



Mary Taylor, CPA
Auditor of State

CITY OF CLAYTON
MONTGOMERY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	1
Schedule of Findings.....	3

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

City of Clayton
Montgomery County
P.O. Box 280
Clayton, Ohio 45315-0280

To the Members of Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clayton, Montgomery County, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the City's management in a separate letter dated June 22, 2007.

Compliance and Other Matters

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 22, 2007.

We intend this report solely for the information and use of the audit committee, management, and the City Council. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 22, 2007

**CITY OF CLAYTON
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

FINDING NUMBER 2006-001

Ohio Revised Code Section 5705.39 states that, “the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.”

At December 31, 2006, the following fund had actual revenues in excess of estimated revenues, and appropriations in excess of the certificate of estimated resources. The violation resulted from the certificate of estimated resources not being amended to reflect the additional revenue that was appropriated and expended.

<u>Fund</u>	<u>Appropriations</u>	<u>Estimates Resources</u>	<u>Variance</u>
Capital Improvement Fund	\$2,984,424	\$2,621,381	\$363,043

To prevent appropriations from exceeding the available resources, the City should periodically compare certified revenues to actual revenues, and certified revenues and to Council approved appropriations.

Officials’ Response: The City will perform reviews and seek amendments when needed.

FINDING NUMBER 2006-002

Ohio Revised Code 5705.14(B) states that, “The unexpended balance in any specific permanent Improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision, provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of the permanent improvement , or with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

In 2006, \$197,300 was transferred from the Capital Improvement Fund to the Debt Service Fund before the capital lease liability associated with the Capital Improvement Fund was paid off.

To comply with Ohio Revised Code 5705.14(B), the Council should not transfer funds from the Capital Improvement Fund to the Debt Service Fund until all obligations associated with the Capital Improvement Fund are paid-off.

Officials’ Response:

The City will disburse funds for payment of debt obligations directly from the fund where the debt proceeds were received.

CITY OF CLAYTON, OHIO

MONTGOMERY COUNTY

Comprehensive Annual Financial Report

For the Year Ended December 31, 2006

Prepared by:
Department of Finance

Kevin A. Schweitzer, CPA
Finance Director

Teri Birchfield
Assistant to the Finance Director

City of Clayton, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006
Table of Contents

INTRODUCTORY SECTION

Table of Contents	i
Letter of Transmittal	iv
GFOA Certificate of Achievement	ix
Principal Officials	x
Organizational Chart	xi

FINANCIAL SECTION

Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	11
Statement of Activities.....	12

Fund Financial Statements:

Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) - General Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) – Police Fund.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) – Fire Fund	23
Statement of Fund Net Assets - Enterprise Funds	24

City of Clayton, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006
Table of Contents
(continued)

Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Funds	25
Statement of Cash Flows – Enterprise Funds	26
Statement of Fiduciary Assets and Liabilities – Agency Fund	27
Notes to the Basic Financial Statements	28
Combining Financial Statements and Individual Fund Schedules:	
Combining Financial Statements – Nonmajor Governmental Funds:	
Nonmajor Fund Descriptions	58
Combining Balance Sheet – Nonmajor Governmental Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	61
Combining Balance Sheet – Nonmajor Special Revenue Funds	62
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	68
Individual Fund Schedules of Revenues, Expenditures/Expenses and Changes in Fund Balance/Fund Equity - Budget and Actual (Non-GAAP Basis):	
General Fund.....	69
Police Fund	70
Fire Fund.....	71
Capital Improvement Fund	72
Water Department Fund.....	73
Sewer Operating Fund	74
Cops Fund	75
Drug Law Enforcement Fund	76
Law Enforcement Trust Fund	77
EMS Fund	78
Street Department Fund	79
State Highway Fund.....	80
Permissive Motor Vehicle License Tax Fund.....	81
Street Lights Fund.....	82

City of Clayton, Ohio
Comprehensive Annual Financial Report
For the Year Ended December 31, 2006
Table of Contents
(continued)

Cemetery Fund.....	83
Tax Increment Fund.....	84
TIF Towne Center Fund.....	85
Developmental Fees Fund.....	86
Bond Retirement Fund.....	87
Irvington Storm Water Fund.....	88
State Route 48 Improvement Fund.....	89

STATISTICAL SECTION

Statistical Tables Description.....	91
Net Assets by Component – Last Four Years.....	92
Changes in Net Assets – Last Three Years.....	93
Program Revenues by Function/Program – Last Three Years.....	95
Fund Balances – Governmental Funds – Last Seven Years.....	96
Changes in Fund Balances – Governmental Funds – Last Seven Years.....	98
Tax Revenues by Source – Governmental Funds – Last Seven Years.....	100
Assessed Value and Estimated Actual Value of Taxable Property – Last Four Years.....	102
Property Tax Rates – Direct and Overlapping Governments – Last Seven Years.....	104
Principal Property Tax Payers – December 31, 2006.....	108
Property Tax Levies and Collections – Last Seven Years.....	109
Ratios of Outstanding Debt by Type – Governmental Activities – Last Seven Years.....	110
Ratio of General Obligation Bonded Debt to Estimated Actual Value And General Obligation Bonded Debt Per Capita – Last Two Years.....	112
Legal Debt Margin Information – Last Seven Years.....	114
Direct and Overlapping Governmental Activities Debt – December 31, 2006.....	116
Demographic and Economic Statistics - Last Seven Years.....	117
Principal Employers – December 31, 2006.....	118
City Government Employees by Function/Program – Last Seven Years.....	119
Operating Indicators by Function/Program – Last Five Years.....	120
Capital Assets Statistics by Function/Program – Last Three Years.....	121



June 22, 2007

Citizens of Clayton
Members of Council
City of Clayton, Ohio

We are pleased to present the third Comprehensive Annual Financial Report (CAFR) for the City of Clayton. This report, for the year ended December 31, 2006, contains the financial statements and other financial and statistical data that provide complete and full disclosure of all material financial aspects of the City of Clayton (the "City").

