,102	22,434,243
Total net assets	<u>\$16,351,217</u>	<u>\$15,411,646</u>	<u>\$58,416,238</u>	<u>\$55,165,134</u>	<u>\$74,767,455</u>	<u>\$70,576,780</u>

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CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for Services and Sales	\$2,173,533	\$2,235,233	\$30,854,850	\$27,144,472	\$33,028,383	\$29,379,705
Operating Grants and Contributions	1,324,588	774,687	587,546	9,267	1,912,134	783,954
Capital Grants and Contributions	429,980	162,802	0	1,218,151	429,980	1,380,953
General revenues:						
Property Taxes	725,082	717,203	0	0	725,082	717,203
Municipal Income Taxes	7,681,884	6,702,181	0	0	7,681,884	6,702,181
Other Local Taxes	5,957	1,108	0	0	5,957	1,108
Grants and Entitlements not Restricted to Specific Programs	1,766,542	1,590,443	0	0	1,766,542	1,590,443
Investment Earnings	378,891	103,487	568,022	330,270	946,913	433,757
Miscellaneous	278,499	382,964	0	0	278,499	382,964
Total revenues	14,764,956	12,670,108	32,010,418	28,702,160	46,775,374	41,372,268
Program Expenses						
General Government	2,790,590	3,031,283	0	0	2,790,590	3,031,283
Public Safety	6,989,395	7,823,918	0	0	6,989,395	7,823,918
Highways and Streets	2,817,057	3,182,909	0	0	2,817,057	3,182,909
Public Health and Welfare	668,013	835,694	0	0	668,013	835,694
Culture and Recreation	700,165	799,394	0	0	700,165	799,394
Community Environment	351,307	415,026	0	0	351,307	415,026
Interest and Fiscal Charges	67,711	118,717	0	0	67,711	118,717
Water	0	0	4,696,086	4,509,371	4,696,086	4,509,371
Sewer	0	0	3,550,942	3,897,646	3,550,942	3,897,646
Electric	0	0	18,650,228	24,437,629	18,650,228	24,437,629
Refuse	0	0	45,645	45,819	45,645	45,819
Off-Street Parking	0	0	207,561	253,808	207,561	253,808
Storm Water Utility	0	0	429,637	212,317	429,637	212,317
Total expenses	14,384,238	16,206,941	27,580,099	33,356,590	41,964,337	49,563,531
Excess (deficiency) before Transfers and special items	380,718	(3,536,833)	4,430,319	(4,654,430)	4,811,037	(8,191,263)
Transfers	558,853	614,276	(558,853)	(614,276)	0	0
Total Change in Net Assets	939,571	(2,922,557)	3,871,466	(5,268,706)	4,811,037	(8,191,263)
Beginning Net Assets, Restated	15,411,646	18,334,203	54,544,772	59,813,478	69,956,418	78,147,681
Ending Net Assets	\$16,351,217	\$15,411,646	\$58,416,238	\$54,544,772	\$74,767,455	\$69,956,418

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Governmental Activities

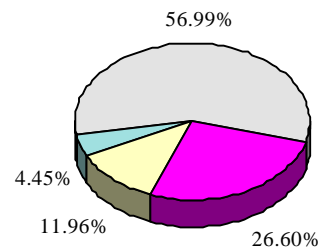
Net assets of the City's governmental activities increased by \$939,571. This was due to a combination of factors including an increase in municipal income tax receipts and grant monies. The City was also able to significantly reduce its expenses compared to 2004.

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

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

Taxes made up 56.99% of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2005	Percent of Total
Taxes	\$8,412,923	56.99%
Program Revenues	3,928,101	26.60%
Shared Revenues	1,766,542	11.96%
General Other	657,390	4.45%
Total Revenue	\$14,764,956	100.00%



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$5,542,347, which is an increase from last year's balance of \$5,188,163. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$3,228,687	\$3,378,322	(\$149,635)
Street Construction, Maintenance and Repair	222,574	870,233	(647,659)
Other Governmental	2,091,086	939,608	1,151,478
Total	\$5,542,347	\$5,188,163	\$354,184

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

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:

	2005 <u>Revenues</u>	2004 <u>Revenues</u>	Increase <u>(Decrease)</u>
Property Taxes	\$439,892	\$445,212	(\$5,320)
Municipal Income Taxes	7,681,884	7,552,814	129,070
Other Local Taxes	5,957	1,108	4,849
Intergovernmental Revenues	1,754,355	1,789,523	(35,168)
Charges for Services	129,445	433,801	(304,356)
Licenses, Permits and Inspection Fees	348,422	333,135	15,287
Investment Earnings	364,745	105,488	259,257
Fines and Forfeitures	744,462	728,162	16,300
All Other Revenue	132,640	226,027	(93,387)
Total	<u>\$11,601,802</u>	<u>\$11,615,270</u>	<u>(\$13,468)</u>

General Fund revenues in 2005 remained relatively stable during 2004. Revenues decreased by less than half a percent during the 2005 fiscal year. A large decrease in charges for services was mostly offset by an increase in income tax collections and investment earnings.

	2005 <u>Expenditures</u>	2004 <u>Expenditures</u>	Increase <u>(Decrease)</u>
General Government	\$2,450,460	\$2,629,590	(\$179,130)
Public Safety	6,252,768	6,751,408	(498,640)
Highways and Streets	967,782	1,187,209	(219,427)
Public Health and Welfare	110,904	115,027	(4,123)
Culture and Recreation	659,993	788,284	(128,291)
Community Environment	345,579	353,463	(7,884)
Debt Service:			
Interest and Fiscal Charges	18,463	10,275	8,188
Total	<u>\$10,805,949</u>	<u>\$11,835,256</u>	<u>(\$1,029,307)</u>

General Fund expenditures decreased by \$1,029,307, or 8.7% from the prior year due to decreases in salaries, pension plan payments and workers' compensation premiums.

Street Construction, Maintenance and Repair Fund – The fund balance decreased by \$647,659 due to large expenditures related to street resurfacings and repairs.

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

During the course of fiscal year 2005 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$11.9 million did not change over the original budget estimates of \$ 11.9 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$58,579,453 net of accumulated depreciation invested in land, construction in progress, buildings and improvements, improvements other than buildings, machinery and equipment, and infrastructure. Of this total, \$13,623,925 was related to governmental activities and \$44,955,528 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$4,430,567	\$4,033,364	\$397,203
Construction in Progress	1,886,926	1,886,926	0
Buildings and Improvements	4,410,799	4,410,799	0
Improvements other than Buildings	1,309,484	1,309,484	0
Machinery and Equipment	5,604,217	5,234,361	369,856
Infrastructure	1,367,297	1,367,297	0
Less: Accumulated Depreciation	(5,385,365)	(4,744,369)	(640,996)
Totals	\$13,623,925	\$13,497,862	\$126,063

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$1,419,614	\$1,419,614	\$0
Construction in Progress	5,046,396	5,046,396	0
Buildings and Improvements	26,018,979	25,623,825	395,154
Improvements other than Buildings	38,004,905	37,453,828	551,077
Machinery and Equipment	20,550,230	20,220,556	329,674
Less: Accumulated Depreciation	(46,084,596)	(44,317,644)	(1,766,952)
Totals	\$44,955,528	\$45,446,575	(\$491,047)

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

CITY OF PAINESVILLE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

As of December 31, 2005, the City had contractual commitments of \$1,475,355 related to street and water plant improvements. Additional information on the City's construction commitments can be found in Note 18.

Debt

At December 31, 2005, the City had \$9,051,056 in bonds outstanding, \$1,379,227 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Governmental Activities:		
General Obligation Notes	\$100,000	\$100,000
Special Assessment Bonds	555,000	185,000
Ohio Public Works Commission Loan	45,000	55,000
Compensated Absences	1,352,545	1,387,617
Capital Leases	1,178,895	1,253,453
Workers' Compensation Liability	771,469	703,904
Police and Firemen's Accrued Pension	817,571	831,305
Total Governmental Activities	<u>4,820,480</u>	<u>4,516,279</u>
Business-Type Activities:		
General Obligation Bonds	\$7,786,056	\$8,389,954
Mortgage Revenue Bonds	710,000	1,375,000
Ohio Water Development Authority Loan	1,214,400	1,275,148
Ohio Public Works Commission Loan	833,474	480,000
Compensated Absences	1,449,914	1,346,061
Capital Leases	368,603	98,084
Payable to Joint Venture	2,378,297	2,508,109
Total Business-Type Activities	<u>14,740,744</u>	<u>15,472,356</u>
Totals	<u>\$19,561,224</u>	<u>\$19,988,635</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.50% of the total assessed value of real and personal property. At December 31, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

ECONOMIC FACTORS

The City's original 2005 budget included very conservative revenue estimates, which resulted in less than a 1.5% increase across all funds. The General Fund receipts were projected to decline by almost 3%, while intergovernmental revenue, the result of grants and transfers, and utility user fees were expected to increase. City Council determined that we could no longer do business as usual and requested 6% decrease in expenditures. This resulted in leaving unfilled a number of vacant positions with particular emphasis on the General Fund. Total City wide expenditures were originally budgeted at 5% less than the previous year but slightly more than anticipated revenues across all funds. Estimated General Fund expenditures decreased by 6.17% but were still relying on utilizing reserve fund balances. No additional personnel were added in the final approved budget. Department requests were reduced from original

***Management's Discussion and Analysis
For the Year Ended December 31, 2005***

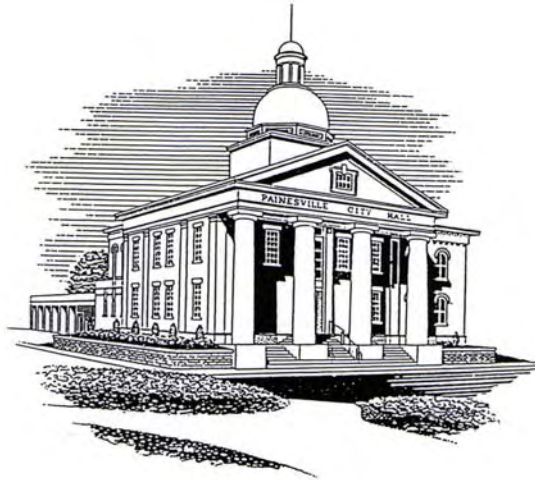
Unaudited

submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

City Council pursued an additional new revenue source in 2005 to support the largest component of the General Fund budget, the Safety Forces. In August, a Safety Levy was placed on the ballot to support operational and capital improvements for both the Police and Fire Departments. The electorate defeated this issue. City Council further identified the need to focus on only the critical and core programs that are required to provide the needed services to the community, thus further reducing expenditures. The result was only critical expenditures were authorized. The focus was to end the year within the revenue estimate for 2005 and hopefully increase the reserve fund. An aggressive economic development program was implemented to increase tax base to provide continual growth in the more traditional revenue sources for the General Fund operations. A close watch of current economic conditions is ongoing to determine if increased revenues, or further reductions in expenditures, are necessary in order to maintain fiscal stability.

REQUESTS FOR INFORMATION

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



CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
December 31, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 4,063,128	\$ 5,064,467	\$ 9,127,595
Investments	2,924,369	19,962,591	22,886,960
Receivables:			
Taxes	2,139,369	0	2,139,369
Accounts	356,696	3,133,083	3,489,779
Intergovernmental	1,869,925	0	1,869,925
Interest	48,795	0	48,795
Special Assessments	297,675	0	297,675
Internal Balances	303,295	(303,295)	0
Inventory of Supplies at Cost	179,372	870,679	1,050,051
Land Held for Resale	785,000	0	785,000
Prepaid Items	73,568	148,417	221,985
Investment in Joint Venture	0	2,316,237	2,316,237
Deferred Charge	0	254,566	254,566
Restricted Assets:			
Cash and Cash Equivalents	1,387,521	625,087	2,012,608
Investments	0	896,417	896,417
Capital Assets:			
Capital Assets Not Being Depreciated	6,317,493	6,466,010	12,783,503
Capital Assets Being Depreciated, Net	7,306,432	38,489,518	45,795,950
Total Assets	28,052,638	77,923,777	105,976,415
Liabilities:			
Accounts Payable	965,022	1,283,422	2,248,444
Accrued Wages and Benefits	608,573	423,969	1,032,542
Intergovernmental Payable	19,507	114,758	134,265
Claims Payable	267,058	0	267,058
Refundable Deposits	0	405,582	405,582
Unearned Revenue	862,614	0	862,614
Accrued Interest Payable	71,167	81,064	152,231
General Obligation Notes Payable	4,087,000	2,458,000	6,545,000
Noncurrent liabilities:			
Due within one year	878,429	1,851,516	2,729,945
Due in more than one year	3,942,051	12,889,228	16,831,279
Total Liabilities	11,701,421	19,507,539	31,208,960
Net Assets:			
Invested in Capital Assets, Net of Related Debt	12,923,925	32,921,887	45,845,812
Restricted For:			
Capital Projects	41,651	0	41,651
Debt Service	609,083	0	609,083
Cemetery Operations:			
Nonexpendable	984,940	0	984,940
Expendable	4,219	0	4,219
Other Purposes	442,231	896,417	1,338,648
Unrestricted	1,345,168	24,597,934	25,943,102
Total Net Assets	\$ 16,351,217	\$ 58,416,238	\$ 74,767,455

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Activities
For the Year Ended December 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,790,590	\$ 1,290,247	\$ 0	\$ 0
Public Safety	6,989,395	338,428	77,054	0
Highways and Streets	2,817,057	50,844	1,247,514	429,980
Public Health and Welfare	668,013	151,607	0	0
Culture and Recreation	700,165	78,114	20	0
Community Environment	351,307	264,293	0	0
Interest and Fiscal Charges	67,711	0	0	0
Total Governmental Activities	14,384,238	2,173,533	1,324,588	429,980
Business-Type Activities:				
Water	4,696,086	4,905,365	500,000	0
Sewer	3,550,942	3,268,359	62,500	0
Electric	18,650,228	22,173,641	25,046	0
Other Enterprise Funds	682,843	507,485	0	0
Total Business-Type Activities	27,580,099	30,854,850	587,546	0
Totals	\$ 41,964,337	\$ 33,028,383	\$ 1,912,134	\$ 429,980

General Revenues

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

- Change in Net Assets
- Net Assets Beginning of Year, Restated
- Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,500,343)	\$ 0	\$ (1,500,343)
(6,573,913)	0	(6,573,913)
(1,088,719)	0	(1,088,719)
(516,406)	0	(516,406)
(622,031)	0	(622,031)
(87,014)	0	(87,014)
(67,711)	0	(67,711)
<u>(10,456,137)</u>	<u>0</u>	<u>(10,456,137)</u>
0	709,279	709,279
0	(220,083)	(220,083)
0	3,548,459	3,548,459
0	(175,358)	(175,358)
<u>0</u>	<u>3,862,297</u>	<u>3,862,297</u>
<u>(10,456,137)</u>	<u>3,862,297</u>	<u>(6,593,840)</u>
725,082	0	725,082
7,681,884	0	7,681,884
5,957	0	5,957
1,766,542	0	1,766,542
378,891	568,022	946,913
278,499	0	278,499
558,853	(558,853)	0
<u>11,395,708</u>	<u>9,169</u>	<u>11,404,877</u>
939,571	3,871,466	4,811,037
<u>15,411,646</u>	<u>54,544,772</u>	<u>69,956,418</u>
<u>\$ 16,351,217</u>	<u>\$ 58,416,238</u>	<u>\$ 74,767,455</u>

CITY OF PAINESVILLE, OHIO

**Balance Sheet
Governmental Funds
December 31, 2005**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 358,339	\$ 481,005	\$ 2,715,194	\$ 3,554,538
Investments	1,145,312	1,537,374	241,683	2,924,369
Receivables:				
Taxes	1,795,277	0	344,092	2,139,369
Accounts	86,531	52,714	217,451	356,696
Intergovernmental	974,042	710,940	184,943	1,869,925
Interest	48,795	0	0	48,795
Special Assessments	0	0	297,675	297,675
Interfund Loans Receivables	300,000	0	0	300,000
Inventory of Supplies, at Cost	143,320	0	2,688	146,008
Land Held for Resale	785,000	0	0	785,000
Prepaid Items	69,838	0	3,730	73,568
Restricted Assets:				
Cash and Cash Equivalents	0	71,867	1,315,654	1,387,521
Total Assets	<u>\$ 5,706,454</u>	<u>\$ 2,853,900</u>	<u>\$ 5,323,110</u>	<u>\$ 13,883,464</u>
Liabilities:				
Accounts Payable	\$ 117,571	\$ 529,590	\$ 227,879	\$ 875,040
Accrued Wages and Benefits Payable	571,615	11,164	25,794	608,573
Intergovernmental Payable	445	18,882	180	19,507
Interfund Loans Payable	0	0	300,000	300,000
Deferred Revenue	1,124,948	503,258	773,342	2,401,548
Accrued Interest Payable	8,188	21,432	19,829	49,449
General Obligation Notes Payable	655,000	1,547,000	1,885,000	4,087,000
Total Liabilities	<u>2,477,767</u>	<u>2,631,326</u>	<u>3,232,024</u>	<u>8,341,117</u>
Fund Balances:				
Reserved for Encumbrances	416,195	466,907	225,098	1,108,200
Reserved for Debt Service	0	0	327,501	327,501
Reserved for Endowments	0	0	984,940	984,940
Undesignated/Unreserved (Deficits) in:				
General Fund	2,812,492	0	0	2,812,492
Special Revenue Funds	0	(244,333)	599,727	355,394
Capital Projects Funds	0	0	(109,712)	(109,712)
Permanent Funds	0	0	63,532	63,532
Total Fund Balances	<u>3,228,687</u>	<u>222,574</u>	<u>2,091,086</u>	<u>5,542,347</u>
Total Liabilities and Fund Balances	<u>\$ 5,706,454</u>	<u>\$ 2,853,900</u>	<u>\$ 5,323,110</u>	<u>\$ 13,883,464</u>

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2005***

Total Governmental Fund Balances	\$ 5,542,347
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	13,623,925
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,538,934
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(283,260)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,070,729)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 16,351,217</u></u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 439,892	\$ 0	\$ 261,749	\$ 701,641
Municipal Income Taxes	7,681,884	0	0	7,681,884
Other Local Taxes	5,957	0	0	5,957
Intergovernmental Revenues	1,754,355	748,722	604,096	3,107,173
Charges for Services	129,445	0	468,617	598,062
Licenses, Permits and Inspection Fees	348,422	0	0	348,422
Investment Earnings	364,745	17,324	48,977	431,046
Special Assessments	0	0	65,099	65,099
Fines and Forfeitures	744,462	0	360,188	1,104,650
All Other Revenues	132,640	836	167,302	300,778
Total Revenues	11,601,802	766,882	1,976,028	14,344,712
Expenditures:				
Current:				
General Government	2,450,460	0	207,201	2,657,661
Public Safety	6,252,768	0	595,498	6,848,266
Highways and Streets	967,782	1,583,993	249,084	2,800,859
Public Health and Welfare	110,904	0	583,387	694,291
Culture and Recreation	659,993	0	0	659,993
Community Environment	345,579	0	222	345,801
Capital Outlay	0	0	882,396	882,396
Debt Service:				
Principal Retirement	0	10,000	40,000	50,000
Interest & Fiscal Charges	18,463	25,069	73,705	117,237
Total Expenditures	10,805,949	1,619,062	2,631,493	15,056,504
Excess (Deficiency) of Revenues Over Expenditures	795,853	(852,180)	(655,465)	(711,792)
Other Financing Sources (Uses):				
Sale of Capital Assets	4,090	0	0	4,090
General Obligation Bonds Issued	0	0	410,000	410,000
Transfers In	1,028,568	96,500	1,427,023	2,552,091
Transfers Out	(2,023,562)	0	(283,961)	(2,307,523)
Other Financing Sources - Capital Leases	59,031	108,021	252,354	419,406
Total Other Financing Sources (Uses)	(931,873)	204,521	1,805,416	1,078,064
Net Change in Fund Balances	(136,020)	(647,659)	1,149,951	366,272
Fund Balances at Beginning of Year	3,378,322	870,233	939,608	5,188,163
Increase (Decrease) in Inventory Reserve	(13,615)	0	1,527	(12,088)
Fund Balances End of Year	\$ 3,228,687	\$ 222,574	\$ 2,091,086	\$ 5,542,347

See accompanying notes to the basic financial statements

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2005***

Net Change in Fund Balances - Total Governmental Funds \$ 366,272

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 148,585

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (22,522)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 432,332

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (271,704)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 49,526

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. 22,980

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. 214,102

Change in Net Assets of Governmental Activities \$ 939,571

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 503,050	\$ 503,050	\$ 440,152	\$ (62,898)
Municipal Income Taxes	7,735,000	7,735,000	7,709,294	(25,706)
Other Local Taxes	1,200	1,200	5,957	4,757
Intergovernmental Revenue	1,880,080	1,880,080	1,891,025	10,945
Charges for Services	125,850	125,850	127,770	1,920
Licenses, Permits and Inspection Fees	322,450	322,450	340,878	18,428
Investment Earnings	409,350	409,350	374,263	(35,087)
Fines and Forfeitures	761,160	761,160	735,192	(25,968)
All Other Revenues	122,785	122,785	132,640	9,855
Total Revenues	<u>11,860,925</u>	<u>11,860,925</u>	<u>11,757,171</u>	<u>(103,754)</u>
Expenditures:				
Current:				
General Government	2,669,129	2,742,214	2,465,525	276,689
Public Safety	7,021,313	6,958,302	6,719,547	238,755
Highways and Streets	1,184,243	1,188,069	1,011,070	176,999
Public Health and Welfare	128,252	128,252	122,560	5,692
Culture and Recreation	863,383	848,702	683,563	165,139
Community Environment	415,421	416,151	366,828	49,323
Total Expenditures	<u>12,281,741</u>	<u>12,281,690</u>	<u>11,369,093</u>	<u>912,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(420,816)	(420,765)	388,078	808,843
Other Financing Sources (Uses):				
Sale of Capital Assets	5,000	5,000	4,090	(910)
Sale of General Obligation Notes	655,000	655,000	655,000	0
Issuance of Capital Leases	0	0	59,031	59,031
Transfers In	1,216,381	1,216,381	1,028,568	(187,813)
Transfers Out	(536,000)	(2,035,204)	(2,035,204)	0
Advances Out	(698,700)	(998,700)	(995,275)	3,425
Total Other Financing Sources (Uses):	<u>641,681</u>	<u>(1,157,523)</u>	<u>(1,283,790)</u>	<u>(126,267)</u>
Net Changes in Fund Balance	220,865	(1,578,288)	(895,712)	682,576
Fund Balance at Beginning of Year	1,401,829	1,401,829	1,401,829	0
Prior Year Encumbrances	508,536	508,536	508,536	0
Fund Balance at End of Year	<u>\$ 2,131,230</u>	<u>\$ 332,077</u>	<u>\$ 1,014,653</u>	<u>\$ 682,576</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenue	\$ 855,761	\$ 855,761	\$ 604,974	\$ (250,787)
Investment Earnings	0	0	8,020	8,020
All Other Revenues	0	0	836	836
Total Revenues	<u>855,761</u>	<u>855,761</u>	<u>613,830</u>	<u>(241,931)</u>
Expenditures:				
Current:				
Highways and Streets	2,505,782	2,533,782	2,159,332	374,450
Debt Service:				
Principal Retirement	483,000	483,000	483,000	0
Interest and Fiscal Charges	9,850	9,850	9,733	117
Total Expenditures	<u>2,998,632</u>	<u>3,026,632</u>	<u>2,652,065</u>	<u>374,567</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,142,871)	(2,170,871)	(2,038,235)	132,636
Other Financing Sources (Uses):				
Sale of General Obligation Notes	1,781,550	1,781,550	1,550,411	(231,139)
Issuance of Capital Leases	92,000	92,000	55,307	(36,693)
Transfers In	105,000	105,000	96,500	(8,500)
Total Other Financing Sources (Uses):	<u>1,978,550</u>	<u>1,978,550</u>	<u>1,702,218</u>	<u>(276,332)</u>
Net Changes in Fund Balance	(164,321)	(192,321)	(336,017)	(143,696)
Fund Balance at Beginning of Year	1,146,861	1,146,861	1,146,861	0
Prior Year Encumbrances	188,080	188,080	188,080	0
Fund Balance at End of Year	<u>\$ 1,170,620</u>	<u>\$ 1,142,620</u>	<u>\$ 998,924</u>	<u>\$ (143,696)</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2005**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 616,880	\$ 566,400	\$ 3,607,191
Investments	2,338,673	1,810,309	15,216,320
Accounts Receivable	393,272	411,367	2,304,515
Inventory of Supplies at Cost	147,555	45,512	677,612
Prepaid Items	45,110	25,662	75,414
Total Current Assets	<u>3,541,490</u>	<u>2,859,250</u>	<u>21,881,052</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	113,241	82,334	424,287
Investments	<u>0</u>	<u>0</u>	<u>896,417</u>
Total Restricted Assets	<u>113,241</u>	<u>82,334</u>	<u>1,320,704</u>
Investment in Joint Venture	0	0	2,316,237
Deferred Charges	44,491	0	210,075
Capital Assets:			
Capital Assets Not Being Depreciated	1,750,315	386,722	4,210,001
Capital Assets Being Depreciated, Net	<u>18,796,010</u>	<u>7,840,827</u>	<u>10,713,158</u>
Total Noncurrent Assets	<u>20,704,057</u>	<u>8,309,883</u>	<u>18,770,175</u>
Total Assets	<u>24,245,547</u>	<u>11,169,133</u>	<u>40,651,227</u>

CITY OF PAINESVILLE, OHIO

		Governmental Activities -	
Other Enterprise Funds	Total	Internal Service Funds	
\$ 273,996	\$ 5,064,467	\$ 508,590	
597,289	19,962,591	0	
23,929	3,133,083	0	
0	870,679	33,364	
2,231	148,417	0	
<u>897,445</u>	<u>29,179,237</u>	<u>541,954</u>	
5,225	625,087	0	
0	896,417	0	
<u>5,225</u>	<u>1,521,504</u>	<u>0</u>	
0	2,316,237	0	
0	254,566	0	
118,972	6,466,010	0	
<u>1,139,523</u>	<u>38,489,518</u>	<u>0</u>	
<u>1,263,720</u>	<u>49,047,835</u>	<u>0</u>	
<u>2,161,165</u>	<u>78,227,072</u>	<u>541,954</u>	

(Continued)

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2005**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
LIABILITIES			
Current Liabilities:			
Accounts Payable	105,652	63,790	1,107,572
Accrued Wages and Benefits	98,043	72,860	247,260
Intergovernmental Payable	60,775	6,759	0
Claims Payable	0	0	0
Refundable Deposits	109,023	0	293,677
Accrued Interest Payable	59,082	9,825	8,124
General Obligation Notes Payable	1,341,000	850,000	0
Capital Leases Payable - Current	839	66,644	14,215
General Obligation Bonds Payable - Current	485,000	0	129,227
Revenue Bond Payable - Current	0	0	710,000
OWDA Loans Payable - Current	63,530	0	0
OPWC Loans Payable - Current	101,357	0	0
Compensated Absences Payable - Current	108,454	2,801	165,554
Total Current Liabilities	<u>2,532,755</u>	<u>1,072,679</u>	<u>2,675,629</u>
Noncurrent Liabilities:			
Capital Leases Payable	6,711	165,127	113,829
General Obligation Bonds Payable	4,520,000	0	2,651,828
OWDA Loans Payable	1,150,870	0	0
OPWC Loans Payable	732,117	0	0
Payable to Joint Venture	0	0	2,378,298
Compensated Absences Payable	271,420	273,535	606,028
Total Noncurrent Liabilities	<u>6,681,118</u>	<u>438,662</u>	<u>5,749,983</u>
Total Liabilities	<u>9,213,873</u>	<u>1,511,341</u>	<u>8,425,612</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	13,485,903	6,869,442	11,304,060
Restricted for Other Purposes	0	0	896,417
Unrestricted	1,545,771	2,788,350	20,025,138
Total Net Assets	<u>\$ 15,031,674</u>	<u>\$ 9,657,792</u>	<u>\$ 32,225,615</u>

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

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

			Governmental Activities -
Other Enterprise Funds	Total	Internal Service Funds	
6,408	1,283,422	89,982	
5,806	423,969	0	
47,224	114,758	0	
0	0	1,038,527	
2,882	405,582	0	
4,033	81,064	0	
267,000	2,458,000	0	
494	82,192	0	
0	614,227	0	
0	710,000	0	
0	63,530	0	
0	101,357	0	
3,401	280,210	0	
<u>337,248</u>	<u>6,618,311</u>	<u>1,128,509</u>	
744	286,411	0	
0	7,171,828	0	
0	1,150,870	0	
0	732,117	0	
0	2,378,298	0	
18,721	1,169,704	0	
<u>19,465</u>	<u>12,889,228</u>	<u>0</u>	
<u>356,713</u>	<u>19,507,539</u>	<u>1,128,509</u>	
1,262,482	32,921,887	0	
0	896,417	0	
541,970	24,901,229	(586,555)	
<u>\$ 1,804,452</u>	<u>\$ 58,719,533</u>	<u>\$ (586,555)</u>	
	<u>(303,295)</u>		
	<u>\$ 58,416,238</u>		

CITY OF PAINESVILLE, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
Operating Revenues:			
Charges for Services	\$ 4,132,700	\$ 3,221,840	\$ 21,828,244
Other Charges for Services	247,138	14,745	66,166
Other Operating Revenues	486,100	30,770	61,847
Total Operating Revenues	4,865,938	3,267,355	21,956,257
Operating Expenses:			
Personal Services	2,199,366	1,959,225	5,499,900
Contractual Services	665,390	633,442	368,865
Materials and Supplies	326,609	212,267	6,784,597
Utilities	351,479	227,460	4,858,708
Depreciation	807,164	494,636	702,439
Total Operating Expenses	4,350,008	3,527,030	18,214,509
Operating Income (Loss)	515,930	(259,675)	3,741,748
Non-Operating Revenue (Expenses):			
Interest Income	42,278	87,697	428,300
Interest and Fiscal Charges	(331,161)	(23,912)	(239,290)
Gain (Loss) on Disposal of Assets	19,140	0	(28,754)
Loss on Investment in Joint Venture	0	0	(131,226)
Intergovernmental Grants	500,000	62,500	25,046
Other Nonoperating Revenue	20,287	1,004	246,138
Other Nonoperating Expense	(14,917)	0	0
Total Non-Operating Revenues (Expenses)	235,627	127,289	300,214
Income (Loss) Before Transfers	751,557	(132,386)	4,041,962
Transfers:			
Transfers In	0	30,000	0
Transfers Out	(18,526)	0	(766,790)
Total Transfers	18,526	(30,000)	766,790
Change in Net Assets	733,031	(102,386)	3,275,172
Net Assets Beginning of Year, Restated	14,298,643	9,760,178	28,950,443
Net Assets End of Year	\$ 15,031,674	\$ 9,657,792	\$ 32,225,615

Change in Net Assets - Total Enterprise Funds

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

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

		Governmental Activities -	
Other Enterprise Funds	Total	Internal Service Funds	
\$ 501,925	\$ 29,684,709	\$ 2,788,966	
2,032	330,081	0	
3,185	581,902	0	
<u>507,142</u>	<u>30,596,692</u>	<u>2,788,966</u>	
214,095	9,872,586	2,344,742	
375,344	2,043,041	349,024	
19,950	7,343,423	221,301	
29,910	5,467,557	0	
38,722	2,042,961	0	
<u>678,021</u>	<u>26,769,568</u>	<u>2,915,067</u>	
(170,879)	3,827,124	(126,101)	
9,747	568,022	0	
(4,822)	(599,185)	0	
0	(9,614)	0	
0	(131,226)	0	
0	587,546	0	
343	267,772	0	
0	(14,917)	0	
<u>5,268</u>	<u>668,398</u>	<u>0</u>	
(165,611)	4,495,522	(126,101)	
234,000	264,000	275,000	
(37,537)	(822,853)	0	
<u>(196,463)</u>	<u>558,853</u>	<u>(275,000)</u>	
30,852	3,936,669	148,899	
<u>1,773,600</u>	<u>54,782,864</u>	<u>(735,454)</u>	
<u>\$ 1,804,452</u>	<u>\$ 58,719,533</u>	<u>\$ (586,555)</u>	
	3,936,669		
	(65,203)		
	<u>\$ 3,871,466</u>		

CITY OF PAINESVILLE, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$4,904,739	\$3,272,131	\$22,114,107
Cash Receipts from Interfund Services Provided	0	0	0
Cash Payments for Goods and Services	(1,414,693)	(1,142,641)	(13,316,313)
Cash Payments to Employees	(2,201,543)	(2,001,837)	(5,430,275)
Cash Payments for Employee Medical Claims	0	0	0
Net Cash Provided (Used) by Operating Activities	<u>1,288,503</u>	<u>127,653</u>	<u>3,367,519</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	0	30,000	0
Transfers Out to Other Funds	0	0	(1,408,568)
Advances In from Other Funds	0	0	695,275
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>30,000</u>	<u>(713,293)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds of General Obligation Notes	1,343,712	850,747	0
Principal Paid on General Obligation Notes	(717,000)	(940,000)	0
Intergovernmental Grants Received	500,000	62,500	25,046
Proceeds from Sales of Capital Assets	19,340	0	981
Acquisition and Construction of Assets	(428,379)	(454,589)	(956,362)
Issuance of Capital Leases	4,957	117,677	47,953
Principal Paid on Capital Leases	(15,382)	(29,501)	(15,711)
Principal Paid on Revenue Bonds	0	0	(665,000)
Principal Paid on General Obligation Bonds	(480,000)	0	(123,899)
Proceeds from Ohio Public Works Commission Loans	413,474	0	0
Principal Paid on Ohio Public Works Commission Loans	(60,000)	0	0
Principal Paid on Ohio Water Development Authority Loans	(60,748)	0	0
Interest Paid on All Debt	(286,383)	(20,778)	(184,990)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>233,591</u>	<u>(413,944)</u>	<u>(1,871,982)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Principal and Interest on Investments	29,003	77,006	310,892
Sale of Investments	0	816,358	2,577,860
Purchase of Investments	(935,978)	0	0
Net Cash Provided (Used) for Investing Activities	<u>(906,975)</u>	<u>893,364</u>	<u>2,888,752</u>
Net Increase in Cash and Cash Equivalents	615,119	637,073	3,670,996
Cash and Cash Equivalents at Beginning of Year	<u>115,002</u>	<u>11,661</u>	<u>360,482</u>
Cash and Cash Equivalents at End of Year	<u>\$730,121</u>	<u>\$648,734</u>	<u>\$4,031,478</u>
<u>Reconciliation of Cash and Cash Equivalents per the Balance Sheet</u>			
Cash and Cash Equivalents	\$616,880	\$566,400	\$3,607,191
Restricted Cash and Cash Equivalents	<u>113,241</u>	<u>82,334</u>	<u>424,287</u>
Cash and Cash Equivalents at End of Year	<u>\$730,121</u>	<u>\$648,734</u>	<u>\$4,031,478</u>

CITY OF PAINESVILLE, OHIO

		Governmental Activities	
Other Enterprise Funds	Total	Internal Service Funds	
\$508,193	\$30,799,170	\$0	
0	0	2,788,966	
(422,444)	(16,296,091)	(281,143)	
(201,088)	(9,834,743)	(275,848)	
0	0	(2,234,532)	
<u>(115,339)</u>	<u>4,668,336</u>	<u>(2,557)</u>	
234,000	264,000	275,000	
(30,000)	(1,438,568)	0	
0	695,275	0	
<u>204,000</u>	<u>(479,293)</u>	<u>275,000</u>	
267,676	2,462,135	0	
(160,000)	(1,817,000)	0	
0	587,546	0	
0	20,321	0	
(6,000)	(1,845,330)	0	
0	170,587	0	
(481)	(61,075)	0	
0	(665,000)	0	
0	(603,899)	0	
0	413,474	0	
0	(60,000)	0	
0	(60,748)	0	
<u>(3,200)</u>	<u>(495,351)</u>	<u>0</u>	
<u>97,995</u>	<u>(1,954,340)</u>	<u>0</u>	
6,089	422,990	0	
7,605	3,401,823	0	
0	(935,978)	0	
<u>13,694</u>	<u>2,888,835</u>	<u>0</u>	
200,350	5,123,538	272,443	
78,871	566,016	236,147	
<u>\$279,221</u>	<u>\$5,689,554</u>	<u>\$508,590</u>	
\$273,996	\$5,064,467	\$508,590	
5,225	625,087	0	
<u>\$279,221</u>	<u>\$5,689,554</u>	<u>\$508,590</u>	

(Continued)

CITY OF PAINESVILLE, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005**

	Business-Type Activities		
	Enterprise Funds		
	Water	Sewer	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$515,930	(\$259,675)	\$3,741,748
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	807,164	494,636	702,439
Miscellaneous Nonoperating Revenues	22,327	1,004	252,190
Miscellaneous Nonoperating Expenses	(19,382)	0	0
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	16,474	3,772	(94,340)
(Increase) Decrease in Inventory	(1,897)	3,778	(36,540)
Increase in Prepaid Items	(27,281)	(20,315)	(54,684)
Increase in Accounts Payable	(57,986)	(37,501)	(1,048,271)
Increase in Accrued Wages and Benefits	(14,389)	(23,924)	(22,917)
Increase in Intergovernmental Payable	34,685	(15,434)	(34,463)
Increase in Compensated Absences Payable	12,858	(18,688)	92,168
Decrease in Payable to Joint Venture	0	0	(129,811)
Decrease in Claims Liability	0	0	0
Total Adjustments	<u>772,573</u>	<u>387,328</u>	<u>(374,229)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$1,288,503</u>	<u>\$127,653</u>	<u>\$3,367,519</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2005 the Water and Electric Funds had outstanding liabilities of \$89,9723 and \$7,389 respectively for the purchase of certain capital assets. During 2005 the fair value of investments increased by \$8,965, \$6,940, \$55,820, and \$2,290 in the Water, Sewer, Electric, and Storm Water Utility Funds, respectively.

The notes to the basic financial statements are an integral part of this statement.

CITY OF PAINESVILLE, OHIO

Other Enterprise Funds	Total	Governmental Activities
		Internal Service Funds
(\$170,879)	3,827,124	(\$126,101)
38,722	2,042,961	0
517	276,038	0
0	(19,382)	0
534	(73,560)	0
0	(34,659)	4,151
(1,664)	(103,944)	0
(7,154)	(1,150,912)	(10,157)
(4,508)	(65,738)	0
11,578	(3,634)	0
17,515	103,853	0
0	(129,811)	0
0	0	129,550
55,540	841,212	123,544
(\$115,339)	\$4,668,336	(\$2,557)

CITY OF PAINESVILLE, OHIO

**Statement of Net Assets
Fiduciary Funds
December 31, 2005**

	Private Purpose Trust	
	Deposit Trust	Agency
Assets:		
Cash and Cash Equivalents	\$ 264,236	\$ 78,163
Total Assets	<u>264,236</u>	<u>78,163</u>
Liabilities:		
Accounts Payable	2,675	0
Due to Others	0	78,163
Total Liabilities	<u>2,675</u>	<u>78,163</u>
Unrestricted	261,561	0
Total Net Assets	<u>\$ 261,561</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF PAINESVILLE, OHIO

**Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2005**

	Private Purpose Trust
	<u>Deposit Trust</u>
Additions:	
Contributions:	
Private Donations	\$ 13,481
Total Additions	<u>13,481</u>
Deductions:	
Administrative Expenses	<u>64,870</u>
Total Deductions	<u>64,870</u>
Change in Net Assets	(51,389)
Net Assets at Beginning of Year	<u>312,950</u>
Net Assets End of Year	<u>\$ 261,561</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. Basis of Presentation - Fund Accounting

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

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

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. These balances appear as internal balances on the statement of net assets.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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

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

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Special assessment installments, including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2005, but which are not intended to finance 2005 operations or are not expected to be received within sixty (60) days after year end, are recorded as deferred revenue as further described in Note 7.

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

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

E. Budgetary Process

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The estimated revenue amounts reported on the accompanying budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued for 2005.

3. Appropriations

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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 in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end, however, are reported as reservations of fund balances for subsequent year expenditures in the accompanying combined balance sheet.

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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

	Net Change in Fund Balance	
	General Fund	Street Construction, Maintenance and Repair Fund
GAAP Basis (as reported)	(\$136,020)	(\$647,659)
Increase (Decrease):		
Accrued Revenues at December 31, 2005 received during 2006	(2,079,697)	(268,292)
Accrued Revenues at December 31, 2004 received during 2005	1,984,977	63,934
Accrued Expenditures at December 31, 2005 paid during 2006	1,352,819	2,128,068
Accrued Expenditures at December 31, 2004 paid during 2005	(1,504,839)	(592,613)
2004 Prepays for 2005	48,065	0
2005 Prepays for 2006	(69,838)	0
2005 Adjustment to Fair Value	(4,390)	(5,893)
2004 Adjustment to Fair Value	(2,181)	0
Outstanding Encumbrances	(484,608)	(1,013,562)
Budget Basis	<u>(\$895,712)</u>	<u>(\$336,017)</u>

F. Cash and Cash Equivalents

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents (Continued)

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

G. Investments

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

The City has invested funds in the STAR Ohio during 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005. See Note 6, "Cash, Cash Equivalents and Investments."

H. Accounts Receivable

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

I. Inventory

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

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

L. Compensated Absences

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

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

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

M. Long-Term Debt

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Debt (Continued)

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

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

N. Issuance Costs

In governmental fund types, issuance costs are recognized in the current period. Issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Reservations of Fund Balances

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

P. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Q. Restricted Assets

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

R. Intergovernmental Revenues

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

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

S. Pensions

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

T. Net Assets

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Estimates

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

V. Operating Revenues and Expenses

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

W. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

NOTE 2 – RESTATEMENT OF FUND BALANCES

Prior Period Adjustments - During the year ended December 31, 2005, the City reappraised the value of its capital assets for the business type activities and the governmental activities. In addition to the reappraisal, the City has previously overstated its investment in the joint venture reported in the Electric Fund. These restatements had the following effects on the enterprise fund's net assets:

	Water Fund	Sewer Fund	Electric Fund	Other Enterprise Funds	Total
Net Assets					
at December 31, 2004 as reported	\$11,849,729	\$10,432,910	\$30,603,973	\$1,517,270	\$54,403,882
Correction of Accounting Error for Joint Venture	0	0	(620,362)	0	(620,362)
Restate Capital Assets	<u>2,448,914</u>	<u>(672,732)</u>	<u>(1,033,168)</u>	<u>256,330</u>	<u>999,344</u>
Net Assets					
at December 31, 2004 as restated	<u>\$14,298,643</u>	<u>\$9,760,178</u>	<u>\$28,950,443</u>	<u>\$1,773,600</u>	<u>\$54,782,864</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 2 – RESTATEMENT OF FUND BALANCES (Continued)

The changes to the beginning fund balances had the following effect on the governmental activities and the business-type activities beginning net assets:

	Governmental Activities	Business Type Activities
Net Assets December 31, 2004 as reported	\$16,915,928	\$54,165,790
Adjustment:		
Correction of Accounting Error for Joint Venture	0	(620,362)
Restate Capital Assets	(1,504,282)	999,344
Net Assets December 31, 2004 as restated	<u>\$15,411,646</u>	<u>\$54,544,772</u>

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

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

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

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

Delinquent Tax Revenue	\$48,921
Shared Revenues	1,191,021
Interest Revenues	1,317
Special Assessment Revenue	<u>297,675</u>
	\$1,538,934

Long-Term liabilities not reported in the funds:

Special Assessment Bonds Payable	(\$555,000)
OPWC Loans Payable	(45,000)
Long-Term Note Payable	(100,000)
Accrued Interest on Long-Term Debt	(21,718)
Capital Leases Payable	(1,178,895)
Police/Firemen's Pension Accrued Liability	(817,569)
Compensated Absences Payable	<u>(1,352,547)</u>
	(\$4,070,729)

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2005*

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

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

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

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

Capital Outlay	\$1,005,825
Depreciation Expense	<u>(857,240)</u>
	\$148,585

Governmental revenues not reported in the funds:

Increase in Delinquent Tax Revenue	\$23,441
Increase in Shared Revenue	413,937
Decrease in Interest Revenue	(52,155)
Increase in Special Assessment Revenue	<u>47,109</u>
	\$432,332

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$35,068
Decrease in supplies inventory	<u>(12,088)</u>
	\$22,980

NOTE 4 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the City has implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*” and GASB Statement No. 42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.”

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks, credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 6, "Cash and Cash Equivalents." The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the City.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 5 - COMPLIANCE AND ACCOUNTABILITY

The deficits at December 31, 2005 of \$405,341 in the Capital Improvement Fund and \$421,465 in the Industrial Park Projects Fund (nonmajor governmental funds) arose from the recognition of general obligation notes payable under the modified accrual basis of accounting. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist. The deficits of \$168,157 in the Employee Health Insurance Fund, and \$617,692 in the Workers' Compensation Retrospective Fund (internal service funds) were the result of recognizing expenses on the accrual basis, which result in expenses greater than those on the cash basis. Deficits did not exist on a cash basis. The General Fund provides transfers, upon City Council's approval, when cash is required, not when accruals occur.

For the year ended December 31, 2005 expenditures exceeded appropriations at the legal level of budgetary control in the Capital Equipment Reserve Fund (capital projects fund). Expenditures exceeded appropriations by \$109,175, \$6,122, and \$15,164 in the Public Safety; Highway and Streets; and Culture and Recreation programs respectively. Ohio Revised Code requires that expenditures not exceed appropriations. The excess expenditures were funded from available fund balances.

For the year ended December 31, 2005 appropriations exceeded available resources in the Police Pension Transfer Fund. Appropriations exceeded resources by \$61. Ohio Revised Code requires that appropriations not exceed available resources.

NOTE 6 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

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

A. Deposits

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

At year end the carrying amount of the City's deposits was \$15,294,493 and the bank balance was \$16,836,788. Federal depository insurance covered \$400,000 of the bank balance and \$16,436,788 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 District's name	\$16,436,788
Total Balance	<u><u>\$16,436,788</u></u>

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments

The City's investments at December 31, 2005 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$3,582,249	AAAm ¹	\$3,582,249	\$0	\$0
City's Debt	655,000	N/A	655,000	0	0
US Treasury Bills	896,417	*	0	896,417	0
FHLB	1,985,039	AAA ¹ /Aaa ²	1,985,039	0	0
FHLMC	6,941,531	AAA ¹ /Aaa ²	6,941,531	0	0
FNMA	5,911,250	AAA ¹ /Aaa ²	4,911,250	1,000,000	0
Total Investments	<u>\$19,971,486</u>		<u>\$18,075,069</u>	<u>\$1,896,417</u>	<u>\$0</u>

¹ Standard & Poor's

² Moody's Investor Service

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

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 10.5% are FNMA, 10.8% are FHLB, and 4.2% are FMCA.

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$11,482,602	\$23,783,377
Certificates of Deposit (with maturities of more than 3 months)	7,394,140	(7,394,140)
STAR Ohio	<u>(3,582,249)</u>	<u>3,582,249</u>
Per GASB Statement No. 3	<u>\$15,294,493</u>	<u>\$19,971,486</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 7 - PROPERTY TAX

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2000 and the equalization adjustment was made in 2003. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder is payable by June 20.

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

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

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

The full tax rate for all City operations for the year ended December 31, 2005 was \$3.70 per \$1,000 of assessed value. The assessed value upon which the 2005 collection was based was \$254,533,194. This amount constitutes \$214,452,990 in real property assessed value, \$5,576,000 in public utility assessed value and \$34,504,204 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Property taxes recorded as revenue in 2005 were based on a tax rate equal to .370% (3.70 mills) of assessed value.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, interest, accounts receivable (net of allowance of \$29,480), special assessments, loans and intergovernmental receivables arising from shared revenues.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 9 - LAND HELD FOR RESALE

In December 1999, the City purchased 43.1 acres of land with the intent of resale as part of the City's economic development strategy. Additional land was purchased during 2001 for the same purpose. This land is instrumental in the development of commercial or industrial facilities to create and preserve jobs. At December 31, 2005 the City's Land Held for Resale balance was \$785,000.