State law requires that every general-purpose local government file with the Auditor of State of Ohio and publish the availability of the financial statements within five months of the close of each year. This report is published to fulfill that requirement for the year ended December 31, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the work of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Auditor of State of Ohio has issued an unqualified ("clean") opinion on the City of Clayton's financial statements for the year ended December 31, 2006. The Independent Accountants' Report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the Independent Accountants' Report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OVERVIEW

Randolph Township was formed in 1804 out of the Northwest Territory. Hipple's Mill, later known as Salem, was platted in 1814 as the unincorporated Village of Salem. In 1940, Salem was briefly changed to West Salem and about one year later it was incorporated as the Village of Clayton (there was already an incorporated Village of Salem). On January 1, 1998, Randolph Township and the Village of Clayton merged to form the current boundary lines of the City of Clayton. In November of that year, as a result of the Village of Clayton having more than 5,000 electors registered or voting in the Village at the 1998 General Election, the Secretary of State proclaimed the Village of Clayton to be a city effective December 31, 1998.

The City of Clayton is the newest city in the Northmont community. It is just minutes from Interstates 70 and 75, major shopping areas, and the Dayton International Airport. The City of Clayton is located in central western Ohio just north of Dayton. It is located within Montgomery County, Ohio approximately midway between Indianapolis and Columbus.

CITY ORGANIZATION AND REPORTING ENTITY

The current charter provides for a Council/Manager form of government. The City Council consists of seven members elected from the community to serve staggered four year terms. Three are elected at large, three from wards, and the Mayor is elected at large. As a Council member, the Mayor has the right to vote on all issues before the Council. Council appoints the City Manager. The City Manager appoints all department managers of the City.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which provide various services including police and fire protection, water services, sewer services, street maintenance and repair, zoning, and maintenance of a staff to provide support services (i.e., payroll processing and accounts payable). The City Manager has direct responsibility for these activities.

Component units are organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves their budget, the issuance of their debt or the levying of their taxes. Currently, the City does not have any component units.

The Miami Valley Regional Planning Commission is a jointly governed organization. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. The City is also a member of the Economic Development/Government Equity Program (ED/GE), a jointly governed organization which promotes developing plans and programs designed to assure that City resources are efficiently used, economic growth is properly balanced, and that City economic development is coordinated with that of the State of Ohio and other local governments. These organizations are presented in Note 18.

Council is required to adopt a final budget by no later than the close of the year. Council can adopt a temporary budget which will give them an extension until March 30th of the following year. Upon the presentation by the City Manager of a proposed budget document to Council, Council calls and publicizes a public hearing. Council will subsequently adopt such budget, as it may have been amended, as the City's annual budget effective for the fiscal year beginning January 1.

This annual budget serves as the foundation for the City of Clayton's financial planning and control. The budget is prepared by fund and department and is approved at the fund total. Department heads may transfer resources within a department as they see fit.

ITEMS OF LOCAL INTEREST

Parks and Recreation

The City contains three parks covering 45.27 acres and provides year-round recreational and educational programs for its citizens. Hardscrabble Park is a 21.1 acre park that provides outdoor playing fields and is the home of the Clayton Hardscrabble Baseball League. Northview Playground is a 6.37 acre park with playground equipment, a picnic shelter and basketball courts. Westbrook Park is a 17.8 acre park with walking trails and tennis courts.

Culture and Education

The City has many nearby educational facilities, churches, cultural resources, parks and playgrounds. Numerous colleges and universities in the surrounding metropolitan area provide excellent opportunities and facilities for higher educational study to citizens of Clayton.

The Miami Valley Career-Technology Center offers various areas of study, primarily to provide education in the industrial and commercial field. In addition, an adult education program offers courses in a wide variety of subjects.

Transportation

The Dayton International Airport is located five miles north and east of the City and offers full commercial air passenger and freight service by many major airlines.

Several motor transport companies are based in the area and, together with those of the adjacent metropolitan areas, provide reliable freight transportation to and from the City.

An extensive network of interstate and State highways, including I-75, I-675, I-70 and State Routes 49, 40 and 48 serve the City and surrounding communities.

ECONOMIC CONDITIONS AND OUTLOOK

In November of 2003, the Clayton voters approved a 1.5 percent income tax which, in its third full year of collection, generated \$2,072,428 in governmental fund revenue. This revenue was generated from approximately 6,000 employed persons, evenly split from within and outside the City. In January 2005, in an attempt to increase the number of jobs within the City limits, the City of Clayton exercised its 8 year-old option to purchase 143 acres of prime industrial land adjacent to I-70 for a commerce park. During 2006, the installation of the infrastructure for the commerce park was completed.

The City has gained a few new businesses, and some of the employers located within the City have expanded operations. These additions/expansions have helped the City maintain its economic stability.

During the next five years, the I-70/I-75 interchange will be undergoing major reconstruction. This project has a direct impact on the City due to the location of the City to the new interchange and the added benefits of a safer, more modern and efficient crossroad. The new interchange will be able to accommodate increased traffic flow and eliminate weaving of traffic at the interchange. The new interchange will easily accommodate the increased traffic and keep goods, services and people moving. All of these factors will enhance the quality of life within the City and promote economic development and growth for the City as a whole.

To further enhance potential economic development opportunities, City Council continues to belong to the Montgomery County ED/GE program. The ED/GE program is a combined economic development/tax-sharing program whose participants include Montgomery County and Montgomery County townships, villages and cities.

FINANCIAL PLANNING AND POLICIES

The Finance Department has developed a five year plan for the City of Clayton. It consists of an analysis of revenues and expenditures using the last five years as an indicator of future trends. Those numbers are combined to make estimates of funds available and carryover balances moving into the subsequent years.

The Finance Department has been updating the investment policy passed by the Village in 1999. It restricts the investment of funds to the Fifth Third Sweep account and STAROhio. Policies on Budgeting, Accounting, Debt, Fund Reserves, and Capital Improvements are also being prepared.

The City of Clayton has contracted with the Regional Income Tax Agency (R.I.T.A.) to administer the tax ordinances and collect the City income taxes by the authority of those ordinances.

The City of Clayton also continues to maintain a Moody's "A1" bond rating.