NOTE 10 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2005:

Fund	Transfers In	Transfers Out
Major Governmental Fund:		
General Fund	\$1,028,568	\$2,023,562
Street Construction, Maintenance and Repair Fund	96,500	0
Total Major Governmental Funds	1,125,068	2,023,562
Major Enterprise Funds:		
Water Fund	0	18,526
Sewer Fund	30,000	0
Electric Fund	0	766,790
Total Major Enterprise Funds	30,000	785,316
Nonmajor Governmental Funds:		
Cemeteries Fund	390,000	0
Municipal Motor Vehicle License Tax Fund	0	33,000
City Motor Vehicle License Tax Fund	0	63,500
Underground Storage Tank Fund	5,000	0
Probation Services Fund	10,862	0
COPS Fast Grant Fund	35,000	0
General Bond Retirement Fund	237,461	0
Municipal Court Improvement Fund	102,700	0
Capital Equipment Reserve Fund	296,000	0
Capital Improvement Fund	100,000	187,461
Shamrock Boulevard Road Project Fund	100,000	0
Jackson Street Interchange Fund	100,000	0
Industrial Park Project Fund	50,000	0
Total Nonmajor Governmental Funds	1,427,023	283,961
Nonmajor Enterprise Fund:		
Refuse Fund	34,000	0
Off-Street Parking Fund	100,000	7,537
Storm Water Utility Fund	100,000	30,000
Total Nonmajor Enterprise Funds	234,000	37,537
Internal Service Funds:		
Fuel and Oil Rotary Fund	100,000	0
Employee Health Insurance Fund	25,000	0
Workers' Compensation Retrospective Fund	150,000	0
Total Internal Service Funds	275,000	0
Total All Funds	\$3,091,091	\$3,130,376

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 10 - TRANSFERS (Continued)

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

For the year ended December 31, 2005, the Water, Electric, and Off Street Parking Funds report the respective transfers out of \$18,526, \$766,790, and \$7,537. These amounts contain \$18,526, \$13,222, and \$7,537 in “one-sided” transfer transactions totaling \$39,285. The transfers out were made to account for the net book value of certain capital assets that were transferred to Governmental Activities.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2005 consist of the following individual fund receivables and payables:

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

The interfund loan balances result from the General Fund’s advance of monies to the Fire Levy Fund to assist the fund’s cashflow. The advance is scheduled to be repaid during the 2006 fiscal year.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 12 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2005:

<i>Historical Cost:</i>	Restated December 31, 2004	Additions	Deletions	December 31, 2005
<u>Class</u>	<u>2004</u>	<u> </u>	<u> </u>	<u> </u>
<i>Capital assets not being depreciated:</i>				
Land	\$4,033,364	\$410,823	(\$13,620)	\$4,430,567
Construction in Progress	1,886,926	0	0	1,886,926
Subtotal	<u>5,920,290</u>	<u>410,823</u>	<u>(13,620)</u>	<u>6,317,493</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	4,410,799	0	0	4,410,799
Improvements other than Buildings	1,309,484	0	0	1,309,484
Machinery and Equipment	5,234,361	595,002	(225,146)	5,604,217
Infrastructure	1,367,297	0	0	1,367,297
Subtotal	<u>12,321,941</u>	<u>595,002</u>	<u>(225,146)</u>	<u>12,691,797</u>
Total Cost	<u>\$18,242,231</u>	<u>\$1,005,825</u>	<u>(\$238,766)</u>	<u>\$19,009,290</u>
 <i>Accumulated Depreciation:</i>				
<u>Class</u>	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Buildings and Improvements	(\$1,855,621)	(\$70,853)	\$0	(\$1,926,474)
Improvements other than Buildings	(438,987)	(55,186)	0	(494,173)
Machinery and Equipment	(2,313,860)	(672,763)	216,244	(2,770,379)
Infrastructure	(135,901)	(58,438)	0	(194,339)
Total Depreciation	<u>(\$4,744,369)</u>	<u>(\$857,240) *</u>	<u>\$216,244</u>	<u>(\$5,385,365)</u>
<i>Net Value:</i>	<u>\$13,497,862</u>			<u>\$13,623,925</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	\$135,267
Public Safety	242,305
Highways and Streets	236,004
Public Health and Welfare	19,907
Culture and Recreation	72,256
Community Environment	7,863
Total Depreciation Expense	<u>713,602</u>
Amounts Transferred from Enterprise Funds	143,638
Total Additions to Deprecation	<u>\$857,240</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 12 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities capital assets at December 31, 2005:

<i>Historical Cost:</i>	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$1,419,614	\$0	\$0	\$1,419,614
Construction In Progress	5,046,396	0	0	5,046,396
Subtotal	6,466,010	0	0	6,466,010
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	25,623,825	395,154	0	26,018,979
Improvements other than Buildings	37,453,828	551,077	0	38,004,905
Machinery and Equipment	20,220,556	674,901	(345,227)	20,550,230
Subtotal	83,298,209	1,621,132	(345,227)	84,574,114
Total Cost	\$89,764,219	\$1,621,132	(\$345,227)	\$91,040,124
 <i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2004	Additions	Deletions	December 31, 2005
Buildings and Improvements	(\$14,571,627)	(\$637,360)	\$0	(\$15,208,987)
Improvements other than Buildings	(13,560,171)	(923,668)	0	(14,483,839)
Machinery and Equipment	(16,185,846)	(481,933)	276,009	(16,391,770)
Total Depreciation	(\$44,317,644)	(\$2,042,961)	\$276,009	(\$46,084,596)
<i>Net Value:</i>	\$45,446,575			\$44,955,528

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 13 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% 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, 2005, 2004, and 2003 were \$1,372,183, \$1,439,805 and \$1,445,611, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 13 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$405,072.

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, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. 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 1% to 6% for the next 8 years. In subsequent years (9 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 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 13 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$460,196, \$439,707 and \$431,879 for police and \$411,690, \$396,703 and \$406,680 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 2005 covered payroll that was used to fund postemployment health care benefits was \$182,898 representing 7.75% of covered payroll for police and \$132,942 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, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 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, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT

Long-term debt of the City at December 31, 2005 was as follows:

		Balance December 31, 2004	Issued	(Retired)	Balance December 31, 2005	Amount Due Within One Year
Business-Type Activities:						
Mortgage Revenue Bonds:						
2.900 - 6.000% Electric System	1992	\$1,375,000	\$0	(\$665,000)	\$710,000	\$710,000
General Obligation Bonds:						
1.500 - 3.600% Waterworks	2003	1,985,000	0	(230,000)	1,755,000	235,000
3.250 - 4.600% Waterworks	1998	3,500,000	0	(250,000)	3,250,000	250,000
4.600 - 4.750% Joint Venture Agreement	2001	2,904,954	0	(123,898)	2,781,056	129,227
Total General Obligation Bonds		8,389,954	0	(603,898)	7,786,056	614,227
Ohio Water Development Authority Loans (OWDA):						
4.618% Safe Drinking Water	1998	1,275,148	0	(60,748)	1,214,400	63,530
Total OWDA Loans		1,275,148	0	(60,748)	1,214,400	63,530
Ohio Public Works Commission Loan (OPWC):						
0.000% Raw Water Pump Station Replacement	2002	480,000	0	(60,000)	420,000	60,000
0.000% Pump Station	2005	0	413,474	0	413,474	41,357
Total OPWC Loans		480,000	413,474	(60,000)	833,474	101,357
Capital Leases Payable		98,084	326,291	(55,772)	368,603	82,192
Payable to Joint Venture		2,508,109	0	(129,812)	2,378,297	0
Compensated Absences		1,346,061	1,449,914	(1,346,061)	1,449,914	280,210
Total Business-Type Activities		\$15,472,356	\$2,189,679	(\$2,921,291)	\$14,740,744	\$1,851,516
Governmental Activities:						
Special Assessment Debt (with governmental commitment)						
8.000 - 8.125% Chicago/Forest/Roosevelt Street Improvements	1988	\$185,000	\$0	(\$40,000)	\$145,000	\$45,000
4.75% Renaissance Parkway	2005	0	410,000	0	410,000	10,000
Total Special Assessment Debt (with governmental commitment)		185,000	410,000	(40,000)	555,000	55,000
Ohio Public Works Commission Loans (OPWC):						
0.000% East Walnut Avenue Improvements Loan	2000	55,000	0	(10,000)	45,000	10,000
Total OPWC Loans		55,000	0	(10,000)	45,000	10,000
Long-Term Notes Payable:						
5.000% Land Purchase	2001	100,000	0	0	100,000	100,000
Compensated Absences		1,387,617	1,352,545	(1,387,617)	1,352,545	313,950
Workers' Compensation Liability		703,904	67,565	0	771,469	0
Capital Lease Payable		1,253,453	419,406	(493,964)	1,178,895	385,154
Police/Firemen's Pension Accrued Liability		831,305	0	(13,734)	817,571	14,325
Total Governmental Activities		\$4,516,279	\$2,249,516	(\$1,945,315)	\$4,820,480	\$878,429

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 14 - LONG-TERM DEBT (Continued)

A. Defeased Debt

In December 1985, the City defeased \$4,540,000 of Electric Plant First Mortgage Revenue Bonds dated July 1, 1972 and August 1, 1974 and \$3,400,000 of Special Obligation Electric System Refunding Bonds dated December 1, 1985 through the issuance of Electric System Mortgage Revenue Bonds (the "1985 Bonds"). In December 1992, the City defeased \$5,090,000 of the 1985 Bonds through the issuance of \$6,000,000 of Electric System Mortgage Revenue Refunding Bonds (the "1992 Bonds"). In February of 2003, the City defeased \$2,205,000 of Waterworks General Revenue Bonds dated December 1, 1992 (the "1992 Waterworks Bonds") through the issuance of \$2,380,000 of Waterworks General Obligation Refunding Bonds (the "2003 Waterworks Bonds"). The net proceeds of both the 1985 and 1992 Bonds have been invested in U.S. Treasury 1992 obligations and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$2,415,000 at December 31, 2005, are not included in the City's outstanding debt since the City has satisfied its obligations through the advanced refunding.

B. Compensated Absences

City management staff and employees in each bargaining unit earn sick leave credit. Employees with at least 10 years of service are paid for one-third of their accumulated sick leave credit upon termination of employment, which may not exceed 120 days. This obligation amounted to \$1,601,822 for the City as of December 31, 2005.

In addition, management staff and personnel in each bargaining unit earn vacation at different rates based upon length of service. Vacation carried forward to the current year may not exceed one year's leave balance. In case of death, termination or retirement, an employee (or his estate) is paid for unused vacation up to a maximum of one year credit and two week accrual. The total obligation for accrued vacation for the City as a whole at December 31, 2005 amounted to \$1,200,637.

C. Police and Firemen's Pension Accrued Liability

The City's liability for past service costs related to the Police and Fire Pension Fund at December 31, 2005 was \$1,441,009 in principal and scheduled interest payments through the year 2035. Only the principal portion of the payments due are included in the in the government-wide statement of net assets.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT (Continued)

D. Capital Leases

The City has entered into agreements to lease equipment. The original cost of the equipment was \$2,146,927. Such agreements are, in substance, lease purchases (capital leases) and are classified as long-term obligations in the financial statements. The costs of these assets are included in the capital asset balances of both the Governmental Activities and Water, Sewer, Electric Funds (major enterprise fund) and the Off Street Parking Fund (nonmajor enterprise fund). As of December 31, 2005 the City had received possession of assets acquired through its new capital leases, but reimbursements for the costs of the assets were still pending from the bank. The reimbursable amount was accrued as accounts receivable. The capital leases payable are recorded in Governmental Activities and the Business-Type Activities in the amount of \$1,178,895, and \$368,603, respectively.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2005:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2006	\$396,621	\$117,617
2007	351,909	110,552
2008	194,669	57,769
2009	157,904	43,166
2010	67,775	35,918
2011	76,901	14,124
2012	38,450	7,062
Minimum Lease Payments	1,284,229	386,208
Less: amount representing interest at the City's incremental borrowing rate of interest	(105,334)	(17,605)
Present value of minimum lease payments	<u>\$1,178,895</u>	<u>\$368,603</u>

E. Special Assessments with Governmental Commitment

The principal amount of the City's special assessment debt outstanding at December 31, 2005, \$555,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$250,305 in the Special Assessment Bond Retirement Fund at December 31, 2005 is reserved for the retirement of outstanding special assessment bonds.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT (Continued)

F. Ohio Water Development Authority Loan

In 1998, the City entered into an agreement with the Ohio Water Development Authority to receive loans from the Water Supply Revolving Loan Account and the Freshwater Loan Agreement in the amounts of \$1,644,613. The interest rate on the loan is 4.618% per annum. This loan is payable from water service charges. The loan can only be received by the City in increments as the project is completed. As of December 31, 2005 the City had received \$1,524,401. The City began repaying the loan in semiannual payments in 1999 based on a loan amount of \$1,664,613 to be paid through 2019. As of December 31, 2005, the loan had an outstanding balance of \$1,214,400.

G. Principal and Interest Requirements

The principal and interest requirements to retire long-term debt and Police and Fire Pension Liability obligations at December 31, 2005, are as follows:

Years	General Obligation Bonds		Special Assessment Bonds		Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$614,227	\$335,236	\$55,000	\$33,537	\$710,000	\$42,600
2007	619,556	315,367	65,000	27,776	0	0
2008	631,218	291,711	65,000	23,062	0	0
2009	648,212	266,655	15,000	18,350	0	0
2010	660,539	241,369	15,000	17,638	0	0
2011-2015	2,699,589	798,600	90,000	76,637	0	0
2016-2020	1,912,715	240,066	110,000	52,250	0	0
2021-2025	0	0	140,000	21,750	0	0
Totals	\$7,786,056	\$2,489,004	\$555,000	\$271,000	\$710,000	\$42,600

Years	OWDA Loans		OPWC Loans		Police/Firemen's Pension Accrued Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$63,530	\$55,376	\$111,357	\$0	\$14,325	\$34,596
2007	66,446	52,460	111,357	0	14,942	33,981
2008	69,503	49,402	111,357	0	15,584	33,339
2009	72,710	46,195	111,357	0	16,253	32,670
2010	76,073	42,832	106,357	0	16,950	31,972
2011-2015	436,876	134,278	326,689	0	96,321	148,291
2016-2020	429,262	78,971	0	0	118,862	125,749
2021-2025	0	0	0	0	146,678	97,935
2026-2030	0	0	0	0	181,004	63,609
2031-2035	0	0	0	0	196,652	21,298
Totals	\$1,214,400	\$459,514	\$878,474	\$0	\$817,571	\$623,440

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 14 - LONG-TERM DEBT (Continued)

G. Principal and Interest Requirements (Continued)

Years	Long-Term Notes Payable	
	Principal	Interest
2006	\$100,000	\$5,000

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

NOTE 15 - NOTES PAYABLE

The Ohio Revised Code provides that notes and renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than the principal maturities required if the bonds had been issued at the expiration of the initial five year period. Below is a summary of notes payable activity during 2005:

	Balance January 1, 2005	Issued	(Retired)	Balance December 31, 2005
General Fund				
5.00% Land Purchase Agreement	\$0	\$655,000	\$0	\$655,000
Special Revenue Funds:				
Street Construction, Maintenance and Repair Fund:				
1.60% Street Construction and Resurfacing	78,000	0	(78,000)	0
2.00% Street Construction and Resurfacing	395,000	0	(395,000)	0
2.00% Street Construction and Resurfacing	0	205,000	0	205,000
2.00% Street Construction and Resurfacing	0	1,142,000	0	1,142,000
4.50% Street Construction and Resurfacing	0	200,000	0	200,000
Fire Levy Fund:				
1.60% Motorized Equipment Acquisition	40,000	0	(40,000)	0
2.00% Motorized Equipment Acquisition	45,000	0	(45,000)	0
2.00% Motorized Equipment Acquisition	0	25,000	0	25,000
2.00% Motorized Equipment Acquisition	0	150,000	0	150,000
4.50% Motorized Equipment Acquisition	0	20,000	0	20,000
Probation Services Fund:				
1.60% Municipal Court/Safety Center Renovation	45,000	0	(45,000)	0
4.50% Municipal Court/Safety Center Renovation	0	45,000	0	45,000
Total Special Revenue	603,000	1,787,000	(603,000)	1,787,000

CITY OF PAINESVILLE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 15 - NOTES PAYABLE (Continued)

	Balance January 1, 2005	Issued	(Retired)	Balance December 31, 2005
Capital Projects Funds:				
Municipal Court Improvement Fund:				
1.60% Municipal Court/Safety Center Renovation	300,000	0	(300,000)	0
1.60% Municipal Court/Safety Center Renovation	0	230,000	0	230,000
Capital Improvement Fund:				
1.56% City Office Building Improvements	135,000	0	(135,000)	0
1.60% City Office Building Improvements	500,000	0	(500,000)	0
2.00% City Office Building Improvements	0	0	0	0
2.00% City Office Building Improvements	0	550,000	0	550,000
2.00% City Office Building Improvements	0	250,000	0	250,000
4.50% City Office Building Improvements	0	75,000	0	75,000
Shamrock Boulevard Road Project Fund:				
1.60% Construction of Shamrock Boulevard	80,000	0	(80,000)	0
Industrial Park Project Fund:				
2.35% Renaissance Parkway Improvements	740,000	0	(740,000)	0
2.35% Renaissance Parkway Improvements	340,000	0	(340,000)	0
4.50% Renaissance Parkway Improvements	0	540,000	0	540,000
Total Capital Projects	<u>2,095,000</u>	<u>1,645,000</u>	<u>(2,095,000)</u>	<u>1,645,000</u>
Enterprise Funds:				
Water Fund:				
1.56% Water Treatment Plant Improvements	617,000	0	(617,000)	0
1.56% Water Treatment Plant Improvements	100,000	0	(100,000)	0
2.00% Water Treatment Plant Improvements	0	75,000	0	75,000
2.00% Water Treatment Plant Improvements	0	705,000	0	705,000
2.00% Water Treatment Plant Improvements	0	291,000	0	291,000
4.50% Water Treatment Plant Improvements	0	270,000	0	270,000
Sewer Fund:				
1.56% Wastewater Treatment Plant Improvements	565,000	0	(565,000)	0
1.60% Wastewater Treatment Plant Improvements	375,000	0	(375,000)	0
2.00% Wastewater Treatment Plant Improvements	0	295,000	0	295,000
Wastewater Treatment Plant Improvements	0	555,000	0	555,000
Storm Water Fund:				
2.00% Wastewater Treatment Plant Improvements	160,000	0	(160,000)	0
2.00% Wastewater Treatment Plant Improvements	0	100,000	0	100,000
2.00% Wastewater Treatment Plant Improvements	0	167,000	0	167,000
Total Enterprise	<u>1,817,000</u>	<u>2,458,000</u>	<u>(1,817,000)</u>	<u>2,458,000</u>
Total Notes Payable	<u>\$4,515,000</u>	<u>\$6,545,000</u>	<u>(\$4,515,000)</u>	<u>\$6,545,000</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 16 - CONDUIT DEBT OBLIGATIONS

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

During 2005, one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$780,000, was paid in full.

NOTE 17 - RISK MANAGEMENT

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

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2005 the City contracted with several different insurance providers for various insurance coverages, as follows:

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 17 - RISK MANAGEMENT (Continued)

In 1993, the Workers' Compensation Retrospective Rating Fund was established to account for the funding of the City's workers' compensation plan. Under the plan, the City is charged by the State of Ohio for administrative fees, claims paid and premiums for individual and aggregate claim limits. All City funds are charged a premium per employee covered by the Workers' Compensation Retrospective Rating Fund based on claims experience. The City has a claims limit of \$250,000 per individual and a maximum yearly amount for all claims which varies each policy year. The claims liability of \$771,469 reported in the fund at December 31, 2005 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2004	\$854,870	\$32,481	(\$183,447)	\$703,904
2005	703,904	410,978	(343,413)	771,469

In 2000, the Employee Health Insurance Fund was created to account for the City's self-funded employee health insurance. Under this program, the City operates with a third party administrator and under stop-loss thresholds. The actual claims are passed through the City for payment. There is protection as to the amount of claims that can be passed through to the City—both specific and aggregate stop-loss protection. Under specific stop-loss, the City pays 100% for any one individual generating claims up to the specific level of \$40,000. Any dollar amount over this specific level is paid by the re-insurance carrier. The aggregate stop-loss protects the City from having a large number of claims exceeding the expected claims level by more than 20% or 25%. Any claims over the specific level do not count toward the aggregate level. Only claims less than the specific level are applied toward the aggregate level. The claims liability of \$267,058 reported in the fund at December 31, 2005 is based on the requirements of GASB Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2004	\$301,115	\$2,382,330	(\$2,477,742)	\$205,703
2005	205,703	2,411,708	(2,350,353)	267,058

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

**NOTE 18 – CONTRACTUAL COMMITMENTS
NOTE 17 - CONSTRUCTION COMMITMENTS**

As of December 31, 2005, the City had the following contracts with respect to capital improvements:

Project	Remaining Construction Commitment	Expected Date of Completion
Chardon Street Improvements	\$6,378	12/31/06
Colonial Drive Roadway and Bridge Improvements	31,130	12/31/06
Renaissance Parkway Road Extension - Phase I	16,566	12/31/06
Liberty Street Resurfacing	50,988	12/31/06
City Street Resurfacing Program	31,692	12/31/06
SR 84/86 Resurfacing Program	533,721	12/31/06
Argonne St Reconstruction	356,559	12/31/06
SR44 W Jackson ST Interchange	45,998	12/31/06
Fire Department Apron	116,889	06/30/06
Owego St. Water Main Replacement	86,440	12/31/06
Greenhouse Construction	56,542	12/31/06
W. Jackson Street Pump Station Replacement	16,944	12/31/06
Electric Substation Upgrade	58,000	12/31/09
Boiler Mact. Compliance - Electric	54,000	12/31/08
Trenching & Installation of Underground Conduit	13,508	12/31/06
Total	\$1,475,355	

NOTE 19 - JOINT VENTURE

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 19 - JOINT VENTURE (Continued)

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2005 the City of Painesville has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The City's net obligation for these bonds at December 31, 2005 was \$2,378,298 (net of amounts withheld for debt service reserve, amounts held in the bond fund, previous billings to members, interest payable and debt service paid and collected). The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was \$2,316,237 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 20 - CONTINGENCIES

A. Environmental Matters

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

B. Litigation

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

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, AND
FIDUCIARY FUNDS.*

Nonmajor Governmental Funds

Special Revenue Funds

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

State Highway Improvement Fund

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

Cemeteries Fund

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

Police Pension Transfer Fund

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

Fire Pension Transfer Fund

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

Law Enforcement Fund

To account for the proceeds from the confiscation of contraband.

Municipal Motor Vehicle License Tax Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Enforcement and Education Fund

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

City Motor Vehicle License Tax Fund

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

(Continued)

Special Revenue Funds

Fire Levy Fund

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

Underground Storage Tank Fund

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

Probation Services Fund

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

Community Oriented Policing Services (COPS) Fast Grant Fund

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

Skate Facility Fund

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

Fire Fund

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

Emergency Medical Services (EMS) Fund

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

Plan Review Fund

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

Zoning Application Fund

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

Columbarium Trust Fund

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

Law Enforcement Trust Fund

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

(Continued)

Debt Service Funds

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

General Bond Retirement Fund

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

Special Assessment Bond Retirement Fund

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

Land Acquisition Note Retirement Fund

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

Capital Projects Funds

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

Municipal Court Improvement Fund

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

Capital Equipment Reserve Fund

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

Capital Improvement Fund

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

Shamrock Boulevard Road Project Fund

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

Capital Projects Funds

Jackson Street Interchange Project Fund

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

Industrial Park Project Fund

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

Municipal Court Special Projects Fund

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

Permanent Funds

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

Cemetery Trust Fund

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

Special Endowment Fund

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

Evergreen Cemetery Trust Fund

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

Riverside Cemetery Trust Fund

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

Special Endowment Trust Fund

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

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 617,292	\$ 327,232	\$ 1,742,693	\$ 27,977	\$ 2,715,194
Investments	241,683	0	0	0	241,683
Receivables (net of allowance for doubtful accounts):					
Taxes	280,527	63,565	0	0	344,092
Accounts	208,163	0	9,168	120	217,451
Intergovernmental	128,329	2,340	54,274	0	184,943
Special Assessments	0	297,675	0	0	297,675
Inventory of Supplies, at Cost	2,688	0	0	0	2,688
Prepaid Items	3,730	0	0	0	3,730
Restricted Assets:					
Cash and Cash Equivalents	282,780	0	12,499	1,020,375	1,315,654
Total Assets	\$ 1,765,192	\$ 690,812	\$ 1,818,634	\$ 1,048,472	\$ 5,323,110
Liabilities:					
Accounts Payable	\$ 113,058	\$ 0	\$ 114,821	\$ 0	\$ 227,879
Accrued Wages and Benefits Payable	25,658	0	136	0	25,794
Intergovernmental Payable	0	0	180	0	180
Interfund Loans Payable	300,000	0	0	0	300,000
Deferred Revenue	372,251	363,311	37,780	0	773,342
Accrued Interest Payable	2,983	0	16,846	0	19,829
General Obligation Notes Payable	240,000	0	1,645,000	0	1,885,000
Total Liabilities	1,053,950	363,311	1,814,763	0	3,232,024
Fund Balances:					
Reserved for Encumbrances	111,515	0	113,583	0	225,098
Reserved for Debt Service	0	327,501	0	0	327,501
Reserved for Endowments	0	0	0	984,940	984,940
Undesignated/Unreserved (Deficit)	599,727	0	(109,712)	63,532	553,547
Total Fund Balances (Deficit)	711,242	327,501	3,871	1,048,472	2,091,086
Total Liabilities and Fund Balances	\$ 1,765,192	\$ 690,812	\$ 1,818,634	\$ 1,048,472	\$ 5,323,110

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Nonmajor Governmental Funds
Revenues:					
Property Taxes	\$ 213,676	\$ 48,073	\$ 0	\$ 0	\$ 261,749
Intergovernmental Revenues	202,989	8,907	392,200	0	604,096
Charges for Services	468,617	0	0	0	468,617
Investment Earnings	3,663	17,551	2,213	25,550	48,977
Special Assessments	0	65,099	0	0	65,099
Fines and Forfeitures	142,710	0	217,478	0	360,188
All Other Revenues	16,669	0	114,718	35,915	167,302
Total Revenues	1,048,324	139,630	726,609	61,465	1,976,028
Expenditures:					
Current:					
General Government	95,020	0	112,181	0	207,201
Public Safety	595,498	0	0	0	595,498
Highways and Streets	46,753	0	202,331	0	249,084
Public Health and Welfare	575,113	0	6,122	2,152	583,387
Community Environment	222	0	0	0	222
Capital Outlay	0	249,806	632,590	0	882,396
Debt Service:					
Principal Retirement	0	40,000	0	0	40,000
Interest & Fiscal Charges	5,046	14,800	53,859	0	73,705
Total Expenditures	1,317,652	304,606	1,007,083	2,152	2,631,493
Excess (Deficiency) of Revenues Over Expenditures	(269,328)	(164,976)	(280,474)	59,313	(655,465)
Other Financing Sources (Uses):					
Sale of Bonds	0	0	410,000	0	410,000
Transfers In	440,862	237,461	748,700	0	1,427,023
Transfers Out	(96,500)	0	(187,461)	0	(283,961)
Other Financing Sources - Capital Leases	212,762	0	39,592	0	252,354
Total Other Financing Sources (Uses)	557,124	237,461	1,010,831	0	1,805,416
Net Change in Fund Balances	287,796	72,485	730,357	59,313	1,149,951
Fund Balances (Deficit) at Beginning of Year	421,919	255,016	(726,486)	989,159	939,608
Increase (Decrease) in Inventory Reserve	1,527	0	0	0	1,527
Fund Balances (Deficit) End of Year	\$ 711,242	\$ 327,501	\$ 3,871	\$ 1,048,472	\$ 2,091,086

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	State Highway Improvement Fund	Cemeteries Fund	Police Pension Transfer Fund	Fire Pension Transfer Fund
Assets:				
Cash and Cash Equivalents	\$ 91,194	\$ 21,264	\$ 439	\$ 439
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	79,321	79,321
Accounts	0	495	0	0
Intergovernmental	23,537	0	2,926	2,926
Inventory of Supplies, at Cost	0	2,688	0	0
Prepaid Items	0	3,509	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Total Assets	\$ 114,731	\$ 27,956	\$ 82,686	\$ 82,686
Liabilities:				
Accounts Payable	\$ 0	\$ 2,174	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	12,334	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	15,616	0	81,911	81,911
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
Total Liabilities	15,616	14,508	81,911	81,911
Fund Balances:				
Reserved for Encumbrances	0	6,307	0	0
Undesignated/Unreserved	99,115	7,141	775	775
Total Fund Balances	99,115	13,448	775	775
Total Liabilities and Fund Balances	\$ 114,731	\$ 27,956	\$ 82,686	\$ 82,686

CITY OF PAINESVILLE, OHIO

Law Enforcement Fund	Municipal Motor Vehicle License Tax Fund	Indigent Drivers Alcohol Treatment Fund	Enforcement and Education Fund	City Motor Vehicle License Tax Fund	Fire Levy Fund	Underground Storage Tank Fund
\$ 18,780	\$ 2,997	\$ 120,307	\$ 40,135	\$ 5,765	\$ 75,616	\$ 5,174
0	0	0	0	0	241,683	0
0	0	0	0	0	121,885	0
250	0	0	0	0	191,375	0
0	5,552	1,067	195	11,274	3,393	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	260,908	0
<u>\$ 19,030</u>	<u>\$ 8,549</u>	<u>\$ 121,374</u>	<u>\$ 40,330</u>	<u>\$ 17,039</u>	<u>\$ 894,860</u>	<u>\$ 5,174</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 106,910	\$ 0
0	0	0	0	0	0	0
0	0	0	0	0	300,000	0
0	187	0	0	545	124,832	0
0	0	0	0	0	2,750	0
0	0	0	0	0	195,000	0
0	187	0	0	545	729,492	0
601	0	20,000	0	0	66,283	0
18,429	8,362	101,374	40,330	16,494	99,085	5,174
19,030	8,362	121,374	40,330	16,494	165,368	5,174
<u>\$ 19,030</u>	<u>\$ 8,549</u>	<u>\$ 121,374</u>	<u>\$ 40,330</u>	<u>\$ 17,039</u>	<u>\$ 894,860</u>	<u>\$ 5,174</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Probation Services Fund	COPS Fast Grant Fund	Skate Facility Fund	Fire Fund
Assets:				
Cash and Cash Equivalents	\$ 44,617	\$ 21,306	\$ 7,830	\$ 14,398
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	0	0	0	0
Intergovernmental	10,210	13,859	0	53,390
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	71	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Total Assets	<u>\$ 54,898</u>	<u>\$ 35,165</u>	<u>\$ 7,830</u>	<u>\$ 67,788</u>
Liabilities:				
Accounts Payable	\$ 1,357	\$ 0	\$ 0	\$ 70
Accrued Wages and Benefits Payable	2,536	2,304	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	0	13,859	0	53,390
Accrued Interest Payable	233	0	0	0
General Obligation Notes Payable	45,000	0	0	0
Total Liabilities	<u>49,126</u>	<u>16,163</u>	<u>0</u>	<u>53,460</u>
Fund Balances:				
Reserved for Encumbrances	1,749	6,103	0	0
Undesignated/Unreserved	4,023	12,899	7,830	14,328
Total Fund Balances	<u>5,772</u>	<u>19,002</u>	<u>7,830</u>	<u>14,328</u>
Total Liabilities and Fund Balances	<u>\$ 54,898</u>	<u>\$ 35,165</u>	<u>\$ 7,830</u>	<u>\$ 67,788</u>

CITY OF PAINESVILLE, OHIO

Emergency Medical Services Fund	Plan Review Fund	Zoning Application Fund	Columbarium Trust Fund	Law Enforcement Trust Fund	Total Nonmajor Special Revenue Funds
\$ 117,155	\$ 17,726	\$ 7,892	\$ 89	\$ 4,169	\$ 617,292
0	0	0	0	0	241,683
0	0	0	0	0	280,527
16,043	0	0	0	0	208,163
0	0	0	0	0	128,329
0	0	0	0	0	2,688
150	0	0	0	0	3,730
21,872	0	0	0	0	282,780
<u>\$ 155,220</u>	<u>\$ 17,726</u>	<u>\$ 7,892</u>	<u>\$ 89</u>	<u>\$ 4,169</u>	<u>\$ 1,765,192</u>
\$ 2,547	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,058
8,484	0	0	0	0	25,658
0	0	0	0	0	300,000
0	0	0	0	0	372,251
0	0	0	0	0	2,983
0	0	0	0	0	240,000
<u>11,031</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,053,950</u>
10,472	0	0	0	0	111,515
<u>133,717</u>	<u>17,726</u>	<u>7,892</u>	<u>89</u>	<u>4,169</u>	<u>599,727</u>
<u>144,189</u>	<u>17,726</u>	<u>7,892</u>	<u>89</u>	<u>4,169</u>	<u>711,242</u>
<u>\$ 155,220</u>	<u>\$ 17,726</u>	<u>\$ 7,892</u>	<u>\$ 89</u>	<u>\$ 4,169</u>	<u>\$ 1,765,192</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	State Highway Improvement Fund	Cemeteries Fund	Police Pension Transfer Fund	Fire Pension Transfer Fund
Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 60,038	\$ 60,038
Intergovernmental Revenues	51,789	0	11,134	11,134
Charges for Services	0	151,607	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenues	0	0	0	0
Total Revenues	51,789	151,607	71,172	71,172
Expenditures:				
Current:				
General Government	0	0	0	0
Public Safety	0	0	71,500	71,500
Highways and Streets	45,753	0	0	0
Public Health and Welfare	0	575,113	0	0
Community Environment	0	0	0	0
Debt Service:				
Interest & Fiscal Charges	0	0	0	0
Total Expenditures	45,753	575,113	71,500	71,500
Excess (Deficiency) of Revenues Over Expenditures	6,036	(423,506)	(328)	(328)
Other Financing Sources (Uses):				
Transfers In	0	390,000	0	0
Transfers Out	0	0	0	0
Other Financing Sources - Capital Leases	0	0	0	0
Total Other Financing Sources (Uses)	0	390,000	0	0
Net Change in Fund Balances	6,036	(33,506)	(328)	(328)
Fund Balances at Beginning of Year	93,079	45,427	1,103	1,103
Increase (Decrease) in Inventory Reserve	0	1,527	0	0
Fund Balances End of Year	\$ 99,115	\$ 13,448	\$ 775	\$ 775

CITY OF PAINESVILLE, OHIO

Law Enforcement Fund	Municipal Motor Vehicle License Tax Fund	Indigent Drivers Alcohol Treatment Fund	Enforcement and Education Fund	City Motor Vehicle License Tax Fund	Fire Levy Fund	Underground Storage Tank Fund
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,600	\$ 0
0	31,712	0	0	63,421	15,191	0
0	0	0	0	0	0	0
0	0	0	0	0	3,663	0
0	0	24,238	1,200	0	0	0
5,915	0	0	0	0	0	0
<u>5,915</u>	<u>31,712</u>	<u>24,238</u>	<u>1,200</u>	<u>63,421</u>	<u>112,454</u>	<u>0</u>
0	0	4,544	0	0	0	0
9,294	0	0	0	0	187,463	0
0	0	0	0	0	0	1,000
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	3,838	0
<u>9,294</u>	<u>0</u>	<u>4,544</u>	<u>0</u>	<u>0</u>	<u>191,301</u>	<u>1,000</u>
(3,379)	31,712	19,694	1,200	63,421	(78,847)	(1,000)
0	0	0	0	0	0	5,000
0	(33,000)	0	0	(63,500)	0	0
0	0	0	0	0	196,719	0
0	<u>(33,000)</u>	<u>0</u>	<u>0</u>	<u>(63,500)</u>	<u>196,719</u>	<u>5,000</u>
(3,379)	(1,288)	19,694	1,200	(79)	117,872	4,000
22,409	9,650	101,680	39,130	16,573	47,496	1,174
0	0	0	0	0	0	0
<u>\$ 19,030</u>	<u>\$ 8,362</u>	<u>\$ 121,374</u>	<u>\$ 40,330</u>	<u>\$ 16,494</u>	<u>\$ 165,368</u>	<u>\$ 5,174</u>

(Continued)

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	Probation Services Fund	COPS Fast Grant Fund	Skate Facility Fund	Fire Fund
Revenues:				
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	18,608	0	0
Charges for Services	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	117,272	0	0	0
All Other Revenues	0	0	6,351	1,350
Total Revenues	<u>117,272</u>	<u>18,608</u>	<u>6,351</u>	<u>1,350</u>
Expenditures:				
Current:				
General Government	90,326	0	0	0
Public Safety	0	63,674	0	8,056
Highways and Streets	0	0	0	0
Public Health and Welfare	0	0	0	0
Community Environment	0	0	0	0
Debt Service:				
Interest & Fiscal Charges	1,208	0	0	0
Total Expenditures	<u>91,534</u>	<u>63,674</u>	<u>0</u>	<u>8,056</u>
Excess (Deficiency) of Revenues Over Expenditures	25,738	(45,066)	6,351	(6,706)
Other Financing Sources (Uses):				
Transfers In	10,862	35,000	0	0
Transfers Out	0	0	0	0
Other Financing Sources - Capital Leases	0	0	0	0
Total Other Financing Sources (Uses)	<u>10,862</u>	<u>35,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	36,600	(10,066)	6,351	(6,706)
Fund Balances at Beginning of Year	(30,828)	29,068	1,479	21,034
Increase (Decrease) in Inventory Reserve	0	0	0	0
Fund Balances End of Year	<u>\$ 5,772</u>	<u>\$ 19,002</u>	<u>\$ 7,830</u>	<u>\$ 14,328</u>

CITY OF PAINESVILLE, OHIO

Emergency Medical Services Fund	Plan Review Fund	Zoning Application Fund	Columbarium Trust Fund	Law Enforcement Trust Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 213,676
0	0	0	0	0	202,989
317,010	0	0	0	0	468,617
0	0	0	0	0	3,663
0	0	0	0	0	142,710
0	325	852	0	1,876	16,669
<u>317,010</u>	<u>325</u>	<u>852</u>	<u>0</u>	<u>1,876</u>	<u>1,048,324</u>
150	0	0	0	0	95,020
183,156	0	0	0	855	595,498
0	0	0	0	0	46,753
0	0	0	0	0	575,113
0	0	222	0	0	222
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,046</u>
<u>183,306</u>	<u>0</u>	<u>222</u>	<u>0</u>	<u>855</u>	<u>1,317,652</u>
133,704	325	630	0	1,021	(269,328)
0	0	0	0	0	440,862
0	0	0	0	0	(96,500)
16,043	0	0	0	0	212,762
<u>16,043</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>557,124</u>
149,747	325	630	0	1,021	287,796
(5,558)	17,401	7,262	89	3,148	421,919
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,527</u>
<u>\$ 144,189</u>	<u>\$ 17,726</u>	<u>\$ 7,892</u>	<u>\$ 89</u>	<u>\$ 4,169</u>	<u>\$ 711,242</u>

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2005**

	<u>General Bond Retirement Fund</u>	<u>Special Assessment Bond Retirement Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 76,927	\$ 250,305	\$ 327,232
Receivables (net of allowance for doubtful accounts):			
Taxes	63,565	0	63,565
Intergovernmental	2,340	0	2,340
Special Assessments	0	297,675	297,675
Total Assets	<u>\$ 142,832</u>	<u>\$ 547,980</u>	<u>\$ 690,812</u>
Liabilities:			
Deferred Revenue	<u>\$ 65,636</u>	<u>\$ 297,675</u>	<u>\$ 363,311</u>
Total Liabilities	<u>65,636</u>	<u>297,675</u>	<u>363,311</u>
Reserved for Debt Service	<u>77,196</u>	<u>250,305</u>	<u>327,501</u>
Total Fund Balances	<u>77,196</u>	<u>250,305</u>	<u>327,501</u>
Total Liabilities and Fund Balances	<u>\$ 142,832</u>	<u>\$ 547,980</u>	<u>\$ 690,812</u>

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005***

	General Bond Retirement Fund	Special Assessment Bond Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Property Taxes	\$ 48,073	\$ 0	\$ 48,073
Intergovernmental Revenues	8,907	0	8,907
Investment Earnings	16,301	1,250	17,551
Special Assessments	0	65,099	65,099
Total Revenues	73,281	66,349	139,630
Expenditures:			
Capital Outlay	249,806	0	249,806
Debt Service:			
Principal Retirement	0	40,000	40,000
Interest & Fiscal Charges	0	14,800	14,800
Total Expenditures	249,806	54,800	304,606
Excess (Deficiency) of Revenues Over Expenditures	(176,525)	11,549	(164,976)
Other Financing Sources (Uses):			
Transfers In	237,461	0	237,461
Total Other Financing Sources (Uses)	237,461	0	237,461
Net Change in Fund Balances	60,936	11,549	72,485
Fund Balances at Beginning of Year	16,260	238,756	255,016
Fund Balances End of Year	\$ 77,196	\$ 250,305	\$ 327,501

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005**

	Municipal Court Improvement Fund	Capital Equipment Reserve Fund	Capital Improvement Fund	Shamrock Boulevard Road Project Fund
Assets:				
Cash and Cash Equivalents	\$ 258,291	\$ 243,231	\$ 482,139	\$ 199,323
Receivables (net of allowance for doubtful accounts):				
Accounts	9,168	0	0	0
Intergovernmental	9,186	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	12,499	0	0	0
Total Assets	\$ 289,144	\$ 243,231	\$ 482,139	\$ 199,323
Liabilities:				
Accounts Payable	\$ 1,380	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Intergovernmental Payable	180	0	0	0
Deferred Revenue	0	0	0	0
Accrued Interest Payable	1,304	0	12,480	0
General Obligation Notes Payable	230,000	0	875,000	0
Total Liabilities	232,864	0	887,480	0
Fund Balances:				
Reserved for Encumbrances	3,873	2,686	80,047	10,411
Undesignated/Unreserved (Deficits)	52,407	240,545	(485,388)	188,912
Total Fund Balances (Deficits)	56,280	243,231	(405,341)	199,323
Total Liabilities and Fund Balances	\$ 289,144	\$ 243,231	\$ 482,139	\$ 199,323

CITY OF PAINESVILLE, OHIO

Jackson Street Interchange Project Fund	Industrial Park Project Fund	Municipal Court Special Projects Fund	Total Nonmajor Capital Projects Funds
\$ 178,361	\$ 121,597	\$ 259,751	\$ 1,742,693
0	0	0	9,168
37,780	0	7,308	54,274
0	0	0	12,499
<u>\$ 216,141</u>	<u>\$ 121,597</u>	<u>\$ 267,059</u>	<u>\$ 1,818,634</u>
\$ 113,341	\$ 0	\$ 100	\$ 114,821
0	0	136	136
0	0	0	180
37,780	0	0	37,780
0	3,062	0	16,846
0	540,000	0	1,645,000
<u>151,121</u>	<u>543,062</u>	<u>236</u>	<u>1,814,763</u>
0	16,566	0	113,583
65,020	(438,031)	266,823	(109,712)
65,020	(421,465)	266,823	3,871
<u>\$ 216,141</u>	<u>\$ 121,597</u>	<u>\$ 267,059</u>	<u>\$ 1,818,634</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	Municipal Court Improvement Fund	Capital Equipment Reserve Fund	Capital Improvement Fund	Shamrock Boulevard Road Project Fund
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 65,000	\$ 0
Investment Earnings	0	0	2,026	0
Fines and Forfeitures	124,311	0	0	0
All Other Revenues	0	0	25,229	0
Total Revenues	<u>124,311</u>	<u>0</u>	<u>92,255</u>	<u>0</u>
Expenditures:				
Current:				
General Government	89,744	0	0	0
Highways and Streets	0	0	88,990	0
Public Health and Welfare	0	6,122	0	0
Capital Outlay	0	279,496	0	0
Debt Service:				
Interest & Fiscal Charges	7,802	0	17,869	1,734
Total Expenditures	<u>97,546</u>	<u>285,618</u>	<u>106,859</u>	<u>1,734</u>
Excess (Deficiency) of Revenues				
Over Expenditures	26,765	(285,618)	(14,604)	(1,734)
Other Financing Sources (Uses):				
Sale of Bonds	0	0	0	0
Issuance of Capital Leases	9,168	30,424	0	0
Transfers In	102,700	296,000	100,000	100,000
Transfers Out	0	0	(187,461)	0
Total Other Financing Sources (Uses)	<u>111,868</u>	<u>326,424</u>	<u>(87,461)</u>	<u>100,000</u>
Net Change in Fund Balances	138,633	40,806	(102,065)	98,266
Fund Balances (Deficits) at Beginning of Year	<u>(82,353)</u>	<u>202,425</u>	<u>(303,276)</u>	<u>101,057</u>
Fund Balances (Deficits) End of Year	<u>\$ 56,280</u>	<u>\$ 243,231</u>	<u>\$ (405,341)</u>	<u>\$ 199,323</u>

CITY OF PAINESVILLE, OHIO

Jackson Street Interchange Project Fund	Industrial Park Project Fund	Municipal Court Special Fund	Total Nonmajor Capital Project Funds
\$ 327,200	\$ 0	\$ 0	\$ 392,200
0	187	0	2,213
0	0	93,167	217,478
0	89,489	0	114,718
<u>327,200</u>	<u>89,676</u>	<u>93,167</u>	<u>726,609</u>
0	0	22,437	112,181
113,341	0	0	202,331
0	0	0	6,122
327,200	25,894	0	632,590
0	26,454	0	53,859
<u>440,541</u>	<u>52,348</u>	<u>22,437</u>	<u>1,007,083</u>
(113,341)	37,328	70,730	(280,474)
0	410,000	0	410,000
0	0	0	39,592
100,000	50,000	0	748,700
0	0	0	(187,461)
<u>100,000</u>	<u>460,000</u>	<u>0</u>	<u>1,010,831</u>
(13,341)	497,328	70,730	730,357
78,361	(918,793)	196,093	(726,486)
<u>\$ 65,020</u>	<u>\$ (421,465)</u>	<u>\$ 266,823</u>	<u>\$ 3,871</u>

CITY OF PAINESVILLE, OHIO

**Combining Balance Sheet
Nonmajor Permanent Funds
December 31, 2005**

	Cemetery Trust Fund	Special Endowment Fund	Evergreen Cemetery Trust Fund
Assets:			
Cash and Cash Equivalents	\$ 13,766	\$ 14,211	\$ 0
Receivables (net of allowance for doubtful accounts):			
Accounts	0	0	0
Restricted Assets:			
Cash and Cash Equivalents	0	0	397,507
Total Assets	<u>\$ 13,766</u>	<u>\$ 14,211</u>	<u>\$ 397,507</u>
Liabilities:			
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Reserved for Endowments	0	0	377,852
Undesignated/Unreserved	13,766	14,211	19,655
Total Fund Balances	<u>13,766</u>	<u>14,211</u>	<u>397,507</u>
Total Liabilities and Fund Balances	<u>\$ 13,766</u>	<u>\$ 14,211</u>	<u>\$ 397,507</u>

CITY OF PAINESVILLE, OHIO

<u>Riverside Cemetery Trust Fund</u>	<u>Special Endowment Trust Fund</u>	<u>Total Nonmajor Permanent Funds</u>
\$ 0	\$ 0	\$ 27,977
120	0	120
<u>321,452</u>	<u>301,416</u>	<u>1,020,375</u>
<u>\$ 321,572</u>	<u>\$ 301,416</u>	<u>\$ 1,048,472</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
314,312	292,776	984,940
<u>7,260</u>	<u>8,640</u>	<u>63,532</u>
<u>321,572</u>	<u>301,416</u>	<u>1,048,472</u>
<u>\$ 321,572</u>	<u>\$ 301,416</u>	<u>\$ 1,048,472</u>

CITY OF PAINESVILLE, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Permanent Funds
For the Year Ended December 31, 2005***

	Cemetery Trust Fund	Special Endowment Fund	Evergreen Cemetery Trust Fund
Revenues:			
Investment Earnings	\$ 12,775	\$ 12,775	\$ 0
All Other Revenues	0	0	19,655
Total Revenues	<u>12,775</u>	<u>12,775</u>	<u>19,655</u>
Expenditures:			
Current:			
Public Health and Welfare	1,792	0	0
Total Expenditures	<u>1,792</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	10,983	12,775	19,655
Fund Balances at Beginning of Year	<u>2,783</u>	<u>1,436</u>	<u>377,852</u>
Fund Balances End of Year	<u>\$ 13,766</u>	<u>\$ 14,211</u>	<u>\$ 397,507</u>