MAJOR INITIATIVES

The recent Towne Center proposal intends to move the City of Clayton into the future. The current plans call for 496 housing units consisting of 302 units of attached housing (townhouses and flats) and 194 units of single family housing. Plans call for 622,000 square feet of retail/office space and a 180,000 square feet sportsplex. The units are based on a conservative figure of an approximate \$245,000 unit market value for the attached and single family housing, respectively, and \$100 finished price per square foot for the retail space and sportsplex. The additional tax valuation for the first phase of the Towne Center is projected to be \$247,691,000.

This development will generate approximately \$10,300,000 in additional property tax revenue over the next ten years. In addition, an impact fee of \$7,700 per unit has been passed by City Council which will generate an additional \$385,000 for every 50 units built each year.

OTHER INFORMATION

Independent Audit

An audit team from the Auditor of State of Ohio has performed this year's audit. The results of the audit are presented in the Independent Accountants' Report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Clayton for its Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005. This was the second year that the City of Clayton achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

Sincere appreciation is extended to the many people who have contributed their time and effort to prepare this report. Teri Birchfield, Assistant to the Finance Director, is to be commended for her continued dedication, input and commitment. I would also like to express appreciation to the Montgomery County Auditor's office for their continued effort in helping gather the information presented in the report. Finally, I would like to express appreciation to Ms. Mary Taylor, Auditor of State, and her Local Government Services staff for their guidance and assistance in preparing this report.

Respectively Submitted,



David W. Rowlands
City Manager



Kevin A. Schweitzer, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Clayton
Ohio

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

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



President

Executive Director

City of Clayton, Ohio

Principal Officials

December 31, 2006

Elected Officials

Name	Title	Term Expires
Joyce Deitering	Mayor	12/31/2009
Tim Gorman	Vice-Mayor	12/31/2007
Robert Peters	Council	12/31/2009
Janice Paulus	Council	12/31/2009
Ron Pretekin	Council	12/31/2007
G. Malcom Treon	Council	12/31/2007
Dawn Tindall	Council	12/31/2009

Appointed Officials

Name	Title	Term Expires
David W. Rowlands	City Manager	Pleasure of Council
Debbie L. Manns	Assistant City Manager	Pleasure of City Manager
Ferris W. Brown (1)	Finance Director	Pleasure of City Manager
Wilbur B. Sussman	Clerk of Council	Pleasure of Council
Robert E. Portune	Law Director	Pleasure of Council
James Percival	Service Director	Pleasure of City Manager

(1) In 2007, the Finance Director was replaced by Kevin A. Schweitzer, CPA.

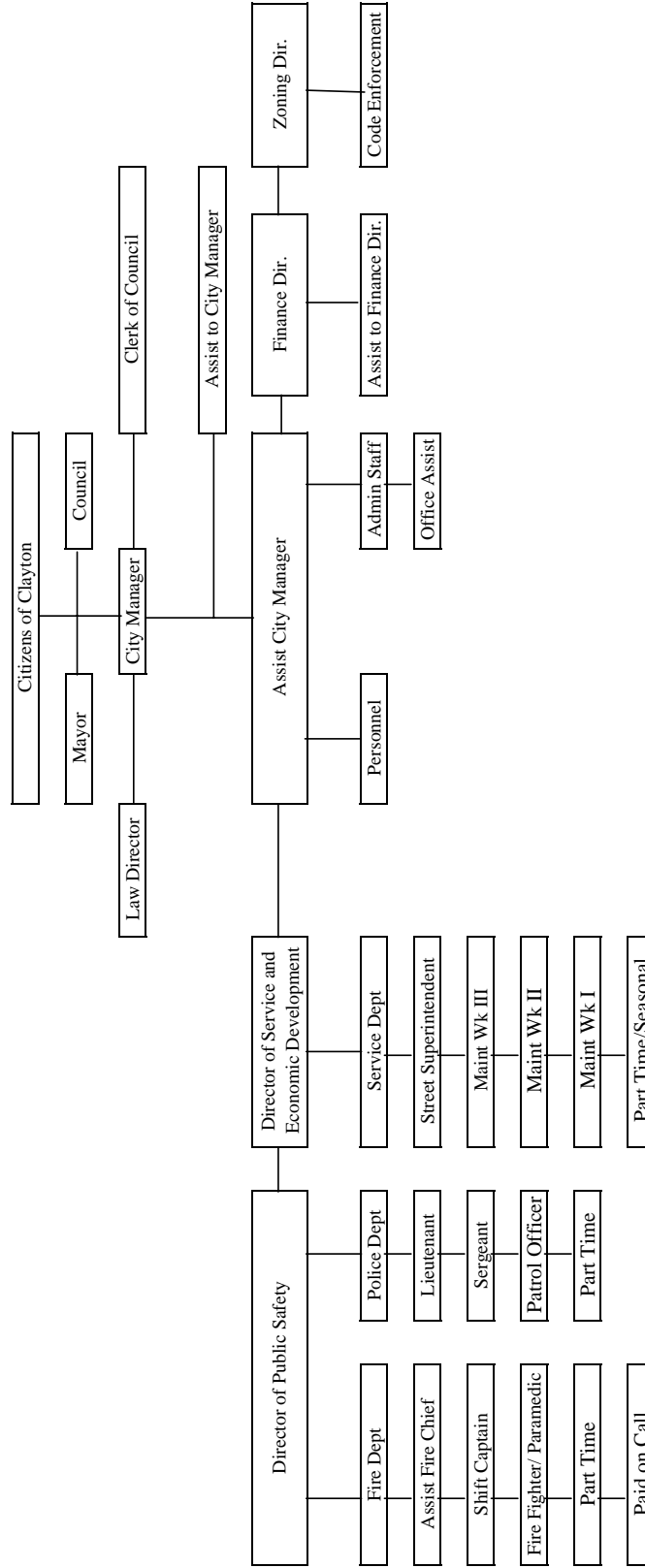
CITY OF CLAYTON ORGANIZATIONAL CHART

ADMINISTRATIVE OFFICES MISSION

The administration offices of the City of Clayton will have high standards of excellence in delivering City services. Tending to public health, safety, morals, comfort, general welfare, and supporting and guiding future City developments. Undertaking this mission to promote economic prosperity and enhanced quality of life to make a difference in our community for future generations.