CITY OF PAINESVILLE, OHIO

Riverside Cemetery Trust Fund	Special Endowment Trust Fund	Total Nonmajor Permanent Funds
\$ 0	\$ 0	\$ 25,550
<u>7,620</u>	<u>8,640</u>	<u>35,915</u>
<u>7,620</u>	<u>8,640</u>	<u>61,465</u>
<u>360</u>	<u>0</u>	<u>2,152</u>
<u>360</u>	<u>0</u>	<u>2,152</u>
7,260	8,640	59,313
<u>314,312</u>	<u>292,776</u>	<u>989,159</u>
<u>\$ 321,572</u>	<u>\$ 301,416</u>	<u>\$ 1,048,472</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property Taxes:				
Real Estate and Public Utility	\$ 423,050	\$ 423,050	\$ 359,458	\$ (63,592)
Tangible Personal	80,000	80,000	80,694	694
Total Property Taxes	<u>503,050</u>	<u>503,050</u>	<u>440,152</u>	<u>(62,898)</u>
Municipal Income Tax	7,735,000	7,735,000	7,709,294	(25,706)
Other Local Taxes	1,200	1,200	5,957	4,757
Total Taxes	<u>8,239,250</u>	<u>8,239,250</u>	<u>8,155,403</u>	<u>(83,847)</u>
Intergovernmental Revenues:				
Local	0	0	20	20
Local Government Fund - County	1,275,288	1,275,288	1,280,222	4,934
Local Government Fund - State	120,000	120,000	121,445	1,445
Inheritance Tax	250,000	250,000	254,866	4,866
Property Tax Allocation	92,878	92,878	80,166	(12,712)
Miscellaneous Tax	141,914	141,914	154,306	12,392
Total Intergovernmental Revenues	<u>1,880,080</u>	<u>1,880,080</u>	<u>1,891,025</u>	<u>10,945</u>
Charges for Services:				
General Government	600	600	303	(297)
Public Safety	10,900	10,900	13,811	2,911
Highways and Streets	42,000	42,000	40,900	(1,100)
Culture and Recreation	71,850	71,850	71,684	(166)
Community Environment	500	500	1,072	572
Total Charges for Services	<u>125,850</u>	<u>125,850</u>	<u>127,770</u>	<u>1,920</u>
Licenses, Permits and Inspection Fees:				
License Fees	42,300	42,300	43,224	924
Permit Fees	176,650	176,650	178,824	2,174
Inspection Fees	23,000	23,000	23,657	657
Zoning Appeal Fees	10,500	10,500	17,516	7,016
Other Fees	70,000	70,000	77,657	7,657
Total License, Permit and Inspection Fees	<u>322,450</u>	<u>322,450</u>	<u>340,878</u>	<u>18,428</u>
Investment Earnings	409,350	409,350	374,263	(35,087)
Fines and Forfeitures	761,160	761,160	735,192	(25,968)
All Other Revenues	122,785	122,785	132,640	9,855
Total Revenues	<u>11,860,925</u>	<u>11,860,925</u>	<u>11,757,171</u>	<u>(103,754)</u>

(Continued)

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Legislative:				
Council:				
Personal Services	11,658	10,696	9,904	792
All Other Expenditures	2,148	2,116	1,900	216
Clerk of Council:				
Personal Services	6,152	6,152	4,987	1,165
All Other Expenditures	2,789	2,831	2,540	291
Judicial - Municipal Court:				
Judicial Activities:				
Personal Services	216,360	195,068	187,890	7,178
All Other Expenditures	7,135	7,292	5,452	1,840
Clerk of Court:				
Personal Services	689,265	720,765	696,660	24,105
All Other Expenditures	84,143	81,823	74,121	7,702
Probation:				
Personal Services	164,103	163,297	158,791	4,506
All Other Expenditures	3,000	3,000	1,000	2,000
Executive:				
City Manager:				
Personal Services	35,211	36,556	35,945	611
All Other Expenditures	21,477	52,213	50,033	2,180
Capital Outlay	12,000	12,000	12,000	0
Comm., Promotions and Public Relations Activities:				
All Other Expenditures	11,075	11,075	5,020	6,055
Information Technology:				
All Other Expenditures	18,433	18,433	13,075	5,358
Capital Outlay	476	476	153	323
Human Resources:				
Personal Services	37,592	37,092	34,116	2,976
All Other Expenditures	13,335	13,335	11,781	1,554

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Economic Development:				
Personal Services	22,472	20,898	17,851	3,047
All Other Expenditures	12,519	12,632	8,771	3,861
Finance:				
Administration:				
Personal Services	42,568	46,068	43,650	2,418
All Other Expenditures	18,452	18,611	17,565	1,046
Accounting:				
Personal Services	27,306	31,798	28,655	3,143
All Other Expenditures	28,563	30,997	27,988	3,009
Capital Outlay	339	339	294	45
Purchasing/Warehousing:				
Personal Services	22,201	25,201	22,296	2,905
All Other Expenditures	2,104	2,106	1,605	501
Income Tax Collection:				
All Other Expenditures	140,200	143,035	142,835	200
Law:				
Administration:				
Personal Services	28,090	28,483	27,225	1,258
All Other Expenditures	25,404	45,404	44,143	1,261
Engineering:				
Administration:				
Personal Services	86,636	68,157	59,024	9,133
All Other Expenditures	56,563	38,196	31,823	6,373
Public Lands and Buildings:				
Building Operations Maintenance and Repair:				
Personal Services	61,921	87,226	70,724	16,502
All Other Expenditures	278,806	265,269	243,070	22,199
Capital Outlay	46,002	46,002	46,002	0
Boards and Commissions:				
Civil Service Commission:				
All Other Expenditures	8,160	60	50	10

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Insurance:				
All Other Expenditures	67,032	81,279	81,272	7
Tax Settlement Deductions:				
All Other Expenditures	20,850	12,172	12,113	59
Other Miscellaneous:				
Personal Services	10,000	10,000	0	10,000
All Other Expenditures	202,265	201,009	80,150	120,859
Capital Outlay	124,324	153,052	153,051	1
Total General Government	<u>2,669,129</u>	<u>2,742,214</u>	<u>2,465,525</u>	<u>276,689</u>
Public Safety:				
Police:				
Law Enforcement - Sworn Officers:				
Personal Services	3,202,130	3,099,937	3,071,719	28,218
Law Enforcement - Other:				
Personal Services	462,080	423,086	418,907	4,179
All Other Expenditures	269,203	272,932	252,762	20,170
Fire:				
Fire Fighting, Prevention and Inspection:				
Personal Services	2,460,571	2,429,987	2,268,069	161,918
All Other Expenditures	196,118	197,453	176,320	21,133
Fire Service - Other:				
Personal Services	51,661	52,245	51,735	510
Police and Fire Communications:				
Control Center:				
All Other Expenditures	379,550	482,662	480,035	2,627
Total Public Safety	<u>7,021,313</u>	<u>6,958,302</u>	<u>6,719,547</u>	<u>238,755</u>
Highways and Streets:				
Public Works:				
Administration:				
Personal Services	198,445	217,445	136,055	81,390
All Other Expenditures	37,629	39,145	30,958	8,187
Street Maintenance and Repair:				
All Other Expenditures	6,832	8,209	6,320	1,889

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Sidewalks:				
All Other Expenditures	6,411	6,411	1,712	4,699
Building Maintenance:				
Personal Services	0	182	0	182
All Other Expenditures	65,473	65,633	54,357	11,276
Equipment Maintenance:				
Personal Services	162,949	155,330	154,091	1,239
All Other Expenditures	41,494	58,828	50,215	8,613
Employee Benefits:				
Personal Services	375,966	342,198	338,655	3,543
Sidewalks - Snow Removal:				
All Other Expenditures	2,080	2,784	2,617	167
Leaf/Yard Waste Removal:				
All Other Expenditures	11,570	14,222	13,381	841
Parking:				
Parking Meters:				
Personal Services	87,599	86,599	70,043	16,556
Other Expenditures	4,776	5,867	3,348	2,519
Parking Lots:				
All Other Expenditures	15,185	15,185	15,019	166
Traffic Signs, Markings:				
Traffic Signs, Markings, Signals:				
Personal Services	125,146	123,298	97,093	26,205
All Other Expenditures	42,688	46,733	37,206	9,527
Total Highways and Streets	<u>1,184,243</u>	<u>1,188,069</u>	<u>1,011,070</u>	<u>176,999</u>
Public Health and Welfare:				
Support of Prisoners:				
Prisoner Expense:				
All Other Expenditures	8,874	8,874	4,660	4,214
Payments to County Health Board:				
County Health District Assessments:				
All Other Expenditures	116,878	116,878	116,878	0

(Continued)

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Assistance to Needy/Aged:				
Poor Relief:				
All Other Expenditures	2,500	2,500	1,022	1,478
Total Public Health and Welfare	<u>128,252</u>	<u>128,252</u>	<u>122,560</u>	<u>5,692</u>
Culture and Recreation:				
Parks:				
Administration:				
Personal Services	126,069	126,069	125,041	1,028
All Other Expenditures	2,146	2,172	1,855	317
Parks Systems:				
Personal Services	178,424	160,424	96,632	63,792
All Other Expenditures	69,190	87,609	75,253	12,356
Building Maintenance:				
All Other Expenditures	19,552	25,088	21,111	3,977
Morse Avenue Community Center:				
Personal Services	42,460	42,460	31,896	10,564
All Other Expenditures	19,459	19,704	18,386	1,318
Recreation Activities:				
Personal Services	250,057	229,057	178,186	50,871
All Other Expenditures	102,635	102,728	92,275	10,453
Other Leisure Time Activities:				
Senior Citizens Center:				
All Other Expenditures	25,000	25,000	25,000	0
Community Functions:				
All Other Expenditures	28,391	28,391	17,928	10,463
Total Culture and Recreation	<u>863,383</u>	<u>848,702</u>	<u>683,563</u>	<u>165,139</u>
Community Environment:				
Community Planning and Zoning:				
Planning Commission:				
Personal Services	2,893	2,893	989	1,904
All Other Expenditures	2,885	2,885	2,326	559
Demolition:				
All Other Expenditures	250	250	50	200

(Continued)

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Planning and Development:				
Personal Services	20,759	23,643	21,437	2,206
All Other Expenditures	28,117	28,288	25,694	2,594
Housing and Building Code Enforcement:				
Code Enforcement:				
Personal Services	328,253	323,756	291,792	31,964
All Other Expenditures	21,376	23,548	18,885	4,663
Tree Care and Weed Control:				
Tree Care:				
All Other Expenditures	3,000	3,000	0	3,000
Weed Control:				
All Other Expenditures	7,888	7,888	5,655	2,233
Total Community Environment	<u>415,421</u>	<u>416,151</u>	<u>366,828</u>	<u>49,323</u>
Debt Service:				
Total Expenditures	<u>12,281,741</u>	<u>12,281,690</u>	<u>11,369,093</u>	<u>912,597</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(420,816)	(420,765)	388,078	808,843
Other Financing Sources (Uses):				
Sale of Capital Assets	5,000	5,000	4,090	(910)
Sale of General Obligation Notes	655,000	655,000	655,000	0
Issuance of Capital Leases	0	0	59,031	59,031
Transfers In	1,216,381	1,216,381	1,028,568	(187,813)
Transfers Out	(536,000)	(2,035,204)	(2,035,204)	0
Advances Out	(698,700)	(998,700)	(995,275)	3,425
Total Other Financing Sources (Uses)	<u>641,681</u>	<u>(1,157,523)</u>	<u>(1,283,790)</u>	<u>(126,267)</u>
Net Change in Fund Balance	220,865	(1,578,288)	(895,712)	682,576
Fund Balance at Beginning of Year	1,401,829	1,401,829	1,401,829	0
Prior Year Encumbrances	508,536	508,536	508,536	0
Fund Balance at End of Year	<u>\$ 2,131,230</u>	<u>\$ 332,077</u>	<u>\$ 1,014,653</u>	<u>\$ 682,576</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Special Revenue Fund – Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 855,761	\$ 855,761	\$ 604,974	\$ (250,787)
Investment Earnings	0	0	8,020	8,020
All Other Revenues	0	0	836	836
Total Revenues	<u>855,761</u>	<u>855,761</u>	<u>613,830</u>	<u>(241,931)</u>
Expenditures:				
Highways and Streets:				
Public Works:				
Administration:				
Personal Services	36,731	36,140	24,995	11,145
Street Construction and Reconstruction:				
Personal Service	291,939	303,939	297,535	6,404
Capital Outlay	1,747,134	1,729,627	1,380,665	348,962
Street Maintenance and Repair:				
All Other Expenditures	81,471	81,471	75,529	5,942
Capital Outlay	62,900	62,998	62,998	0
Street Cleaning:				
All Other Expenditures	325	325	0	325
Snow and Ice Removal:				
All Other Expenditures	254,219	288,219	286,547	1,672
Capital Outlay	31,063	31,063	31,063	0
Debt Service:				
Principal Retirement	483,000	483,000	483,000	0
Interest Charges	9,850	9,850	9,733	117
Total Expenditures	<u>2,998,632</u>	<u>3,026,632</u>	<u>2,652,065</u>	<u>374,567</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,142,871)	(2,170,871)	(2,038,235)	132,636
Other Financing Sources (Uses):				
General Obligation Notes Issued	1,781,550	1,781,550	1,550,411	(231,139)
Issuance of Capital Leases	92,000	92,000	55,307	(36,693)
Transfers In	105,000	105,000	96,500	(8,500)
Total Other Financing Sources (Uses)	<u>1,978,550</u>	<u>1,978,550</u>	<u>1,702,218</u>	<u>(276,332)</u>
Net Changes in Fund Balance	(164,321)	(192,321)	(336,017)	(143,696)
Fund Balance at Beginning of Year	1,146,861	1,146,861	1,146,861	0
Prior Year Encumbrances	188,080	188,080	188,080	0
Fund Balance at End of Year	<u>\$ 1,170,620</u>	<u>\$ 1,142,620</u>	<u>\$ 998,924</u>	<u>\$ (143,696)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	STATE HIGHWAY IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 43,000	\$ 43,000	\$ 49,052	\$ 6,052
Total Revenues	<u>43,000</u>	<u>43,000</u>	<u>49,052</u>	<u>6,052</u>
Expenditures:				
Highways and Streets:				
State Highway Maintenance:				
All Other Expenditures	66,003	66,003	65,854	149
Total Expenditures	<u>66,003</u>	<u>66,003</u>	<u>65,854</u>	<u>149</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,003)	(23,003)	(16,802)	6,201
Fund Balance at Beginning of Year	81,993	81,993	81,993	0
Prior Year Encumbrances	26,003	26,003	26,003	0
Fund Balance at End of Year	<u>\$ 84,993</u>	<u>\$ 84,993</u>	<u>\$ 91,194</u>	<u>\$ 6,201</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

CEMETERIES FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 148,400	\$ 188,400	\$ 151,112	\$ (37,288)
Total Revenues	<u>148,400</u>	<u>188,400</u>	<u>151,112</u>	<u>(37,288)</u>
Expenditures:				
Public Health and Welfare:				
Cemeteries:				
Administration:				
Personal Services	174,322	180,784	175,123	5,661
All Other Expenditures	17,800	15,100	14,060	1,040
Evergreen/Riverside Cemeteries:				
Personal Services	332,461	362,694	319,382	43,312
All Other Expenditures	28,714	34,213	27,662	6,551
Capital Outlay	27,291	27,291	27,291	0
Building Maintenance:				
All Other Expenditures	14,341	14,846	12,808	2,038
Total Expenditures	<u>594,929</u>	<u>634,928</u>	<u>576,326</u>	<u>58,602</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(446,529)	(446,528)	(425,214)	21,314
Other Financing Sources (Uses):				
Transfers In	402,000	402,000	390,000	(12,000)
Total Other Financing Sources (Uses)	<u>402,000</u>	<u>402,000</u>	<u>390,000</u>	<u>(12,000)</u>
Net Change in Fund Balance	(44,529)	(44,528)	(35,214)	9,314
Fund Balance at Beginning of Year	42,400	42,400	42,400	0
Prior Year Encumbrances	6,157	6,157	6,157	0
Fund Balance at End of Year	<u>\$ 4,028</u>	<u>\$ 4,029</u>	<u>\$ 13,343</u>	<u>\$ 9,314</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	POLICE PENSION TRANSFER FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 66,403	\$ 66,403	\$ 60,076	\$ (6,327)
Intergovernmental Revenues	13,202	13,202	11,134	(2,068)
Total Revenues	<u>79,605</u>	<u>79,605</u>	<u>71,210</u>	<u>(8,395)</u>
Expenditures:				
Public Safety:				
Police:				
Law-Enforcement-Sworn Officer:				
Personal Services	80,000	80,000	71,500	8,500
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>71,500</u>	<u>8,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(395)	(395)	(290)	105
Other Financing Sources (Uses):				
Sale of General Obligation Bonds	(395)	(395)	0	395
Total Other Financing Sources (Uses)	<u>(395)</u>	<u>(395)</u>	<u>0</u>	<u>395</u>
Net Changes in Fund Balance	(790)	(790)	(290)	500
Fund Balance at Beginning of Year	729	729	729	0
Fund Balance at End of Year	<u>\$ (61)</u>	<u>\$ (61)</u>	<u>\$ 439</u>	<u>\$ 500</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

FIRE PENSION TRANSFER FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 66,403	\$ 66,403	\$ 60,076	\$ (6,327)
Intergovernmental Revenues	13,202	13,202	11,134	(2,068)
Total Revenues	<u>79,605</u>	<u>79,605</u>	<u>71,210</u>	<u>(8,395)</u>
Expenditures:				
Public Safety:				
Fire:				
Fire Fighting, Prevention, Inspection:				
Personal Services	80,000	80,000	71,500	8,500
Total Expenditures	<u>80,000</u>	<u>80,000</u>	<u>71,500</u>	<u>8,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(395)	(395)	(290)	105
Fund Balance at Beginning of Year	729	729	729	0
Fund Balance at End of Year	<u>\$ 334</u>	<u>\$ 334</u>	<u>\$ 439</u>	<u>\$ 105</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

LAW ENFORCEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 3,000	\$ 3,000	\$ 5,665	\$ 2,665
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>5,665</u>	<u>2,665</u>
Expenditures:				
Public Safety:				
Police:				
Law-Enforcement-Other:				
All Other Expenditures	15,500	15,500	9,934	5,566
Total Expenditures	<u>15,500</u>	<u>15,500</u>	<u>9,934</u>	<u>5,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,500)	(12,500)	(4,269)	8,231
Fund Balance at Beginning of Year	21,948	21,948	21,948	0
Prior Year Encumbrances	500	500	500	0
Fund Balance at End of Year	<u>\$ 9,948</u>	<u>\$ 9,948</u>	<u>\$ 18,179</u>	<u>\$ 8,231</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 35,000	\$ 35,000	\$ 34,113	\$ (887)
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>34,113</u>	<u>(887)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,000	35,000	34,113	(887)
Other Financing Sources (Uses):				
Transfers Out	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(33,000)</u>	<u>0</u>
Net Change in Fund Balance	2,000	2,000	1,113	(887)
Fund Balance at Beginning of Year	<u>1,884</u>	<u>1,884</u>	<u>1,884</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,884</u>	<u>\$ 3,884</u>	<u>\$ 2,997</u>	<u>\$ (887)</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

INDIGENT DRIVERS ALCOHOL TREATMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 20,000	\$ 20,000	\$ 23,735	\$ 3,735
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>23,735</u>	<u>3,735</u>
Expenditures:				
General Government:				
All Other Expenditures	54,754	54,754	26,109	28,645
Total Expenditures	<u>54,754</u>	<u>54,754</u>	<u>26,109</u>	<u>28,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,754)	(34,754)	(2,374)	32,380
Fund Balance at Beginning of Year	87,927	87,927	87,927	0
Prior Year Encumbrances	14,754	14,754	14,754	0
Fund Balance at End of Year	<u>\$ 67,927</u>	<u>\$ 67,927</u>	<u>\$ 100,307</u>	<u>\$ 32,380</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

ENFORCEMENT AND EDUCATION FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Fines and Forfeitures	\$ 500	\$ 500	\$ 1,065	\$ 565
Total Revenues	<u>500</u>	<u>500</u>	<u>1,065</u>	<u>565</u>
Expenditures:				
General Government:				
All Other Expenditures	3,000	3,000	0	3,000
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,500)	(2,500)	1,065	3,565
Fund Balance at Beginning of Year	39,070	39,070	39,070	0
Fund Balance at End of Year	<u>\$ 36,570</u>	<u>\$ 36,570</u>	<u>\$ 40,135</u>	<u>\$ 3,565</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	CITY MOTOR VEHICLE LICENSE TAX FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 71,600	\$ 71,600	\$ 68,226	\$ (3,374)
Total Revenues	<u>71,600</u>	<u>71,600</u>	<u>68,226</u>	<u>(3,374)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,600	71,600	68,226	(3,374)
Other Financing Sources (Uses):				
Transfers Out	<u>(68,000)</u>	<u>(68,000)</u>	<u>(63,500)</u>	<u>4,500</u>
Total Other Financing Sources (Uses)	<u>(68,000)</u>	<u>(68,000)</u>	<u>(63,500)</u>	<u>4,500</u>
Net Change in Fund Balance	3,600	3,600	4,726	1,126
Fund Balance at Beginning of Year	<u>1,039</u>	<u>1,039</u>	<u>1,039</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,639</u>	<u>\$ 4,639</u>	<u>\$ 5,765</u>	<u>\$ 1,126</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

	FIRE LEVY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 96,605	\$ 96,605	\$ 93,715	\$ (2,890)
Intergovernmental Revenues	19,407	19,407	15,191	(4,216)
Investment Earnings	0	0	2,294	2,294
Total Revenues	<u>116,012</u>	<u>116,012</u>	<u>111,200</u>	<u>(4,812)</u>
Expenditures:				
Public Safety:				
Fire Fighting, Prevention, Inspection:				
Capital Outlay	62,841	63,147	63,147	0
Fire Service - Other:				
Capital Outlay	487,317	487,011	453,458	33,553
Debt Service:				
Principal Retirement	85,000	85,000	85,000	0
Interest and Fiscal Charges	1,900	1,900	1,840	60
Total Expenditures	<u>637,058</u>	<u>637,058</u>	<u>603,445</u>	<u>33,613</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(521,046)	(521,046)	(492,245)	28,801
Other Financing Sources (Uses):				
General Obligation Notes Issued	195,000	195,000	195,443	443
Issuance of Capital Leases	334,000	334,000	5,344	(328,656)
Advances In	0	0	300,000	300,000
Total Other Financing Sources (Uses)	<u>529,000</u>	<u>529,000</u>	<u>500,787</u>	<u>(28,213)</u>
Net Changes in Fund Balance	7,954	7,954	8,542	588
Fund Balance at Beginning of Year	131,321	131,321	131,321	0
Prior Year Encumbrances	3,317	3,317	3,317	0
Fund Balance at End of Year	<u>\$ 142,592</u>	<u>\$ 142,592</u>	<u>\$ 143,180</u>	<u>\$ 588</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

UNDERGROUND STORAGE TANK FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Highways and Streets:				
All Other Expenditures	1,000	1,000	1,000	0
Total Expenditures	1,000	1,000	1,000	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	(1,000)	(1,000)	0
Other Financing Sources (Uses):				
Transfers In	0	0	5,000	5,000
Total Other Financing Sources (Uses)	0	0	5,000	5,000
Net Change in Fund Balance	(1,000)	(1,000)	4,000	5,000
Fund Balance at Beginning of Year	1,174	1,174	1,174	0
Fund Balance at End of Year	<u>\$ 174</u>	<u>\$ 174</u>	<u>\$ 5,174</u>	<u>\$ 5,000</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005***