SERVICE DEPARTMENT MISSION

The Service Department will strive to provide the highest quality service possible to the City of Clayton. We will strive to provide the highest quality service for all seasonal activities and general maintenance of both facilities and equipment.



THIS PAGE INTENTIONALLY LEFT BLANK



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Clayton
Montgomery County
P.O. Box 280
Clayton, Ohio 45315-0280

To the Members of Council:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 22, 2007

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

The City's total governmental activities net assets increased \$1,587,782, which represents a 26.8 percent increase from 2005. Business-type activities net assets increased \$131,515, which represents a 68.5 percent increase from 2005.

For governmental activities, general revenues accounted for \$5,819,028 or 74.9 percent of total revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$1,951,541 or 25.1 percent of total revenues of \$7,770,569.

The City had \$5,980,435 in expenses related to governmental activities; only \$1,951,541 of these expenses were offset by program specific charges for services, operating and capital grants, contributions, and interest. General revenues (primarily property and municipal income taxes) of \$5,819,028 were adequate to provide for the remaining cost of these programs.

The General Fund had \$2,679,649 in revenues and \$1,260,852 in expenditures. The General Fund balance decreased by \$127,078 over 2005 leaving an ending fund balance of \$1,931,960.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the City of Clayton's financial situation as a whole and also give a detailed view of the City's fiscal condition.

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as the amount of funds available for future spending. The fund financial statements focus on the City's most significant funds, with all other nonmajor funds presented in total in one column.

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

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and the Statement of Activities

The analysis of the City as a whole begins with the Statement of Net Assets and the Statement of Activities. These statements provide information that will help the reader to determine if the City of Clayton is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes to those assets. These changes inform the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Some of these factors include the City's tax base and the condition of capital assets.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities.

Governmental Activities – Most of the City's services are reported here including police, fire, EMS, leisure time activities, community environment, public health, transportation, and general government.

Business-Type Activities – This service consists of fees for water and sewer customers and payments for water to the City of Dayton. The intent is that the fees charged recoup operating costs.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the City's major funds begins on page 7. Fund financial statements provide detailed information about the City's major funds – not the City as a whole. Some funds are required by State law. Other funds may be established by the Finance Director, with the approval of the City Council, to help control, manage, and report money received for a particular purpose or to show that the City is meeting legal responsibilities for the use of grants. The City of Clayton's major funds are the General, Police, Fire, Capital Improvement, Water Department, and Sewer Operating funds.

Governmental Funds

Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 to determine whether there are more or less financial resources that can be spent in the near future on services provided to our residents. 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 Clayton, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006

Proprietary Funds

The proprietary funds use the same measurement focus and basis of accounting as the government-wide financial statements.

THE CITY AS A WHOLE

As stated previously, the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005 Restated	2006	2005 Restated	2006	2005 Restated
Assets:						
Current and Other Assets	\$7,935,133	\$7,770,820	\$144,294	\$178,751	\$8,079,427	\$7,949,571
Capital Assets	7,769,905	6,132,166	7,602,379	5,641,340	15,372,284	11,773,506
<i>Total Assets</i>	<u>15,705,038</u>	<u>13,902,986</u>	<u>7,746,673</u>	<u>5,820,091</u>	<u>23,451,711</u>	<u>19,723,077</u>
Liabilities:						
Current and Other Liabilities	2,553,055	2,528,432	126,226	324,452	2,679,281	2,852,884
Long-Term Liabilities	5,648,971	5,459,324	7,681,062	5,687,769	13,330,033	11,147,093
<i>Total Liabilities</i>	<u>8,202,026</u>	<u>7,987,756</u>	<u>7,807,288</u>	<u>6,012,221</u>	<u>16,009,314</u>	<u>13,999,977</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	2,480,141	1,096,146	(78,683)	(46,429)	2,401,458	1,049,717
Restricted for:						
Capital Outlay	748,829	481,391	0	0	748,829	481,391
Other Purposes	1,669,959	1,802,181	0	0	1,669,959	1,802,181
Unrestricted (Deficit)	<u>2,604,083</u>	<u>2,535,512</u>	<u>18,068</u>	<u>(145,701)</u>	<u>2,622,151</u>	<u>2,389,811</u>
<i>Total Net Assets</i>	<u>\$7,503,012</u>	<u>\$5,915,230</u>	<u>(\$60,615)</u>	<u>(\$192,130)</u>	<u>\$7,442,397</u>	<u>\$5,723,100</u>

Net assets of the City's governmental activities increased \$1,587,782. Total Assets increased \$1,802,052 with capital assets increasing \$1,637,739 due mainly from the purchase of land, a new aerial fire truck, and various street resurfacing projects throughout the City. Current and other liabilities increased minimally by \$24,623. Long-term liabilities increased \$189,647 due chiefly to a new capital lease for a fire truck entered into during the year. Net assets restricted for capital outlay increased \$267,438 mainly due to additional income tax revenue. Net assets of business-type activities increased by \$131,515 mainly due to capital contributions of capital assets and transfers-in from the General Fund.

Table 2 shows the changes in net assets for the year ended December 31, 2006 compared to 2005.