PROBATION SERVICES FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 96,000	\$ 96,000	\$ 113,004	\$ 17,004
Total Revenues	<u>96,000</u>	<u>96,000</u>	<u>113,004</u>	<u>17,004</u>
Expenditures:				
General Government:				
Probation:				
Personal Services	81,377	81,377	72,246	9,131
All Other Expenditures	25,055	25,055	23,091	1,964
Debt Service:				
Principal Retirement	45,000	45,000	45,000	0
Interest and Fiscal Charges	1,125	1,125	1,058	67
Total Expenditures	<u>152,557</u>	<u>152,557</u>	<u>141,395</u>	<u>11,162</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,557)	(56,557)	(28,391)	28,166
Other Financing Sources (Uses):				
Sale of General Obligation Notes	55,000	55,000	45,000	(10,000)
Transfers In	0	0	10,862	10,862
Total Other Financing Sources (Uses)	<u>55,000</u>	<u>55,000</u>	<u>55,862</u>	<u>862</u>
Net Change in Fund Balance	(1,557)	(1,557)	27,471	29,028
Fund Balance at Beginning of Year	11,936	11,936	11,936	0
Prior Year Encumbrances	2,155	2,155	2,155	0
Fund Balance at End of Year	<u>\$ 12,534</u>	<u>\$ 12,534</u>	<u>\$ 41,562</u>	<u>\$ 29,028</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 44,423	\$ 44,423	\$ 48,339	\$ 3,916
Total Revenues	<u>44,423</u>	<u>44,423</u>	<u>48,339</u>	<u>3,916</u>
Expenditures:				
Public Safety:				
Law Enforcement-Sworn Officers:				
Personal Services	<u>70,470</u>	<u>70,470</u>	<u>70,388</u>	<u>82</u>
Total Expenditures	<u>70,470</u>	<u>70,470</u>	<u>70,388</u>	<u>82</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,047)	(26,047)	(22,049)	3,998
Other Financing Sources (Uses):				
Transfers In	<u>25,000</u>	<u>25,000</u>	<u>35,000</u>	<u>10,000</u>
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>35,000</u>	<u>10,000</u>
Net Change in Fund Balance	(1,047)	(1,047)	12,951	13,998
Fund Balance at Beginning of Year	1,197	1,197	1,197	0
Prior Year Encumbrances	<u>1,055</u>	<u>1,055</u>	<u>1,055</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,205</u>	<u>\$ 1,205</u>	<u>\$ 15,203</u>	<u>\$ 13,998</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 1,200	\$ 1,200	\$ 6,351	\$ 5,151
Total Revenues	<u>1,200</u>	<u>1,200</u>	<u>6,351</u>	<u>5,151</u>
Expenditures:				
Culture and Recreation:				
All Other Expenditures	<u>1,200</u>	<u>1,200</u>	<u>0</u>	<u>1,200</u>
Total Expenditures	<u>1,200</u>	<u>1,200</u>	<u>0</u>	<u>1,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	6,351	6,351
Fund Balance at Beginning of Year	<u>1,479</u>	<u>1,479</u>	<u>1,479</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,479</u>	<u>\$ 1,479</u>	<u>\$ 7,830</u>	<u>\$ 6,351</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	FIRE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 0	\$ 0	\$ 1,350	\$ 1,350
Total Revenues	<u>0</u>	<u>0</u>	<u>1,350</u>	<u>1,350</u>
Expenditures:				
Public Safety:				
All Other Expenditures	10,400	10,400	7,986	2,414
Total Expenditures	<u>10,400</u>	<u>10,400</u>	<u>7,986</u>	<u>2,414</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,400)	(10,400)	(6,636)	3,764
Fund Balance at Beginning of Year	21,034	21,034	21,034	0
Fund Balance at End of Year	<u>\$ 10,634</u>	<u>\$ 10,634</u>	<u>\$ 14,398</u>	<u>\$ 3,764</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

EMERGENCY MEDICAL SERVICES FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 268,000	\$ 268,000	\$ 317,010	\$ 49,010
Total Revenues	<u>268,000</u>	<u>268,000</u>	<u>317,010</u>	<u>49,010</u>
Expenditures:				
Public Safety:				
Personal Services	187,582	187,582	176,992	10,590
All Other Expenditures	10,850	10,850	5,618	5,232
Capital Outlay	<u>30,908</u>	<u>30,908</u>	<u>30,264</u>	<u>644</u>
Total Expenditures	<u>229,340</u>	<u>229,340</u>	<u>212,874</u>	<u>16,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	38,660	38,660	104,136	65,476
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 38,660</u></u>	<u><u>\$ 38,660</u></u>	<u><u>\$ 104,136</u></u>	<u><u>\$ 65,476</u></u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	PLAN REVIEW FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 0	\$ 0	\$ 325	\$ 325
Total Revenues	<u>0</u>	<u>0</u>	<u>325</u>	<u>325</u>
Expenditures:				
Public Safety:				
All Other Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	(2,000)	325	2,325
Fund Balance at Beginning of Year	<u>17,401</u>	<u>17,401</u>	<u>17,401</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 15,401</u>	<u>\$ 15,401</u>	<u>\$ 17,726</u>	<u>\$ 2,325</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

ZONING APPLICATION FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 0	\$ 0	\$ 852	\$ 852
Total Revenues	<u>0</u>	<u>0</u>	<u>852</u>	<u>852</u>
Expenditures:				
Public Safety:				
All Other Expenditures	100	222	222	0
Total Expenditures	<u>100</u>	<u>222</u>	<u>222</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100)	(222)	630	852
Fund Balance at Beginning of Year	<u>7,262</u>	<u>7,262</u>	<u>7,262</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 7,162</u></u>	<u><u>\$ 7,040</u></u>	<u><u>\$ 7,892</u></u>	<u><u>\$ 852</u></u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Public Safety:				
All Other Expenditures	12	12	0	12
Total Expenditures	12	12	0	12
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12)	(12)	0	12
Fund Balance at Beginning of Year	89	89	89	0
Fund Balance at End of Year	\$ 77	\$ 77	\$ 89	\$ 12

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 0	\$ 0	\$ 1,876	\$ 1,876
Total Revenues	<u>0</u>	<u>0</u>	<u>1,876</u>	<u>1,876</u>
Expenditures:				
Public Safety:				
All Other Expenditures	<u>2,000</u>	<u>2,000</u>	<u>855</u>	<u>1,145</u>
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>855</u>	<u>1,145</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	(2,000)	1,021	3,021
Fund Balance at Beginning of Year	<u>3,148</u>	<u>3,148</u>	<u>3,148</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,148</u>	<u>\$ 1,148</u>	<u>\$ 4,169</u>	<u>\$ 3,021</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005**

	GENERAL BOND RETIREMENT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 54,858	\$ 54,858	\$ 48,103	\$ (6,755)
Intergovernmental Revenues	10,593	10,593	8,907	(1,686)
Investment Earnings	0	0	192	192
Total Revenues	<u>65,451</u>	<u>65,451</u>	<u>57,202</u>	<u>(8,249)</u>
Expenditures:				
Debt Service Function:				
Debt Service:				
Principal Retirement	135,000	135,000	135,000	0
Interest and Fiscal Charges	<u>3,375</u>	<u>3,375</u>	<u>3,172</u>	<u>203</u>
Capital Outlay	<u>250,000</u>	<u>250,000</u>	<u>249,806</u>	<u>194</u>
Total Expenditures	<u>388,375</u>	<u>388,375</u>	<u>387,978</u>	<u>397</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(322,924)	(322,924)	(330,776)	(7,852)
Other Financing Sources (Uses):				
General Obligation Notes Issued	315,000	315,000	341,742	26,742
Transfers In	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>50,000</u>
Total Other Financing Sources (Uses)	<u>315,000</u>	<u>315,000</u>	<u>391,742</u>	<u>76,742</u>
Net Change in Fund Balance	(7,924)	(7,924)	60,966	68,890
Fund Balance at Beginning of Year	<u>15,961</u>	<u>15,961</u>	<u>15,961</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,037</u>	<u>\$ 8,037</u>	<u>\$ 76,927</u>	<u>\$ 68,890</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005**

SPECIAL ASSESSMENT BOND RETIREMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 977	\$ 977
Special Assessments	61,851	61,851	65,099	3,248
Total Revenues	<u>61,851</u>	<u>61,851</u>	<u>66,076</u>	<u>4,225</u>
Expenditures:				
Debt Service Function:				
Debt Service - Unvoted:				
Debt Service:				
Principal Retirement	40,000	40,000	40,000	0
Interest and Fiscal Charges	14,800	14,800	14,800	0
Total Expenditures	<u>54,800</u>	<u>54,800</u>	<u>54,800</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,051	7,051	11,276	4,225
Fund Balance at Beginning of Year	239,029	239,029	239,029	0
Fund Balance at End of Year	<u>\$ 246,080</u>	<u>\$ 246,080</u>	<u>\$ 250,305</u>	<u>\$ 4,225</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2005**

LAND ACQUISITION NOTE RETIREMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Advances In	698,700	698,700	695,275	(3,425)
Advances Out	(698,700)	(698,700)	(695,275)	3,425
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUNICIPAL COURT IMPROVEMENT FUND				
Revenues:				
Fines and Forfeitures	\$ 135,300	\$ 135,300	\$ 124,384	\$ (10,916)
Total Revenues	<u>135,300</u>	<u>135,300</u>	<u>124,384</u>	<u>(10,916)</u>
Expenditures:				
General Government:				
Clerk of Court:				
Personal Services	63,637	57,901	44,269	13,632
All Other Expenditures	35,050	36,121	27,565	8,556
Capital Outlay	20,157	24,823	23,653	1,170
Probation:				
Personal Services	19,186	19,186	14,762	4,424
Debt Service:				
Principal Retirement	300,000	300,000	300,000	0
Interest and Fiscal Charges	7,500	7,500	7,050	450
Total Expenditures	<u>445,530</u>	<u>445,531</u>	<u>417,299</u>	<u>28,232</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(310,230)	(310,231)	(292,915)	17,316
Other Financing Sources (Uses):				
Sale of General Obligation Notes	230,000	230,000	230,000	0
Transfers In	0	0	102,700	102,700
Total Other Financing Sources (Uses)	<u>230,000</u>	<u>230,000</u>	<u>332,700</u>	<u>102,700</u>
Net Change in Fund Balance	(80,230)	(80,231)	39,785	120,016
Fund Balance at Beginning of Year	208,905	208,905	208,905	0
Prior Year Encumbrances	4,168	4,168	4,168	0
Fund Balance at End of Year	<u>\$ 132,843</u>	<u>\$ 132,842</u>	<u>\$ 252,858</u>	<u>\$ 120,016</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

CAPITAL EQUIPMENT RESERVE FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
General Government:				
Finance:				
Administration:				
All Other Expenditures	0	0	2,686	(2,686)
Accounting:				
Capital Outlay	0	0	1,192	(1,192)
Other Miscellaneous:				
Capital Outlay	145,687	145,687	140,735	4,952
Total General Government	<u>145,687</u>	<u>145,687</u>	<u>144,613</u>	<u>1,074</u>
Public Safety:				
Police:				
Law Enforcement - Other:				
Capital Outlay	0	0	109,175	(109,175)
Total Public Safety	<u>0</u>	<u>0</u>	<u>109,175</u>	<u>(109,175)</u>
Highways and Streets:				
Equipment Maintenance:				
Capital Outlay	0	0	6,122	(6,122)
Total Highways and Streets	<u>0</u>	<u>0</u>	<u>6,122</u>	<u>(6,122)</u>
Culture and Recreation:				
Parks:				
Parks Systems:				
Capital Outlay	0	0	15,164	(15,164)
Total Culture and Recreation	<u>0</u>	<u>0</u>	<u>15,164</u>	<u>(15,164)</u>
Total Expenditures	<u>145,687</u>	<u>145,687</u>	<u>275,074</u>	<u>(129,387)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,687)	(145,687)	(275,074)	(129,387)
Other Financing Sources (Uses):				
Issuance of Capital Leases	0	0	30,424	30,424
Transfers In	146,000	146,000	296,000	150,000
Total Other Financing Sources (Uses)	<u>146,000</u>	<u>146,000</u>	<u>326,424</u>	<u>180,424</u>
Net Change in Fund Balance	313	313	51,350	51,037
Fund Balance at Beginning of Year	189,195	189,195	189,195	0
Fund Balance at End of Year	<u>\$ 189,508</u>	<u>\$ 189,508</u>	<u>\$ 240,545</u>	<u>\$ 51,037</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005***

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 65,000	\$ 65,000	\$ 65,000	\$ 0
All Other Revenues	0	0	25,229	25,229
Total Revenues	<u>65,000</u>	<u>65,000</u>	<u>90,229</u>	<u>25,229</u>
Expenditures:				
General Government:				
Public Lands and Buildings:				
Building Operations Maintenance and Repair:				
Capital Outlay	261,666	221,437	241,566	(20,129)
Total General Government	<u>261,666</u>	<u>221,437</u>	<u>241,566</u>	<u>(20,129)</u>
Highways and Streets:				
Street Construction and Reconstruction:				
Capital Outlay	291,399	356,399	356,399	0
Total Highways and Streets	<u>291,399</u>	<u>356,399</u>	<u>356,399</u>	<u>0</u>
Culture and Recreation:				
Recreation Activities:				
Capital Outlay	124,500	123,765	123,685	80
Total Culture and Recreation	<u>124,500</u>	<u>123,765</u>	<u>123,685</u>	<u>80</u>
Debt Service				
Principal Retirement	550,000	525,964	500,000	25,964
Interest and Fiscal Charges	11,000	11,000	10,000	1,000
Total Expenditures	<u>1,238,565</u>	<u>1,238,565</u>	<u>1,231,650</u>	<u>6,915</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,173,565)	(1,173,565)	(1,141,421)	32,144
Other Financing Sources (Uses):				
Sale of General Obligation Notes	550,000	550,000	551,393	1,393
Transfers In	0	0	100,000	100,000
Total Other Financing Sources (Uses)	<u>550,000</u>	<u>550,000</u>	<u>651,393</u>	<u>101,393</u>
Net Change in Fund Balance	(623,565)	(623,565)	(490,028)	133,537
Fund Balance at Beginning of Year	354,055	354,055	354,055	0
Prior Year Encumbrances	538,065	538,065	538,065	0
Fund Balance at End of Year	<u>\$ 268,555</u>	<u>\$ 268,555</u>	<u>\$ 402,092</u>	<u>\$ 133,537</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SHAMROCK BOULEVARD ROAD PROJECT FUND				
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	10,411	10,411	10,411	0
Debt Service:				
Principal Retirement	80,000	80,000	80,000	0
Interest and Fiscal Charges	2,000	2,000	1,881	119
Total Expenditures	<u>92,411</u>	<u>92,411</u>	<u>92,292</u>	<u>119</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(92,411)	(92,411)	(92,292)	119
Other Financing Sources (Uses):				
Transfers In	0	0	100,000	100,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balance	(92,411)	(92,411)	7,708	100,119
Fund Balance at Beginning of Year	170,793	170,793	170,793	0
Prior Year Encumbrances	10,411	10,411	10,411	0
Fund Balance at End of Year	<u>\$ 88,793</u>	<u>\$ 88,793</u>	<u>\$ 188,912</u>	<u>\$ 100,119</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

JACKSON STREET INTERCHANGE PROJECT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 446,000	\$ 446,000	\$ 400,002	\$ (45,998)
Total Revenues	<u>446,000</u>	<u>446,000</u>	<u>400,002</u>	<u>(45,998)</u>
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	373,198	373,198	373,198	0
Total Expenditures	<u>373,198</u>	<u>373,198</u>	<u>373,198</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	72,802	72,802	26,804	(45,998)
Other Financing Sources (Uses):				
Transfers In	0	0	100,000	100,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balance	72,802	72,802	126,804	54,002
Fund Balance at Beginning of Year	5,361	5,361	5,361	0
Prior Year Encumbrances	198	198	198	0
Fund Balance at End of Year	<u>\$ 78,361</u>	<u>\$ 78,361</u>	<u>\$ 132,363</u>	<u>\$ 54,002</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	INDUSTRIAL PARK PROJECT FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
All Other Revenues	\$ 0	\$ 0	\$ 89,489	\$ 89,489
Total Revenues	0	0	89,489	89,489
Expenditures:				
Highways and Streets:				
Miscellaneous:				
Capital Outlay	42,460	42,460	42,460	0
Debt Service:				
Principal Retirement	1,080,000	1,080,000	1,080,000	0
Interest and Fiscal Charges	27,000	27,000	25,380	1,620
Total Expenditures	1,149,460	1,149,460	1,147,840	1,620
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,149,460)	(1,149,460)	(1,058,351)	91,109
Other Financing Sources (Uses):				
General Obligation Bonds Issued	1,050,000	1,050,000	410,000	(640,000)
General Obligation Notes Issued	340,000	340,000	540,000	200,000
Transfers In	0	0	50,000	50,000
Total Other Financing Sources (Uses)	1,390,000	1,390,000	1,000,000	(390,000)
Net Change in Fund Balance	240,540	240,540	(58,351)	(298,891)
Fund Balance at Beginning of Year	120,922	120,922	120,922	0
Prior Year Encumbrances	42,460	42,460	42,460	0
Fund Balance at End of Year	\$ 403,922	\$ 403,922	\$ 105,031	\$ (298,891)

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005**

	MUNICIPAL COURT SPECIAL PROJECTS FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual		(Negative)
Revenues:					
Fines and Forfeitures	\$ 85,000	\$ 85,000	\$ 93,204	\$	8,204
Total Revenues	<u>85,000</u>	<u>85,000</u>	<u>93,204</u>		<u>8,204</u>
Expenditures:					
General Government:					
Judicial - Municipal Court:					
Judicial Activities:					
All Other Expenditures	12,284	12,800	7,433		5,367
Clerk of Court:					
Personal Services	0	57,827	2,898		54,929
All Other Expenditures	2,400	10,884	10,884		0
Probation:					
Personal Services	0	2,173	1,086		1,087
Total General Government	<u>14,684</u>	<u>83,684</u>	<u>22,301</u>		<u>61,383</u>
Total Expenditures	<u>14,684</u>	<u>83,684</u>	<u>22,301</u>		<u>61,383</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	70,316	1,316	70,903		69,587
Fund Balance at Beginning of Year	<u>188,748</u>	<u>188,748</u>	<u>188,748</u>		<u>0</u>
Fund Balance at End of Year	<u>\$ 259,064</u>	<u>\$ 190,064</u>	<u>\$ 259,651</u>	<u>\$</u>	<u>69,587</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2005**

	CEMETERY TRUST FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Investment Earnings	\$ 7,000	\$ 7,000	\$ 12,775	\$ 5,775
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>12,775</u>	<u>5,775</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	1,200	2,700	2,034	666
Total Expenditures	<u>1,200</u>	<u>2,700</u>	<u>2,034</u>	<u>666</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,800	4,300	10,741	6,441
Other Financing Sources (Uses):				
Transfers Out	(7,500)	(6,000)	0	6,000
Total Other Financing Sources (Uses)	<u>(7,500)</u>	<u>(6,000)</u>	<u>0</u>	<u>6,000</u>
Net Changes in Fund Balance	(1,700)	(1,700)	10,741	12,441
Fund Balance at Beginning of Year	2,783	2,783	2,783	0
Fund Balance at End of Year	<u>\$ 1,083</u>	<u>\$ 1,083</u>	<u>\$ 13,524</u>	<u>\$ 12,441</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2005**

	SPECIAL ENDOWMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Investment Earnings	\$ 4,000	\$ 4,000	\$ 12,775	\$ 8,775
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>12,775</u>	<u>8,775</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,000	4,000	12,775	8,775
Other Financing Sources (Uses):				
Transfers Out	<u>(4,500)</u>	<u>(4,500)</u>	<u>0</u>	<u>4,500</u>
Total Other Financing Sources (Uses)	<u>(4,500)</u>	<u>(4,500)</u>	<u>0</u>	<u>4,500</u>
Net Changes in Fund Balance	(500)	(500)	12,775	13,275
Fund Balance at Beginning of Year	<u>1,436</u>	<u>1,436</u>	<u>1,436</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 936</u>	<u>\$ 936</u>	<u>\$ 14,211</u>	<u>\$ 13,275</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2005**

	EVERGREEN CEMETERY TRUST FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
All Other Revenues	\$ 2,000	\$ 2,000	\$ 19,655	\$ 17,655
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>19,655</u>	<u>17,655</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	500	500	0	500
Total Expenditures	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,500	1,500	19,655	18,155
Fund Balance at Beginning of Year	<u>377,852</u>	<u>377,852</u>	<u>377,852</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 379,352</u>	<u>\$ 379,352</u>	<u>\$ 397,507</u>	<u>\$ 18,155</u>

CITY OF PAINESVILLE, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 7,200	\$ 7,200	\$ 7,500	\$ 300
Total Revenues	<u>7,200</u>	<u>7,200</u>	<u>7,500</u>	<u>300</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	500	500	360	140
Total Expenditures	<u>500</u>	<u>500</u>	<u>360</u>	<u>140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,700	6,700	7,140	440
Fund Balance at Beginning of Year	314,312	314,312	314,312	0
Fund Balance at End of Year	<u>\$ 321,012</u>	<u>\$ 321,012</u>	<u>\$ 321,452</u>	<u>\$ 440</u>

CITY OF PAINESVILLE, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 5,800	\$ 5,800	\$ 8,640	\$ 2,840
Total Revenues	<u>5,800</u>	<u>5,800</u>	<u>8,640</u>	<u>2,840</u>
Expenditures:				
Public Health and Welfare:				
All Other Expenditures	<u>25</u>	<u>25</u>	<u>0</u>	<u>25</u>
Total Expenditures	<u>25</u>	<u>25</u>	<u>0</u>	<u>25</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,775	5,775	8,640	2,865
Fund Balance at Beginning of Year	<u>292,776</u>	<u>292,776</u>	<u>292,776</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 298,551</u>	<u>\$ 298,551</u>	<u>\$ 301,416</u>	<u>\$ 2,865</u>

Nonmajor Enterprise Funds

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

Refuse Fund

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

Off Street Parking Fund

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

Storm Water Utility Fund

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

CITY OF PAINESVILLE, OHIO

**Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2005**

	Refuse	Off Street Parking	Storm Water Utility	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 9,076	\$ 78,043	\$ 186,877	\$ 273,996
Investments	0	0	597,289	597,289
Accounts Receivable (net of allowance for uncollectibles)	0	1,799	22,130	23,929
Prepaid Items	0	2,231	0	2,231
Total Current Assets	<u>9,076</u>	<u>82,073</u>	<u>806,296</u>	<u>897,445</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	0	5,225	0	5,225
Total restricted assets	<u>0</u>	<u>5,225</u>	<u>0</u>	<u>5,225</u>
Capital Assets:				
Capital Assets Not Being Depreciated	0	118,972	0	118,972
Capital Assets Being Depreciated, Net	0	1,139,523	0	1,139,523
Total Noncurrent Assets	<u>0</u>	<u>1,263,720</u>	<u>0</u>	<u>1,263,720</u>
Total Assets	<u>9,076</u>	<u>1,345,793</u>	<u>806,296</u>	<u>2,161,165</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	0	5,437	971	6,408
Accrued Wages and Benefits	0	2,185	3,621	5,806
Intergovernmental Payable	0	0	47,224	47,224
Refundable Deposits	0	2,882	0	2,882
Accrued Interest Payable	0	10	4,023	4,033
General Obligation Notes Payable	0	0	267,000	267,000
Capital Leases Payable - Current	0	494	0	494
Compensated Absences Payable - Current	0	3,401	0	3,401
Total Current Liabilities	<u>0</u>	<u>14,409</u>	<u>322,839</u>	<u>337,248</u>
Noncurrent Liabilities:				
Capital Leases Payable	0	744	0	744
Compensated Absences Payable	0	7,305	11,416	18,721
Total Noncurrent Liabilities	<u>0</u>	<u>8,049</u>	<u>11,416</u>	<u>19,465</u>
Total Liabilities	<u>0</u>	<u>22,458</u>	<u>334,255</u>	<u>356,713</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	0	1,262,482	0	1,262,482
Unrestricted	9,076	60,853	472,041	541,970
Total Net Assets	<u>\$ 9,076</u>	<u>\$ 1,323,335</u>	<u>\$ 472,041</u>	<u>\$ 1,804,452</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2005**

	Refuse	Off Street Parking	Storm Water Utility	Total Nonmajor Enterprise Funds
Operating Revenues:				
Charges for Services	\$ 276	\$ 96,908	\$ 404,741	\$ 501,925
Other Charges for Services	0	0	2,032	2,032
Other Operating Revenues	3,185	0	0	3,185
Total Operating Revenues	<u>3,461</u>	<u>96,908</u>	<u>406,773</u>	<u>507,142</u>
Operating Expenses:				
Personal Services	0	120,654	93,441	214,095
Contractual Services	45,645	18,443	311,256	375,344
Materials and Supplies	0	793	19,157	19,950
Utilities	0	28,939	971	29,910
Depreciation	0	38,722	0	38,722
Total Operating Expenses	<u>45,645</u>	<u>207,551</u>	<u>424,825</u>	<u>678,021</u>
Operating Loss	(42,184)	(110,643)	(18,052)	(170,879)
Non-Operating Revenue (Expenses):				
Interest Income	0	2,697	7,050	9,747
Interest and Fiscal Charges	0	(10)	(4,812)	(4,822)
Other Nonoperating Revenue	0	0	343	343
Total Non-Operating Revenues (Expenses)	<u>0</u>	<u>2,687</u>	<u>2,581</u>	<u>5,268</u>
Loss Before Transfers	(42,184)	(107,956)	(15,471)	(165,611)
Transfers:				
Transfers-In	34,000	100,000	100,000	234,000
Transfers-Out	0	(7,537)	(30,000)	(37,537)
Total Transfers	<u>(34,000)</u>	<u>(92,463)</u>	<u>(70,000)</u>	<u>(196,463)</u>
Change in Net Assets	(8,184)	(15,493)	54,529	30,852
Net Assets Beginning of Year	17,260	1,338,828	417,512	1,773,600
Net Assets End of Year	<u>\$ 9,076</u>	<u>\$ 1,323,335</u>	<u>\$ 472,041</u>	<u>\$ 1,804,452</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2005**

	Refuse Fund	Off-Street Parking Fund	Storm Water Utility Fund	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$3,461	\$97,002	\$407,730	\$508,193
Cash Payments for Goods and Services	(45,645)	(50,826)	(325,973)	(422,444)
Cash Payments to Employees	0	(118,053)	(83,035)	(201,088)
Net Cash Used by Operating Activities	(42,184)	(71,877)	(1,278)	(115,339)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	34,000	100,000	100,000	234,000
Transfers Out to Other Funds	0	0	(30,000)	(30,000)
Net Cash Provided for Noncapital Financing Activities	34,000	100,000	70,000	204,000
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from General Obligation Notes	0	0	267,676	267,676
Principal Paid on General Obligation Notes	0	0	(160,000)	(160,000)
Acquisition and Construction of Assets	0	(6,000)	0	(6,000)
Principal Paid on Capital Leases	0	(481)	0	(481)
Interest Paid on All Debt	0	0	(3,200)	(3,200)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(6,481)	104,476	97,995
<u>Cash Flows from Investing Activities:</u>				
Receipts of Principal and Interest on Investments	0	2,697	3,392	6,089
Sale of Investments	0	0	7,605	7,605
Net Cash Provided by Investing Activities	0	2,697	10,997	13,694
Net Increase (Decrease) in Cash and Cash Equivalents	(8,184)	24,339	184,195	200,350
Cash and Cash Equivalents at Beginning of Year	17,260	58,929	2,682	78,871
Cash and Cash Equivalents at End of Year	\$9,076	\$83,268	\$186,877	\$279,221
<u>Reconciliation of Operating Loss to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Loss	(\$42,184)	(\$110,643)	(\$18,052)	(\$170,879)
Adjustments to Reconcile Operating Loss to				
Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	0	38,722	0	38,722
Miscellaneous Nonoperating Revenues	0	174	343	517
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	0	(80)	614	534
Increase in Prepaid Items	0	(1,664)	0	(1,664)
Increase (Decrease) in Accounts Payable	0	3,151	(10,305)	(7,154)
Increase in Accrued Wages and Benefits	0	(3,640)	(868)	(4,508)
Increase in Intergovernmental Payable	0	(4,138)	15,716	11,578
Increase in Compensated Absences Payable	0	6,241	11,274	17,515
Total Adjustments	0	38,766	16,774	55,540
Net Cash Used by Operating Activities	(\$42,184)	(\$71,877)	(\$1,278)	(\$115,339)

Schedule of Noncash Investing, Capital and Financing Activities:

During 2005 the fair value of investments decreased by \$692 in the Storm Water Utility Fund.

Nonmajor Internal Service Funds

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

Fuel and Oil Rotary Fund

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

Supplies Fund

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

Employee Health Insurance Fund

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

Workers' Compensation Retrospective Fund

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

CITY OF PAINESVILLE, OHIO

**Combining Statement of Net Assets
Nonmajor Internal Service Funds
December 31, 2005**

	<u>Fuel and Oil Rotary</u>	<u>Supplies Rotary</u>	<u>Employee Health Insurance</u>	<u>Workers' Compensation Retrospective</u>	<u>Total</u>
Assets:					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 137,312	\$ 28,618	\$ 188,883	\$ 153,777	\$ 508,590
Inventory of Supplies at Cost	<u>0</u>	<u>33,364</u>	<u>0</u>	<u>0</u>	<u>33,364</u>
Total Assets	<u>137,312</u>	<u>61,982</u>	<u>188,883</u>	<u>153,777</u>	<u>541,954</u>
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	0	0	89,982	0	89,982
Claims Payable	<u>0</u>	<u>0</u>	<u>267,058</u>	<u>771,469</u>	<u>1,038,527</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>357,040</u>	<u>771,469</u>	<u>1,128,509</u>
Net Assets:					
Unrestricted (Deficits)	<u>137,312</u>	<u>61,982</u>	<u>(168,157)</u>	<u>(617,692)</u>	<u>(586,555)</u>
Total Net Assets (Deficits)	<u>\$ 137,312</u>	<u>\$ 61,982</u>	<u>\$ (168,157)</u>	<u>\$ (617,692)</u>	<u>\$ (586,555)</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Internal Service Funds
For the Year Ended December 31, 2005**

	Fuel and Oil Rotary	Supplies Rotary	Employee Health Insurance	Workers' Compensation Retrospective	Total
Operating Revenues:					
Charges for Services	\$ 205,339	\$ 15,609	\$ 2,292,167	\$ 275,851	\$ 2,788,966
Total Operating Revenues	<u>205,339</u>	<u>15,609</u>	<u>2,292,167</u>	<u>275,851</u>	<u>2,788,966</u>
Operating Expenses:					
Personal Services	0	0	2,344,742	0	2,344,742
Contractual Services	0	0	5,611	343,413	349,024
Materials and Supplies	176,556	44,745	0	0	221,301
Total Operating Expenses	<u>176,556</u>	<u>44,745</u>	<u>2,350,353</u>	<u>343,413</u>	<u>2,915,067</u>
Operating Income (Loss)	28,783	(29,136)	(58,186)	(67,562)	(126,101)
Transfers In	100,000	25,000	150,000	0	275,000
Change in Net Assets	128,783	(4,136)	91,814	(67,562)	148,899
Net Assets (Deficits) Beginning of Year	8,529	66,118	(259,971)	(550,130)	(735,454)
Net Assets (Deficits) End of Year	<u>\$ 137,312</u>	<u>\$ 61,982</u>	<u>\$ (168,157)</u>	<u>\$ (617,692)</u>	<u>\$ (586,555)</u>

CITY OF PAINESVILLE, OHIO

**Combining Statement of Cash Flows
Nonmajor Internal Service Funds
For the Year Ended December 31, 2005**

	Fuel and Oil Rotary	Supplies Rotary	Employee Health Insurance	Workers' Compensation Retrospective	Totals
<u>Cash Flows from Operating Activities:</u>					
Cash Receipts from Interfund Services Provided	\$205,339	\$15,609	\$2,292,167	\$275,851	\$2,788,966
Cash Payments for Goods and Services	(200,916)	(40,609)	(39,618)	0	(281,143)
Cash Payments to Employees	0	0	0	(275,848)	(275,848)
Cash Payments for Employee Medical Claims	0	0	(2,234,532)	0	(2,234,532)
Net Cash Provided (Used) by Operating Activities	4,423	(25,000)	18,017	3	(2,557)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers In From Other Funds	100,000	25,000	150,000	0	275,000
Net Cash Provided for Noncapital Financing Activities	100,000	25,000	150,000	0	275,000
Net Increase in Cash and Cash Equivalents	104,423	0	168,017	3	272,443
Cash and Cash Equivalents at Beginning of Year	32,889	28,618	20,866	153,774	236,147
Cash and Cash Equivalents at End of Year	\$137,312	\$28,618	\$188,883	\$153,777	\$508,590
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	\$28,783	(\$29,136)	(\$58,186)	(\$67,562)	(\$126,101)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Changes in Assets and Liabilities:					
Decrease in Inventory	0	4,151	0	0	4,151
Increase (Decrease) in Accounts Payable	(24,360)	(15)	14,218	0	(10,157)
Decrease in Claims Liability	0	0	61,985	67,565	129,550
Total Adjustments	(24,360)	4,136	76,203	67,565	123,544
Net Cash Provided (Used) by Operating Activities	\$4,423	(\$25,000)	\$18,017	\$3	(\$2,557)

Fiduciary Funds

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

Agency Funds

Municipal Court Fund

To account for funds that flow through the municipal court.

State Patrol Transfer Fund

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

Electric License Fund

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

Land Bank Fund

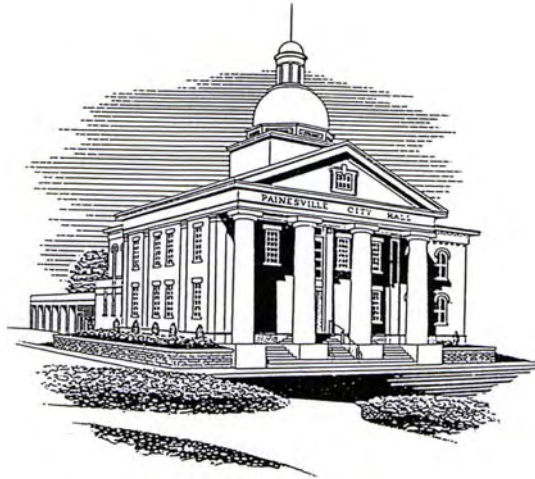
To account for the receipt of monies from the sale of property under the Land Bank Program and the disbursement to the County for back taxes.

CITY OF PAINESVILLE, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2005**

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
<u>Municipal Court</u>				
Assets:				
Cash and Cash Equivalents	\$37,400	\$2,489,051	(\$2,478,721)	\$47,730
Total Assets	<u>\$37,400</u>	<u>\$2,489,051</u>	<u>(\$2,478,721)</u>	<u>\$47,730</u>
Liabilities:				
Due to Others	\$37,400	\$2,489,051	(\$2,478,721)	\$47,730
Total Liabilities	<u>\$37,400</u>	<u>\$2,489,051</u>	<u>(\$2,478,721)</u>	<u>\$47,730</u>
<u>State Patrol Transfer</u>				
Assets:				
Cash and Cash Equivalents	\$6,642	\$68,295	(\$56,653)	\$18,284
Total Assets	<u>\$6,642</u>	<u>\$68,295</u>	<u>(\$56,653)</u>	<u>\$18,284</u>
Liabilities:				
Due to Others	\$6,642	\$68,295	(\$56,653)	\$18,284
Total Liabilities	<u>\$6,642</u>	<u>\$68,295</u>	<u>(\$56,653)</u>	<u>\$18,284</u>
<u>Electric License</u>				
Assets:				
Cash and Cash Equivalents	\$7,206	\$0	\$0	\$7,206
Total Assets	<u>\$7,206</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,206</u>
Liabilities:				
Due to Others	\$7,206	\$0	\$0	\$7,206
Total Liabilities	<u>\$7,206</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,206</u>
<u>Land Bank</u>				
Assets:				
Cash and Cash Equivalents	\$4,943	\$0	\$0	\$4,943
Total Assets	<u>\$4,943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,943</u>
Liabilities:				
Due to Others	\$4,943	\$0	\$0	\$4,943
Total Liabilities	<u>\$4,943</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,943</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$56,191	\$2,557,346	(\$2,535,374)	\$78,163
Total Assets	<u>\$56,191</u>	<u>\$2,557,346</u>	<u>(\$2,535,374)</u>	<u>\$78,163</u>
Liabilities:				
Due to Others	\$56,191	\$2,557,346	(\$2,535,374)	\$78,163
Total Liabilities	<u>\$56,191</u>	<u>\$2,557,346</u>	<u>(\$2,535,374)</u>	<u>\$78,163</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*



CITY OF PAINESVILLE, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2005***

Capital Assets:

Land	\$4,430,567
Buildings and Improvements	4,410,799
Improvements Other than Buildings	1,309,484
Machinery and Equipment	5,604,217
Infrastructure	1,367,297
Construction in Progress	<u>1,886,926</u>
Total Capital Assets	<u><u>\$19,009,290</u></u>

Investment in Capital Assets from:

General Fund	\$8,342,702
Special Revenue Funds	4,341,110
Capital Projects Funds	4,861,624
Enterprise Funds	1,438,043
Expendable Trust Funds	13,920
Gifts	<u>11,891</u>
Total Investment in Capital Assets	<u><u>\$19,009,290</u></u>

CITY OF PAINESVILLE, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2005**

Function and Activity	Land	Construction in Progress	Buildings and Improvements	Improvements Other than Buildings
General Government				
Judicial:				
Municipal Court	\$0	\$16,584	\$1,392,457	\$0
Executive:				
City Manager	1,628,257	24,972	0	0
Information Technology	0	81,454	0	62,346
Economic Development	0	0	0	0
Finance	0	0	47,850	0
Engineering	35,460	0	268,180	0
Buildings and Grounds	332,670	0	1,443,608	0
Total General Government	1,996,387	123,010	3,152,095	62,346
Public Safety				
Police	0	43,998	0	0
Fire	0	0	0	0
Control Center	0	0	0	0
Total Public Safety	0	43,998	0	0
Highways and Streets				
Public Works	155,501	1,651,235	121,290	510,901
Public Health and Welfare				
Cemeteries	506,223	0	180,000	56,500
Culture/Recreation				
Parks - Recreation	1,515,036	25,000	957,414	679,737
Community Environment				
Community Development	257,420	43,683	0	0
Code Enforcement	0	0	0	0
Total Community Environmen	257,420	43,683	0	0
Total Capital Assets	\$4,430,567	\$1,886,926	\$4,410,799	\$1,309,484

CITY OF PAINESVILLE, OHIO

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$101,552	\$0	\$1,510,593
306,785	0	1,960,014
147,192	0	290,992
14,195	0	14,195
81,711	0	129,561
52,700	0	356,340
14,700	0	1,790,978
<u>718,835</u>	<u>0</u>	<u>6,052,673</u>
820,561	0	864,559
1,481,909	0	1,481,909
54,498	0	54,498
<u>2,356,968</u>	<u>0</u>	<u>2,400,966</u>
<u>1,917,687</u>	<u>1,367,297</u>	<u>5,723,911</u>
<u>216,560</u>	<u>0</u>	<u>959,283</u>
<u>317,295</u>	<u>0</u>	<u>3,494,482</u>
0	0	301,103
<u>76,872</u>	<u>0</u>	<u>76,872</u>
<u>76,872</u>	<u>0</u>	<u>377,975</u>
<u>\$5,604,217</u>	<u>\$1,367,297</u>	<u>\$19,009,290</u>

CITY OF PAINESVILLE, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2005**

Function and Activity	December 31, 2004	Transfers	Additions	Deletions	December 31, 2005
General Government					
Judicial					
Municipal Court	\$1,510,593	\$0	\$0	\$0	\$1,510,593
Executive					
City Manager	1,549,191	0	410,823	0	1,960,014
Information Technology	290,992	0	0	0	290,992
Economic Development	14,195	0	0	0	14,195
Finance	62,624	0	66,937	0	129,561
Engineering	386,011	(29,671)	0	0	356,340
Buildings and Grounds	1,790,978	0	0	0	1,790,978
Total General Government	5,604,584	(29,671)	477,760	0	6,052,673
Public Safety					
Police	860,070	0	39,210	(34,721)	864,559
Fire	1,364,748	0	279,047	(161,886)	1,481,909
Control Center	54,498	0	0	0	54,498
Total Public Safety	2,279,316	0	318,257	(196,607)	2,400,966
Highways and Streets					
Public Works	5,505,694	29,671	188,546	0	5,723,911
Public Health and Welfare					
Cemeteries	953,185	0	6,098	0	959,283
Culture/Recreation					
Parks - Recreation	3,507,857	0	15,164	(28,539)	3,494,482
Community Environment					
Community Development	314,723	0	0	(13,620)	301,103
Code Enforcement	76,872	0	0	0	76,872
Total Community Environment	391,595	0	0	(13,620)	377,975
Total Capital Assets	\$18,242,231	\$0	\$1,005,825	(\$238,766)	\$19,009,290

STATISTICAL SECTION



STATISTICAL TABLES

***T**HE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.*

CITY OF PAINESVILLE, OHIO

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1) LAST TEN YEARS

Year	General Government	Public Safety	Highways and Streets	Public Health and Welfare	Culture and Recreation	Community Environment	Capital Outlay	Debt Service	Total
1996	\$1,703,874	\$4,189,794	\$2,157,851	\$490,890	\$544,366	\$240,277	\$0	\$117,868	\$9,444,920
1997	1,960,806	4,579,914	2,034,240	510,526	609,551	250,780	0	127,962	10,073,779
1998	1,950,541	4,672,076	1,695,777	514,971	702,249	279,138	0	93,624	9,908,376
1999	1,967,990	5,281,060	4,322,320	554,676	745,573	257,296	0	134,669	13,263,584
2000	2,118,972	5,471,391	2,396,435	594,196	841,974	438,083	0	151,666	12,012,717
2001	2,321,333	5,919,145	2,360,440	606,275	908,401	390,534	0	131,234	12,637,362
2002	2,358,232	6,802,401	2,316,349	690,005	901,394	335,371	0	114,756	13,518,508
2003	2,789,691	6,999,735	2,993,878	764,393	942,732	636,498	0	112,046	15,238,973
2004	2,765,113	7,273,816	2,549,135	735,850	788,284	353,557	0	97,646	14,563,401
2005	2,545,480	6,848,266	2,598,528	686,017	659,993	345,801	249,806	113,378	14,047,269

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds

CITY OF PAINESVILLE, OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN YEARS**

<u>Year</u>	<u>Taxes</u>	<u>Inter-Governmental Revenue</u>	<u>Charges for Service</u>	<u>License Permit and Inspection Fees</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>All Other (2)</u>	<u>Total</u>
1996	\$6,562,820	\$2,008,206	\$221,904	\$142,377	\$782,622	\$657,265	\$198,734	\$10,573,928
1997	6,480,015	2,406,303	226,022	191,120	1,026,908	699,768	364,248	11,394,384
1998	6,921,888	2,670,751	247,654	160,646	989,273	729,995	283,911	12,004,118
1999	7,181,523	3,830,361	248,725	179,690	1,201,096	700,811	177,633	13,519,839
2000	7,371,683	3,903,437	334,241	189,621	1,292,816	702,842	173,171	13,967,811
2001	7,301,526	2,948,823	327,915	163,558	1,219,328	675,402	154,813	12,791,365
2002	8,087,055	2,860,610	301,580	78,377	315,711	829,496	251,342	12,724,171
2003	7,868,089	2,604,091	449,198	178,544	221,333	834,957	515,654	12,671,866
2004	8,284,270	2,720,423	592,861	333,135	120,655	842,781	586,368	13,480,493
2005	8,389,482	2,714,973	598,062	348,422	403,283	887,172	215,244	13,556,638

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds

(2) Includes Special Assessments and Lawsuit Settlement

CITY OF PAINESVILLE, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
REAL AND PUBLIC UTILITY PROPERTY ONLY
LAST TEN YEARS**

Tax Year	Collection Year	Net Tax Levy (1)	Current Collections (1)	Percent of Current Tax Collections To Net Levy	Delinquent Collections	Total Collections	Total Outstanding Delinquent Taxes	Percentage of Total Collections To Net Tax Levy
1995	1996	\$411,805	\$400,846	97.34%	\$11,947	\$412,793	\$12,639	100.24%
1996	1997	419,690	405,958	96.73%	13,786	419,744	13,326	100.01%
1997	1998	473,491	456,579	96.43%	12,310	468,889	23,245	99.03%
1998	1999	482,028	460,701	95.58%	11,388	472,089	21,130	97.94%
1999	2000	552,863	531,055	96.06%	17,636	548,691	16,538	99.25%
2000	2001	611,662	589,199	96.33%	23,021	612,220	21,717	100.09%
2001	2002	632,217	598,964	94.74%	18,699	617,663	28,837	97.70%
2002	2003	690,115	617,077	89.42%	27,241	644,318	34,478	93.36%
2003	2004	796,957	717,374	90.01%	21,619	738,993	41,364	92.73%
2004	2005	784,360	707,697	90.23%	24,564	732,261	22,485	93.36%

Source: Lake County Auditor.

(1) Neither net tax levy nor collections include state reimbursements for property tax reductions of Rollback, 2.5% reduction or Homestead exemption.

CITY OF PAINESVILLE, OHIO

***TANGIBLE PERSONAL PROPERTY TAX COLLECTED
LAST TEN YEARS***

<u>Year Paid</u>	<u>Amount</u>
1996	\$100,965
1997	116,768
1998	116,106
1999	120,171
2000	134,291
2001	123,870
2002	118,251
2003	126,716
2004	157,283
2005	138,880

Uncollected as of 12/31/05 - \$25,332

Source: Lake County Auditor.

CITY OF PAINESVILLE, OHIO

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS**

<u>Tax Year</u>	<u>Collection Year</u>	<u>Real Property (1)</u>	<u>Tangible Personal Property (2)</u>	<u>Total Assessed Valuations</u>
1995	1996	\$122,215,230	\$34,492,728	\$156,707,958
1996	1997	125,862,610	36,964,962	162,827,572
1997	1998	145,024,530	40,245,173	185,269,703
1998	1999	146,893,740	38,593,190	185,486,930
1999	2000	149,272,580	40,701,794	189,974,374
2000	2001	170,066,980	42,553,627	212,620,607
2001	2002	185,158,360	43,194,366	228,352,726
2002	2003	186,161,600	40,334,595	226,496,195
2003	2004	215,367,560	37,957,919	253,325,479
2004	2005	220,028,990	34,504,204	254,533,194

The current assessed valuation is computed at approximately the following percentages of estimated true value: real property -35%, public utility personal property - 100% and tangible personal property - 25%.

- (1) Includes public utility real property.
- (2) Includes public utility personal property.

Source: Lake County Auditor.

For real property the estimated true values for the last ten years are computed as follows:

<u>Tax Year</u>	<u>Collection Year</u>	<u>Estimated True Values</u>
1995	1996	\$349,186,371
1996	1997	359,607,457
1997	1998	414,355,800
1998	1999	419,696,400
1999	2000	426,493,086
2000	2001	485,905,657
2001	2002	529,023,886
2002	2003	531,890,286
2003	2004	615,335,886
2004	2005	628,654,257

CITY OF PAINESVILLE, OHIO

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATIONS)
LAST TEN YEARS**

<u>Collection Year</u>	<u>General Fund</u>	<u>Bond Retirement</u>	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Fire Levv</u>	<u>Total City</u>	<u>County</u>	<u>School</u>	<u>Auburn Vocational</u>	<u>Lake County Financing District</u>	<u>Library</u>	<u>Total</u>
1996	2.10	0.30	0.30	0.30	0.70	3.70	14.00	73.34	1.50	4.90	1.00	98.44
1997	2.10	0.30	0.30	0.30	0.70	3.70	14.00	73.09	1.50	4.90	1.00	98.19
1998	2.10	0.30	0.30	0.30	0.70	3.70	14.10	72.08	1.50	4.90	1.00	97.28
1999	2.10	0.30	0.30	0.30	0.70	3.70	15.70	77.18	1.50	4.90	1.00	103.98
2000	2.10	0.30	0.30	0.30	0.70	3.70	15.70	77.18	1.50	4.90	1.00	103.98
2001	2.10	0.30	0.30	0.30	0.70	3.70	15.70	77.15	1.50	4.90	1.00	103.95
2002	2.10	0.30	0.30	0.30	0.70	3.70	15.70	77.08	1.50	4.90	2.00	104.88
2003	2.10	0.30	0.30	0.30	0.70	3.70	15.70	77.08	1.50	4.90	1.90	104.78
2004	2.10	0.30	0.30	0.30	0.70	3.70	15.70	77.03	1.80	4.90	1.50	104.63
2005	2.16	0.24	0.30	0.30	0.70	3.70	15.70	84.70	1.75	4.90	1.50	112.25

Sources: County Auditor, Lake County, Ohio.
County Treasurer, Lake County, Ohio.