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

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	Restated 2005	2006	Restated 2005	2006	Restated 2005
Revenues:						
Program Revenues:						
Charges for Services	\$470,615	\$388,263	\$88,317	\$27,111	\$558,932	\$415,374
Operating Grants, Contributions and Interest	908,004	817,692	0	0	908,004	817,692
Capital Grants, Contributions and Interest	572,922	276,069	269,452	107,149	842,374	383,218
<i>Total Program Revenues</i>	<u>1,951,541</u>	<u>1,482,024</u>	<u>357,769</u>	<u>134,260</u>	<u>2,309,310</u>	<u>1,616,284</u>
General Revenues:						
Property and Other Local Taxes	2,633,676	2,330,891	0	0	2,633,676	2,330,891
Municipal Income Taxes	2,389,452	2,157,638	0	0	2,389,452	2,157,638
Grants and Entitlements not Restricted to Specific Programs	514,987	579,344	0	0	514,987	579,344
Investment Income	173,067	98,999	0	0	173,067	98,999
Other	107,846	107,922	0	1,150	107,846	109,072
<i>Total General Revenues</i>	<u>5,819,028</u>	<u>5,274,794</u>	<u>0</u>	<u>1,150</u>	<u>5,819,028</u>	<u>5,275,944</u>
<i>Total Revenues</i>	<u>7,770,569</u>	<u>6,756,818</u>	<u>357,769</u>	<u>135,410</u>	<u>8,128,338</u>	<u>6,892,228</u>
Program Expenses:						
General Government	2,549,858	2,370,105	0	0	2,549,858	2,370,105
Security of Persons and Property	2,252,398	1,801,658	0	0	2,252,398	1,801,658
Public Health	4,136	4,549	0	0	4,136	4,549
Transportation	947,510	261,669	0	0	947,510	261,669
Interest and Fiscal Charges	226,533	180,251	0	0	226,533	180,251
Water Department	0	0	288,508	333,428	288,508	333,428
Sewer Operating	0	0	140,098	56,548	140,098	56,548
<i>Total Expenses</i>	<u>5,980,435</u>	<u>4,618,232</u>	<u>428,606</u>	<u>389,976</u>	<u>6,409,041</u>	<u>5,008,208</u>
<i>Increase (Decrease) in Net Assets before Transfers</i>	1,790,134	2,138,586	(70,837)	(254,566)	1,719,297	1,884,020
Transfers	(202,352)	0	202,352	0	0	0
<i>Increase (Decrease) in Net Assets</i>	1,587,782	2,138,586	131,515	(254,566)	1,719,297	1,884,020
<i>Net Assets (Deficit) at Beginning of Year</i>	5,915,230	3,776,644	(192,130)	62,436	5,723,100	3,839,080
<i>Net Assets (Deficit) at End of Year</i>	<u>\$7,503,012</u>	<u>\$5,915,230</u>	<u>(\$60,615)</u>	<u>(\$192,130)</u>	<u>\$7,442,397</u>	<u>\$5,723,100</u>

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

Governmental Activities

The 1.5 percent income tax is a large source of revenue for the City of Clayton. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City bimonthly, monthly, or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate. 2006 was the third year of collections for income tax. The increase in net assets of \$1,587,782 was partly attributed to the \$231,814 of additional revenue from income tax for the City. A large increase in property and other local taxes of \$302,785 and an increase in capital grants, contributions, and interest of \$296,853 also contributed to the increase in net assets from 2005. The increase in property and other local taxes was primarily due to the addition of two new properties in the TIF district, and delinquencies that were paid on a bankruptcy property. The increase in capital grants, contributions, and interest was due to an EDGE grant for the commerce park project.

Governmental program expenses for 2006 were as follows:

General Government	42.64%
Security of Persons and Property	37.66%
Public Health	0.07%
Transportation	15.84%
Interest and Fiscal Charges	3.79%
	<u>100.00%</u>

As indicated above, citizen safety and well-being is emphasized.

Business – Type Activities

The City's water and sewer operating system operations constitute the only business-type activities. Net assets of the business-type activities increased \$131,515 in 2006, a 68.5 percent increase over 2005. This increase was mainly due to capital contributions of capital assets during 2006. Business-type activities are projects or funds in which revenues offset or nearly offset the costs of providing the service.

THE CITY'S FUNDS

Information about the City's major governmental funds begins on page 14. These funds are reported using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,342,599 and total expenditures of \$7,886,724. Other financing sources and uses consist of \$306,923, namely proceeds from capital lease and transfers. At year-end, the City's governmental funds reported combined ending fund balances of \$3,745,533, a decrease of \$237,202 in comparison with the prior year. Approximately 91 percent or \$3,392,286 of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion within the limitations of the use of resources within each fund. The remainder of fund balance, \$353,247, is reserved to indicate that it is not available for new spending because it has already been committed to liquidate purchase orders of the prior period.

The General Fund balance decreased by \$127,078, primarily due to a large increase in transfers to other governmental funds.

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

The Police Fund decreased by \$159,713. This was mainly due to an increase in payroll.

The Fire Fund balance increased by \$62,755. This was mainly due to the continued focus on fiscal restraint.

The Capital Improvement Fund increased by \$61,491. This was primarily due to the increase of municipal income tax collections.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund level.

During 2006, there were no revisions related to expenditures of the General Fund budget.

For the General Fund, the final budgeted revenues differed from original budgeted revenues of \$2,716,320 by \$323,157 to \$2,393,163, an 11.9 percent decrease primarily due to lower than anticipated income tax and local government monies. Actual revenues of \$2,686,468 differed from the final estimated budget basis revenues by \$293,305 mainly due to an increase in investment earnings and income tax revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the City's book value of capital assets for governmental and business-type activities (net of accumulated depreciation) amounted to \$15,372,284, an increase of \$3,598,778 from 2005.

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

Table 3
 Capital Assets (Net of Depreciation)

	Governmental Activities		Business Type Activities		Total	
	Restated		Restated		Restated	
	2006	2005	2006	2005	2006	2005
Land	\$3,973,450	\$3,710,950	\$0	\$0	\$3,973,450	\$3,710,950
Construction in Progress	0	0	3,426,701	1,511,895	3,426,701	1,511,895
Buildings	570,868	596,798	0	0	570,868	596,798
Improvements Other Than Buildings	56,877	14,081	0	0	56,877	14,081
Vehicles	1,470,587	947,134	0	0	1,470,587	947,134
Furniture, Fixtures and Equipment	581,754	554,791	0	0	581,754	554,791
Infrastructure	1,116,369	308,412	4,175,678	4,129,445	5,292,047	4,437,857
Totals	\$7,769,905	\$6,132,166	\$7,602,379	\$5,641,340	\$15,372,284	\$11,773,506

Overall, governmental activities capital assets increased \$1,637,739. Some of the significant purchases during the year included the following: land next to the government building, land donated by Hoke Road Ltd., playground equipment at both Hardscrabble Park and Northview Park, and an aerial fire truck, along with several other vehicles. The significant increase in infrastructure was due to a street resurfacing project and the purchase of an entry sign at Main Street and Westbrook Road. The increase in business-type activities was due to the OWDA sewer project, along with the completion of water and sewer lines as part of the commerce park project. See Note 10 of the Notes to the Basic Financial Statements for more detailed information.