CITY OF PAINESVILLE, OHIO

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

<u>Collection Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Current Delinquent</u>
1996	\$96,792	\$70,280	8,076
1997	98,723	67,506	3,569
1998	92,860	61,649	12,729
1999	92,127	74,576	5,505
2000	93,832	53,923	47,131
2001	78,502	47,330	9,454
2002	88,679	53,258	6,884
2003	117,865	80,105	14,549
2004	54,353	47,259	14,549
2005	52,353	47,109	14,549

Source: Lake County Auditor.

CITY OF PAINESVILLE, OHIO

COMPUTATION OF LEGAL DEBT MARGIN DECEMBER 31, 2005

Total debt (principal amount of all outstanding bonds and notes)		\$15,696,056
Debt exempt from net indebtedness calculation:		
Special assessment bonds and notes	\$555,000	
Self-supporting bonds and notes:		
Water system	6,346,000	
Sewer system	850,000	
Stormwater system	267,000	
Electric system	2,781,056	
Mortgage revenue bonds:		
Electric system	710,000	
Total exempt debt		<u>11,509,056</u>
Net indebtedness (voted and unvoted) subject to 10.5% debt limitation		<u><u>\$4,187,000</u></u>
Assessed valuation of City (2003 for 2004 collection)		<u><u>\$254,533,194</u></u>
Overall debt limitation- 10.5% of assessed valuation (maximum voted and unvoted general obligation debt allowed)		
		\$26,725,985
Voted and unvoted debt subject to 10.5% debt limitation	\$4,187,000	
Less: Amount available in Debt Service Fund	(77,196)	
Net voted and unvoted debt subject to 10.5% debt limitation		<u>4,109,804</u>
Legal debt margin within 10.5% limitation		<u><u>\$22,616,181</u></u>
Unvoted debt limitation - 5.5% of assessed valuation		
		\$13,999,326
Unvoted debt subject to 5.5% debt limitation	\$1,645,000	
Less: Amount available in Debt Service Fund	(77,196)	
Net unvoted debt subject to 5.5% limitation		<u>1,567,804</u>
Legal debt margin within 5.5% limitation		<u><u>\$12,431,522</u></u>

CITY OF PAINESVILLE, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1996	15,599 (a)	\$156,707,958	\$30,000	\$77,486	\$0	0.00%	\$0
1997	15,599 (a)	162,827,572	0	16,072	0	0.00%	0
1998	15,599 (a)	185,269,703	0	73,321	0	0.00%	0
1999	15,599 (a)	185,486,930	0	16,407	0	0.00%	0
2000	17,503 (b)	189,974,374	0	1,019	0	0.00%	0
2001	17,503 (b)	212,620,607	0	4,681	0	0.00%	0
2002	17,503 (b)	228,352,726	0	11,883	0	0.00%	0
2003	17,503 (b)	226,496,195	0	5,343	0	0.00%	0
2004	17,503 (b)	253,325,479	0	16,260	0	0.00%	0
2005	17,503 (b)	254,533,194	0	77,196	0	0.00%	0

(1) (a) 1990 Population - U.S. Bureau of the Census.
(b) 2000 Population - U.S. Bureau of the Census.

(2) Lake County Auditor's Office. Values listed are for year of collections.

(3) General Obligation Bonded Debt supported by property taxes. Does not include General Obligation Debt payable from Enterprise Fund revenues or Special Assessments.

**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**

<u>Year</u>	<u>Total Bonded Debt Service (1)</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Bonded Debt Service to Total General Governmental Expenditures</u>
1996	\$33,525	\$9,444,920	0.35%
1997	31,798	10,073,779	0.32%
1998	0	9,908,376	0.00%
1999	0	13,263,584	0.00%
2000	0	12,012,717	0.00%
2001	0	12,637,362	0.00%
2002	0	13,518,508	0.00%
2003	0	15,238,973	0.00%
2004	0	14,563,401	0.00%
2005	0	14,047,269	0.00%

(1) Principal and Interest on General Obligation Bonded Debt.
Does not include General Obligation Debt payable from
enterprise funds or special assessments.

CITY OF PAINESVILLE, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING
GENERAL OBLIGATION DEBT
DECEMBER 31, 2005**

<u>Jurisdiction</u>	<u>Assessed Valuation (1)</u>	<u>Net General Tax Supported Debt (2)</u>	<u>Percent Overlapping</u>	<u>Net Tax Supported Overall Debt</u>
Direct				
City of Painesville	\$254,533,194	\$3,722,000	100.00%	\$3,722,000
Overlapping Subdivisions				
Painesville City Schools	244,997,124	31,648,010	100.00%	31,648,010
Painesville Township Schools	887,805,590	6,942,657	1.07%	74,286
Lake County	6,346,048,449	26,918,000	4.01%	1,079,412
Lake County Library District	1,135,019,004	9,940,000	22.43%	<u>2,229,542</u>
			Subtotal	<u>35,031,250</u>
			Total	<u><u>\$38,753,250</u></u>

(1) Source: Lake County Auditor.

(2) Source: Lake County Auditor; Painesville City School Treasurer, includes general obligation notes payable, but does not include general obligation debt supported by Enterprise Revenue or Special Assessments.

CITY OF PAINESVILLE, OHIO

**REVENUE BOND COVERAGE - WATER SYSTEM BONDS (1)
LAST TEN YEARS**

Year	Gross Revenues (2)	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Annual Debt Service Requirement (4)	Coverage
1996	\$3,037,340	\$2,547,577	\$489,763	\$131,200	3.73
1997	3,304,648	3,003,316	301,332	133,438	2.26
1998	3,647,272	2,871,823	775,449	0	0.00
1999	3,581,363	3,348,975	232,388	0	0.00
2000	3,378,045	3,129,235	248,810	0	0.00
2001	3,553,382	2,812,411	740,971	0	0.00
2002	4,376,326	3,393,934	982,392	0	0.00
2003	4,364,565	3,496,910	867,655	0	0.00
2004	4,494,287	3,540,960	953,327	0	0.00
2005	4,911,415	3,542,844	1,368,571	0	0.00

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

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

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

(4) Annual debt service requirements include principal and interest on revenue bonds only.
It does not include the general obligation bonds reported in the Water Revenue Fund.

CITY OF PAINESVILLE, OHIO

**REVENUE BOND COVERAGE - ELECTRIC SYSTEM BONDS (1)
LAST TEN YEARS**

<u>Year</u>	<u>Gross Revenues (2)</u>	<u>Direct Operating Expenses (3)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Annual Debt Service Requirement (4)</u>	<u>Coverage</u>
1996	\$14,203,659	\$11,688,137	\$2,515,522	\$744,780	3.38
1997	13,792,894	13,088,809	704,085	749,645	0.94
1998	14,440,100	12,393,936	2,046,164	749,620	2.73
1999	16,247,338	13,047,575	3,199,763	747,533	4.28
2000	15,407,695	13,783,257	1,624,438	753,768	2.16
2001	17,324,667	14,242,983	3,081,684	747,503	4.12
2002	19,609,552	15,402,889	4,206,663	749,415	5.61
2003	18,433,897	13,326,736	5,107,161	848,259	6.02
2004	19,153,275	23,846,102	(4,692,827)	750,300	(6.25)
2005	22,172,809	17,512,070	4,660,739	747,500	6.24

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

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

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

(4) Annual debt service requirements include principal and interest on revenue bonds only. It does not include the general obligation bonds reported in the Electric Revenue Fund.

CITY OF PAINESVILLE, OHIO

**REVENUE BOND COVERAGE - OFF-STREET PARKING FACILITY BONDS (1)
LAST TEN YEARS**

<u>Year</u>	<u>Gross Revenues (2)</u>	<u>Direct Operating Expenses (3)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Annual Debt Service Requirement (4)</u>	<u>Coverage</u>
1996	\$103,188 (5)	\$237,539	(\$134,351)	\$120,250	0.00
1997	76,778 (5)	210,238	(133,460)	114,650	0.00
1998	72,036 (5)	143,925	(71,889)	109,296	0.00
1999	70,676 (5)	164,240	(93,564)	103,450	0.00
2000	81,369 (5)	177,957	(96,588)	101,378	0.00
2001	89,722 (5)	182,889	(93,167)	8,924	0.00
2002	100,535 (5)	177,654	(77,119)	178,032	0.00
2003	96,877 (5)	232,209	(135,332)	0	0.00
2004	101,291 (5)	224,941	(123,650)	0	0.00
2005	99,525 (5)	168,829	(69,304)	0	0.00

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

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

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

(4) Annual debt service requirements include principal and interest on revenue bonds only.

(5) The 1993 gross revenues do not reflect a \$240,000 transfer from General Fund. The 1994 gross revenues do not reflect a \$180,000 transfer from the General Fund. The 1995 gross revenues do not reflect a \$180,000 transfer from the General Fund. The 1996 gross revenues do not reflect a \$265,000 transfer from the General Fund. The 1997 gross revenues do not reflect a \$240,000 transfer from the General Fund. The 1998 gross revenues do not reflect a \$145,000 transfer from the General Fund. Gross revenues for 1999 do not reflect a \$150,000 transfer from General Fund. Gross revenues for 2000 do not reflect a \$215,000 transfer from the General Fund. Gross revenues for 2001 do not reflect a \$225,000 transfer from the General Fund. Gross revenues for 2002 do not reflect a \$255,000 transfer from the General Fund.

CITY OF PAINESVILLE, OHIO

DEMOGRAPHIC STATISTICS DECEMBER 31, 2005

Year	Income		Housing Units		
	Median Family	Per Capita	Total	Owner Occupied	Percent of Total
1960	\$6,805	\$0	4,965	3,155	63.54%
1970	10,178	3,128	5,498	3,029	55.09%
1980	19,068	6,700	6,509	3,439	52.83%
1990	29,279	11,254	6,424	3,597	55.99%
2000	34,842	15,391	6,525	3,402	52.14%

Sources: U.S. Bureau of the Census
The City of Painesville Economic Development Department

Population

The population of the City, Lake County, and the Cleveland Primary Metropolitan Statistical Area (PMSA) (which is comprised of Ashtabula, Cuyahoga, Geauga, Lake, Lorain and Medina Counties) for each decade from 1940 to 2000 is as follows:

Year	City	County	PMSA
1940	12,235	50,020	1,319,734
1950	14,432	75,979	1,532,574
1960	16,116	148,700	1,909,483
1970	16,536	197,200	2,063,729
1980	16,391	212,801	1,898,825
1990	15,599	215,499	2,202,069
2000	17,503	227,511	2,250,871

Employment

The following table compares estimated employment statistics for Lake County and the Cleveland-Lorain-Elyria PM including comparisons with unemployment rates for the State of Ohio and the United States.

Year	Employed		Unemployed		Unemployment Rate			
	County	PMSA	County	PMSA	County	PMSA	Ohio	U.S.
1995	117,900	1,021,700	5,300	49,500	4.3%	4.5%	4.8%	5.6%
1996	117,800	1,041,300	5,500	54,000	4.4%	4.7%	4.9%	5.4%
1997	118,100	1,132,800	4,900	50,400	4.0%	4.4%	4.6%	4.9%
1998	121,500	1,091,800	4,500	44,900	3.6%	3.8%	4.3%	4.5%
1999	119,400	1,127,300	5,800	61,500	4.0%	4.2%	4.3%	4.2%
2000	121,800	1,058,402	5,600	58,772	3.5%	5.3%	3.7%	4.0%
2001	119,400	1,049,800	8,000	73,300	5.0%	6.5%	4.5%	5.4%
2002	117,500	1,040,300	7,600	72,700	6.1%	6.5%	5.7%	5.8%
2003	118,900	1,051,600	8,000	75,600	6.3%	6.7%	6.1%	6.0%
2004	118,200	1,041,600	7,800	67,900	6.2%	6.1%	6.8%	5.7%
2005	125,100	1,078,500	5,400	66,200	4.2%	6.1%	5.5%	5.1%

Sources: Ohio Bureau of Employment Services.
U.S. Department of Labor, Bureau of Statistics

**PROPERTY VALUES AND CONSTRUCTION PERMITS
LAST TEN YEARS**

<u>Year</u>	<u>Building Permits Issued (2)</u> <u>Number of</u> <u>Permits</u>	<u>Property</u> <u>Value</u>	<u>Assessed</u> <u>Value Real and</u> <u>Personal Property (1)</u>
1996	532	\$14,595,599	\$156,707,958
1997	517	6,851,484	162,827,572
1998	412	15,497,310	185,269,703
1999	382	14,617,351	185,486,930
2000	432	11,530,314	189,974,374
2001	507	12,502,762	212,620,607
2002	417	5,035,338	228,352,726
2003	454	26,205,753	226,496,195
2004	491	20,445,589	253,325,429
2005	505	14,595,599	254,533,194

Sources:

(1) Lake County Auditor. Value listed for year of collection.

(2) City Code Enforcement Division.

CITY OF PAINESVILLE, OHIO

**PRINCIPAL TAXPAYERS (PROPERTY TAX)
DECEMBER 31, 2005**

	<u>Taxpayer</u>	<u>Property Taxable Valuation</u>	<u>Percentage of Total Real Property Taxable Valuation</u>
1.	Avery Adhesive Products	\$5,641,300	2.63%
2.	Consolidated Investment Corporation	2,421,810	1.13%
3.	Morley Library	2,324,500	1.08%
4.	Coe Manufacturing Company	1,685,330	0.79%
5.	Brentwood Phase 2	1,508,100	0.70%
6.	Obron Atlantic Corp.	1,450,790	0.68%
7.	Lake Erie College	1,131,500	0.53%
8.	Painesville Associates	1,046,070	0.49%
9.	Shamrock Business Center	1,026,700	0.48%
10.	Brentwood Ltd. Partnership	966,260	0.45%
	Sub-Total	<u>19,202,360</u>	<u>8.96%</u>
	All Others	<u>195,250,630</u>	<u>91.04%</u>
	Total	<u><u>\$214,452,990</u></u>	<u><u>100.00%</u></u>

Based on valuation of property taxes collected in 2005 .

Source: Lake County Auditor.

CITY OF PAINESVILLE, OHIO

**PRINCIPAL EMPLOYERS
DECEMBER 31, 2005**

	<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>		
			<u>Full-Time</u>	<u>Part-Time</u>	<u>Total</u>
1	County of Lake	Government	1,061	198	1,259
2	Lake Hospital System	Medical-Patient Care	555	299	854
3	Fasson Division/ Avery International Corporation	Manufacturing	611	0	611
4	Painesville City Schools	Education	427	23	450
5	The City of Painesville	Government	265	15	280
6	Core Systems	Manufacturing	182	0	182
7	Lake Erie College	Education	98	76	174
8	Ohio Association Enterprises	Manufacturing	155	0	155
9	Cintas	Service	100	8	108
10	SAS Rubber Company, Subsidiary of Yokohama	Manufacturing	104	0	104

The above private and public employers have the ten largest work forces within the City:

Source: City Department of Finance.

CITY OF PAINESVILLE, OHIO

**SYNOPSIS OF INSURANCE
DECEMBER 31, 2005**

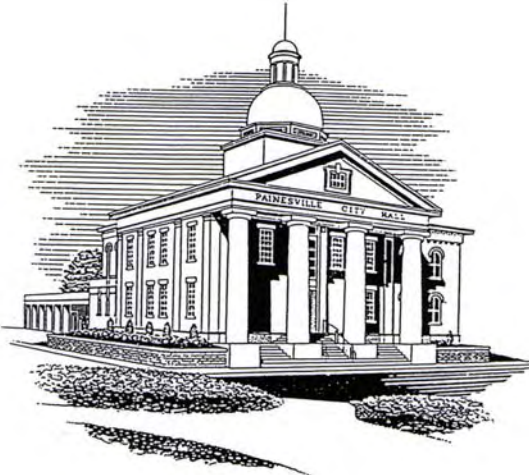
<u>Coverage</u>	<u>Carrier</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Liability Limits Aggregate</u>	<u>Deductible</u>	<u>Annual Premium</u>
Public Employee Dishonesty Forgery	Cincinnati Insurance Company	B-80-390582	9/15/04-9/15/05	\$75,000	\$0	\$2,047
Law Enforcement Professional Liability	Scottsdale/Indemnity Company	PKI001066	9/15/04-9/15/05	5,000,000	5,000	41,709
Public Officials Liability - Primary	Scottsdale/Indemnity Company	PKI001066	09/15/04-9/15/05	1,000,000	5,000/15,000	22,099
Comprehensive General Liability:	Cincinnati Insurance Company	CPP0662772	9/15/04-9/15/05			57,950
Blanket and Property				117,916,207	5,000/100,000	
Earthquake				25,000,000	5,000/100,000	
Watercrafts				Included above	100	
Valued Papers				100,000	0	
Accounts Receivable				250,000	0	
Employed Benefit				1,000,000	1,000	
Electronic Data Processing				500,000	1,000	
Blanket Business Income				1,000,000	0	
Ohio Employers Intentional Tort Liability	Cincinnati Insurance Company	CPP0662772	9/15/04-9/15/05	100,000/500,000	0	7,526
Commercial Umbrella Liability	Cincinnati Insurance Company	CPP0662772	9/15/04-9/15/05	10,000,000	0	58,150
Boiler and Machinery:	Cincinnati Insurance Company	CPP0662772	9/15/04-9/15/05		5,000/50,000	59,146
Electric Plant				25,000,000		
City Hall and Richmond Substation				1,000,000		
Other Locations				250,000		
Automobile Coverage	Cincinnati Insurance Company	CPP0662772	9/15/04-9/15/05	1,000,000	1000	Included above
Commercial General Liability (Fire)	AAIC	VFIS-TR-0001228-9/000	9/15/04-9/15/05	1,000,000	0	3,910
Commercial Umbrella	AAIC	VFIS-CU-5005986-5/000	9/15/04-9/15/05	5,000,000	0	<u>2,750</u>
					Total Premium	<u>\$255,287</u>

Source: City Finance Department

CITY OF PAINESVILLE, OHIO

MISCELLANEOUS STATISTICS DECEMBER 31, 2005

Date of Incorporation	1832	Water System:	
Form of Government	Council/Manager	Number of Purification Plants	1
Area (square miles)	6.69	Miles of Water Mains	127.1
Number of Employees (excluding Police and Fire)		Number of Fire Hydrants	1,615
Full-time	205	Number of Service Connections	9,571
Part-time	13	Average Daily Consumption (gallons)	4,500,000
		Maximum Daily Capacity of Plant (gallons)	7,500,000
Facilities and Services:		Sewerage System:	
Miles of Streets	58	Number of Treatment Plants	1
Number of Street Lights	1,474	Miles of Sanitary Sewers	49
Police Services:		Miles of Storm Sewers	37
Number of Stations	1	Number of Service Connections	5,947
Number of Police Personnel and Officers	41	Average Daily Treatment (gallons)	317,000
Number of Patrol Units	14	Design Capacity (gallons)	6,000,000
Law Violations:		Maximum Daily Capacity of Treatment (gallons)	28,000,000
Physical arrests	1,015	Electric System:	
Traffic Violations	1,979	Number of Generating Plants	1
Parking Violations	2,019	Number of Interconnections	1
Fire/Emergency Medical Services:		Plant Generating Capacity in Megawatts	53.5
Number of Stations	1	Miles of Line	205
Number of Officers and Fire Personnel	26	Number of Service Connections	11,403
Number of Calls Answered	2,949	Average Daily Generation in Kilowatt Hours	652,416
Number of Inspections	630	Peak Load in Kilowatts - 2005	54,200
Recreation and Culture:		Parking Facilities:	
Community Centers	1	Off-Street Parking Garages	1
Number of Parks	10	Parking Levels	7
Park Acreage	118.02	Parking Spaces	543
Number of Ball Fields:		Average Daily Cars Parked	470
Lighted	1	Off-Street Surface Parking Lots (Leased)	2
Unlighted	8	Parking Spaces	161
Soccer Fields	1	On-Street Parking Meters	167
Basketball Courts	2	Education:	
Tennis Courts	2	Elementary Schools	5
Volleyball Courts	1	Elementary School Students	1,467
Skate Facilities	1	Elementary School Instructors	75
Walking Paths	2	Middle Schools	1
Sledding Hill	1	Middle School Students	582
Fishing Pond	1	Middle School Instructors	45
Number of Cemeteries	2	High Schools	1
Cemetery Acreage	84	High School Students	629
Hospitals:		High School Instructors	55
Number of Hospitals	1	Colleges	1
Number of Patient Beds	168	College Students	975
Number of Bassinets	37	Libraries:	
		Number of Libraries	1
		Circulation	717,520



City of Painesville
Lake County, Ohio
Single Audit Reports
December 31, 2005

City of Painesville

For The Year Ended December 31, 2005

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

City Council
City of Painesville, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville, Ohio (the “City”), as of and for the year ended December 31, 2005, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 23, 2006, wherein we noted the City of Painesville, Ohio adopted Governmental Accounting Standards Board Statement No. 40 and 42. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings as item 05-01.

We also noted certain additional matters that we have reported to management of the City of Painesville, Ohio, in a separate letter dated June 23, 2006.

City Council
City of Painesville, Ohio

This report is intended solely for the information and use of management, City Council, the Auditor of the State's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Parichi, Inc.

Cleveland, Ohio
June 23, 2006

**Report on Compliance with Requirements Applicable to
Each Major Federal Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

City Council
City of Painesville, Ohio

Compliance

We have audited the compliance of City of Painesville, Ohio (the “City”), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

City Council
City of Painesville, Ohio

Internal Control over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Painesville as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2006, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 40 and 42.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, the Auditor of State's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 23, 2006

City of Painesville

Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2005

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Receipts</u>	<u>Federal Disbursements</u>
U.S. Housing and Urban Development: Passed-Through Lake County Entitlement Grant: Community Development Block Grant	14.228	N/A	\$ 65,000	\$ 65,000
U.S. Department of Justice: Universal Hiring Grant	16.710	N/A	61,141	61,141
U.S. Department of Transportation: Passed-Through State Department of Transportation: Highway Research and Development Program	20.200	N/A	550,002	482,426
Traffic Signalization	20.205	PID13992	<u>325,210</u>	<u>325,210</u>
Total U.S. Department of Transportation			<u>875,212</u>	<u>807,636</u>
Total Federal Financial Assistance			\$ <u>946,353</u>	\$ <u>933,777</u>

The accompanying notes are an integral part of this schedule

City of Painesville

Notes To The Schedule of Expenditures of Federal Awards

For The Year Ended December 31, 2005

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

CFDA – Catalog of Federal Domestic Assistance

City of Painesville

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

December 31, 2005

1. Summary of Auditors' Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(I)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	No
(d)(I)(vii)	Major Programs	Highway Research and Development Program CFDA # 20.200 Traffic Signalization Grant CFDA # 20.205
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A:>\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

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

2005-001

Ohio Revised Code Section 5705.41(B)(D) prohibits a subdivision or taxing unit from making an expenditure plus encumbrances unless it has been properly appropriated. Budgetary expenditures (that is, disbursements and encumbrances) as enacted by the City may not exceed appropriations at the legal level of controls for all funds. During fiscal year 2005 testing the following fund had expenditures and encumbrances exceeding appropriations:

<u>Fund Name</u>	<u>Appropriations</u>	<u>Total Expenditures and Encumbrances</u>	<u>Variance</u>
Nonmajor Funds:			
Capital Equipment Reserve	\$145,687	\$275,075	(\$129,388)

City of Painesville

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

December 31, 2005

3. Findings For Federal Awards

There were no findings for federal awards to report in 2005.

City of Painesville

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

December 31, 2005

There were no prior findings for federal awards to report in 2005.

City of Painesville

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

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

December 31, 2005

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The City will compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted, to ensure compliance with the above requirements	12/31/06	Tim Petric, Finance Director



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF PAINESVILLE

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 1, 2006**