Debt Administration

At December 31, 2006, the City of Clayton had \$4,630,529 in general obligation bonds and loans outstanding and \$875,489 in capital leases.

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

Table 4
 Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	Restated 2005
General Obligation Bonds	\$4,498,269	\$4,601,904	\$0	\$0
Communication Equipment Loan	132,260	198,390	0	0
Capital Leases	875,489	542,695	0	0
Water Line Loan	0	0	4,397,685	4,444,874
OWDA Loan	0	0	3,283,377	1,242,895
Totals	\$5,506,018	\$5,342,989	\$7,681,062	\$5,687,769

The City's overall legal debt margin was \$23,613,069 as of December 31, 2006. The more restrictive unvoted legal debt margin was \$10,220,349 as of the same date. See Notes 14 and 15 of the Basic Financial Statements for more detailed information.

CURRENT FINANCIAL ISSUES AND CONCERNS

The City of Clayton has maintained the momentum of fiscal growth from 2005. The 2006 income tax collections represented 51 percent of the General Fund revenue and 28 percent of all governmental fund revenue. The department heads have continued the fiscal restraint which ultimately led to over \$550,000 of under spent appropriations. Also, the cash management and budgetary policies of the Finance Department encourage the growth in fund carryovers.

The Commerce Park, which was approved in 2005, is another means to maintain the momentum. The 143 acre parcel of land on Hoke Road that is adjacent to I-70 is the site of the industrial destination. The installation of the infrastructure for the commerce park was completed during 2006. Construction on road improvements for Hoke Road will begin in the summer of 2007.

Currently, the \$2,072,428 income tax revenue is generated by approximately 3,700 jobs in the City. As new jobs are created, the income tax will continue to grow.

The City of Clayton has created Improvement District #1 to manage new growth in the City. Council has implemented impact fees and tax increment financing within this district. The essential purpose of the impact fees and tax increment financing (financing based on the growth of the tax base in a development) is to offset the development costs incurred by the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kevin A. Schweitzer, CPA, Director of Finance, City of Clayton, P.O. 280, Clayton, Ohio 45315.

City of Clayton, Ohio
Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,925,573	\$156,247	\$4,081,820
Cash and Cash Equivalents with Escrow Agents	11,171	0	11,171
Accounts Receivable	99,435	10,552	109,987
Internal Balances	60,000	(60,000)	0
Due from Other Governments	634,253	0	634,253
Prepaid Items	93,406	0	93,406
Increment Tax Receivable	98,099	0	98,099
Municipal Income Taxes Receivable	713,928	0	713,928
Property and Other Local Taxes Receivable	2,182,565	0	2,182,565
Special Assessments Receivable - Current	22,581	37,495	60,076
Special Assessments Receivable - Delinquent	2,308	0	2,308
Deferred Charges	91,814	0	91,814
Nondepreciable Capital Assets	3,973,450	3,426,701	7,400,151
Depreciable Capital Assets, net	3,796,455	4,175,678	7,972,133
<i>Total Assets</i>	<u>15,705,038</u>	<u>7,746,673</u>	<u>23,451,711</u>
Liabilities:			
Accounts Payable	39,744	3,646	43,390
Accrued Wages Payable	100,960	0	100,960
Contracts Payable	60,827	122,580	183,407
Retainage Payable	26,175	0	26,175
Due to Other Governments	292,339	0	292,339
Deferred Revenue	2,017,175	0	2,017,175
Accrued Interest Payable	15,835	0	15,835
Long-Term Liabilities:			
Due Within One Year	444,083	61,649	505,732
Due in More Than One Year	5,204,888	7,619,413	12,824,301
<i>Total Liabilities</i>	<u>8,202,026</u>	<u>7,807,288</u>	<u>16,009,314</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,480,141	(78,683)	2,401,458
Restricted for Capital Outlay	748,829	0	748,829
Restricted for Security of Persons and Property	563,360	0	563,360
Restricted for Transportation	582,433	0	582,433
Restricted for Other Purposes	524,166	0	524,166
Unrestricted	2,604,083	18,068	2,622,151
<i>Total Net Assets (Deficit)</i>	<u>\$7,503,012</u>	<u>(\$60,615)</u>	<u>\$7,442,397</u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Activities
For the Year Ended December 31, 2006

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest
Governmental Activities:				
General Government	\$2,549,858	\$169,787	\$40,614	\$572,922
Security of Persons and Property	2,252,398	296,703	327,405	0
Public Health	4,136	4,125	0	0
Transportation	947,510	0	539,985	0
Interest and Fiscal Charges	226,533	0	0	0
<i>Total Governmental Activities</i>	<u>5,980,435</u>	<u>470,615</u>	<u>908,004</u>	<u>572,922</u>
Business-Type Activities:				
Water Department	288,508	66,812	0	45,657
Sewer Operating	140,098	21,505	0	223,795
<i>Total Business-Type Activities</i>	<u>428,606</u>	<u>88,317</u>	<u>0</u>	<u>269,452</u>
<i>Totals</i>	<u>\$6,409,041</u>	<u>\$558,932</u>	<u>\$908,004</u>	<u>\$842,374</u>

General Revenues and Transfers:
Property Taxes Levied For:
 General Purposes
 Police
 Fire
 EMS
Other Local Taxes
Municipal Income Taxes Levied For:
 General Purposes
 Capital Outlay
Grants and Entitlements not
 Restricted to Specific Programs
Other
Investment Income
Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets (Deficit) at Beginning of Year - Restated (See Note 3)

Net Assets (Deficit) at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,766,535)	\$0	(\$1,766,535)
(1,628,290)	0	(1,628,290)
(11)	0	(11)
(407,525)	0	(407,525)
(226,533)	0	(226,533)
<u>(4,028,894)</u>	<u>0</u>	<u>(4,028,894)</u>
0	(176,039)	(176,039)
0	105,202	105,202
<u>0</u>	<u>(70,837)</u>	<u>(70,837)</u>
<u>(4,028,894)</u>	<u>(70,837)</u>	<u>(4,099,731)</u>
487,008	0	487,008
1,105,558	0	1,105,558
443,579	0	443,579
193,639	0	193,639
403,892	0	403,892
1,578,201	0	1,578,201
811,251	0	811,251
514,987	0	514,987
107,846	0	107,846
173,067	0	173,067
(202,352)	202,352	0
<u>5,616,676</u>	<u>202,352</u>	<u>5,819,028</u>
1,587,782	131,515	1,719,297
<u>5,915,230</u>	<u>(192,130)</u>	<u>5,723,100</u>
<u>\$7,503,012</u>	<u>(\$60,615)</u>	<u>\$7,442,397</u>

City of Clayton, Ohio
Balance Sheet
Governmental Funds
December 31, 2006

	General	Police	Fire
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,885,742	\$164,731	\$232,246
Cash and Cash Equivalents with Escrow Agents	0	0	0
Receivables:			
Property and Other Local Taxes	479,276	1,083,310	426,650
Municipal Income Taxes	471,193	0	0
Increment Tax	0	0	0
Interfund	60,000	0	0
Accounts	76,949	4,647	0
Special Assessments - Current	0	0	0
Special Assessments - Delinquent	0	0	0
Due from Other Governments	243,514	71,895	27,875
Prepaid Items	39,847	15,691	10,529
<i>Total Assets</i>	<u>\$3,256,521</u>	<u>\$1,340,274</u>	<u>\$697,300</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	\$28,948	\$3,784	\$567
Contracts Payable	36,223	0	0
Retainage Payable	0	0	0
Accrued Wages Payable	15,880	42,489	10,643
Due to Other Governments	44,020	125,055	4,030
Deferred Revenue	1,199,490	1,153,441	454,525
<i>Total Liabilities</i>	<u>1,324,561</u>	<u>1,324,769</u>	<u>469,765</u>
Fund Balances:			
Reserved for Encumbrances	142,351	47,348	31,066
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	1,789,609	0	0
Special Revenue Funds	0	(31,843)	196,469
Debt Service Fund	0	0	0
Capital Projects Funds	0	0	0
<i>Total Fund Balances</i>	<u>1,931,960</u>	<u>15,505</u>	<u>227,535</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,256,521</u>	<u>\$1,340,274</u>	<u>\$697,300</u>

See accompanying notes to the basic financial statements

Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$511,549	\$1,131,305	\$3,925,573
11,171	0	11,171
0	193,329	2,182,565
242,735	0	713,928
0	98,099	98,099
0	0	60,000
0	17,839	99,435
0	22,581	22,581
0	2,308	2,308
18,779	272,190	634,253
0	27,339	93,406
<u>\$784,234</u>	<u>\$1,764,990</u>	<u>\$7,843,319</u>
\$666	\$5,779	\$39,744
22,561	2,043	60,827
26,175	0	26,175
0	31,948	100,960
0	119,234	292,339
234,722	535,563	3,577,741
<u>284,124</u>	<u>694,567</u>	<u>4,097,786</u>
19,073	113,409	353,247
0	0	1,789,609
0	926,229	1,090,855
0	5,617	5,617
481,037	25,168	506,205
<u>500,110</u>	<u>1,070,423</u>	<u>3,745,533</u>
<u>\$784,234</u>	<u>\$1,764,990</u>	<u>\$7,843,319</u>

City of Clayton, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2006*

Total Governmental Fund Balances	\$3,745,533
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital Assets:	
Land	3,973,450
Buildings	1,475,170
Improvements Other Than Buildings	77,812
Vehicles	2,278,681
Furniture, Fixtures and Equipment	967,963
Infrastructure	1,161,537
Accumulated Depreciation	<u>(2,164,708)</u>
Total	7,769,905
Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.	
Deferred Charges	91,814
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property and Other Local Taxes	255,577
Municipal Income Taxes	690,360
Intergovernmental	512,791
Special Assessments	24,889
Charges for Services	<u>76,949</u>
Total	1,560,566
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued Interest Payable	(15,835)
Premium on Debt Issued	(91,814)
General Obligation Bonds	(4,406,455)
Communication Equipment Loan	(132,260)
Capital Leases Payable	(875,489)
Compensated Absences Payable	<u>(142,953)</u>
Total	<u>(5,664,806)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$7,503,012</u></u>

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

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

	General	Police	Fire
Revenues:			
Property and Other Local Taxes	\$485,574	\$1,108,813	\$444,589
Municipal Income Taxes	1,368,965	0	0
Intergovernmental	523,728	168,360	108,923
Charges for Services	94,574	0	0
Licenses and Permits	10,626	0	0
Fines and Forfeitures	0	11,928	0
Investment Income	173,067	0	0
Special Assessments	0	0	0
Impact Fees	7,557	0	0
Other	15,558	14,087	28,635
<i>Total Revenues</i>	<u>2,679,649</u>	<u>1,303,188</u>	<u>582,147</u>
Expenditures:			
Current:			
General Government	1,260,852	0	0
Security of Persons and Property	0	1,567,401	519,392
Public Health	0	0	0
Transportation	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>1,260,852</u>	<u>1,567,401</u>	<u>519,392</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,418,797</u>	<u>(264,213)</u>	<u>62,755</u>
Other Financing Sources (Uses):			
Proceeds from Capital Lease	0	0	0
Transfers-In	0	104,500	0
Transfers-Out	(1,545,875)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,545,875)</u>	<u>104,500</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(127,078)	(159,713)	62,755
<i>Fund Balances at Beginning of Year</i>	<u>2,059,038</u>	<u>175,218</u>	<u>164,780</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,931,960</u></u>	<u><u>\$15,505</u></u>	<u><u>\$227,535</u></u>

See accompanying notes to the basic financial statements

Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$0	\$499,871	\$2,538,847
703,463	0	2,072,428
518,779	597,778	1,917,568
0	265,718	360,292
0	0	10,626
0	1,598	13,526
1,643	61,128	235,838
0	22,228	22,228
55,475	0	63,032
34,161	15,773	108,214
<u>1,313,521</u>	<u>1,464,094</u>	<u>7,342,599</u>
2,282,641	83,522	3,627,015
0	719,893	2,806,686
0	4,136	4,136
0	879,686	879,686
242,611	115,000	357,611
21,628	189,962	211,590
<u>2,546,880</u>	<u>1,992,199</u>	<u>7,886,724</u>
<u>(1,233,359)</u>	<u>(528,105)</u>	<u>(544,125)</u>
509,275	0	509,275
982,875	561,148	1,648,523
(197,300)	(107,700)	(1,850,875)
<u>1,294,850</u>	<u>453,448</u>	<u>306,923</u>
61,491	(74,657)	(237,202)
438,619	1,145,080	3,982,735
<u>\$500,110</u>	<u>\$1,070,423</u>	<u>\$3,745,533</u>

City of Clayton, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds (\$237,202)

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. In the current period, these amounts are:

Capital Outlay	1,868,375	
Capital Contributions	47,500	
Depreciation	(224,823)	
Excess of Capital Outlay and Capital Contributions over Depreciation Expense	1,691,052	1,691,052

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

Loss on Disposal of Capital Assets		(53,313)
------------------------------------	--	----------

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability.

(509,275)

Repayment of long-term obligations is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

General Obligation Bonds	115,000	
Communication Equipment Loan	66,130	
Capital Leases Payable	176,481	
	357,611	357,611

Some revenues that will not be collected for several months after the City's year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts:

Property and Other Taxes	94,829	
Municipal Income Taxes	317,024	
Intergovernmental	(31,926)	
Charges for Services	1,555	
Special Assessments	(644)	
Other	(368)	
	380,470	380,470

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, the additional amount of interest on the Statement of Activities is the result of the following:

Accretion of Capital Appreciation Bonds	(15,286)	
Amortization of Premium on General Obligation Bond	3,921	
Net Amortization of Bond Issuance Costs (Deferred Charges)	(3,921)	
Net Decrease in Accrued Interest	343	
	(14,943)	(14,943)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:

Increase in Compensated Absences		(26,618)
----------------------------------	--	----------

Change in Net Assets of Governmental Activities \$1,587,782

City of Clayton, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$471,189	\$472,185	\$485,574	\$13,389
Municipal Income Taxes	1,466,611	1,226,790	1,366,221	139,431
Intergovernmental	738,520	584,514	540,541	(43,973)
Charges for Services	20,000	20,000	94,574	74,574
Licenses and Permits	0	0	10,626	10,626
Investment Income	10,000	79,674	173,067	93,393
Other	10,000	10,000	15,865	5,865
<i>Total Revenues</i>	2,716,320	2,393,163	2,686,468	293,305
Expenditures:				
Current:				
General Government	1,689,282	1,689,282	1,411,589	277,693
<i>Excess of Revenues Over Expenditures</i>	1,027,038	703,881	1,274,879	570,998
Other Financing Sources (Uses):				
Advances-In	0	0	60,000	60,000
Advances-Out	(160,000)	(160,000)	(60,000)	100,000
Transfers-Out	(1,750,000)	(1,943,654)	(1,545,875)	397,779
<i>Total Other Financing Sources (Uses)</i>	(1,910,000)	(2,103,654)	(1,545,875)	557,779
<i>Net Change in Fund Balance</i>	(882,962)	(1,399,773)	(270,996)	1,128,777
<i>Fund Balance at Beginning of Year</i>	1,816,226	1,816,226	1,816,226	0
<i>Prior Year Encumbrances Appropriated</i>	165,793	165,793	165,793	0
<i>Fund Balance at End of Year</i>	\$1,099,057	\$582,246	\$1,711,023	\$1,128,777

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Police Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$1,055,000	\$1,059,070	\$1,108,813	\$49,743
Intergovernmental	212,078	182,078	169,763	(12,315)
Fines and Forfeitures	0	25,000	10,629	(14,371)
Other	37,000	37,000	9,440	(27,560)
<i>Total Revenues</i>	1,304,078	1,303,148	1,298,645	(4,503)
Expenditures:				
Current:				
Security of Persons and Property	1,730,398	1,730,398	1,575,464	154,934
<i>Excess of Revenues Over (Under) Expenditures</i>	(426,320)	(427,250)	(276,819)	150,431
Other Financing Sources:				
Transfers-In	209,000	209,000	104,500	(104,500)
<i>Net Change in Fund Balance</i>	(217,320)	(218,250)	(172,319)	45,931
<i>Fund Balance at Beginning of Year</i>	236,954	236,954	236,954	0
<i>Prior Year Encumbrances Appropriated</i>	46,730	46,730	46,730	0
<i>Fund Balance at End of Year</i>	<u>\$66,364</u>	<u>\$65,434</u>	<u>\$111,365</u>	<u>\$45,931</u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Fire Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$422,186	\$424,281	\$444,589	\$20,308
Intergovernmental	72,000	117,630	108,923	(8,707)
Other	29,125	33,309	28,635	(4,674)
<i>Total Revenues</i>	523,311	575,220	582,147	6,927
Expenditures:				
Current:				
Security of Persons and Property	639,411	701,411	570,272	131,139
<i>Net Change in Fund Balance</i>	(116,100)	(126,191)	11,875	138,066
<i>Fund Balance at Beginning of Year</i>	148,855	148,855	148,855	0
<i>Prior Year Encumbrances Appropriated</i>	39,152	39,152	39,152	0
<i>Fund Balance at End of Year</i>	<u>\$71,907</u>	<u>\$61,816</u>	<u>\$199,882</u>	<u>\$138,066</u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Fund Net Assets
Enterprise Funds
December 31, 2006

	Water Department	Sewer Operating	Total
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$80,951	\$75,296	\$156,247
Receivables:			
Accounts	10,552	0	10,552
Special Assessments - Current	37,495	0	37,495
<i>Total Current Assets</i>	<u>128,998</u>	<u>75,296</u>	<u>204,294</u>
Non-current Assets:			
Nondepreciable Capital Assets	0	3,426,701	3,426,701
Depreciable Capital Assets, Net	3,951,883	223,795	4,175,678
<i>Total Non-current Assets</i>	<u>3,951,883</u>	<u>3,650,496</u>	<u>7,602,379</u>
<i>Total Assets</i>	<u>4,080,881</u>	<u>3,725,792</u>	<u>7,806,673</u>
Liabilities:			
Current:			
Accounts Payable	0	3,646	3,646
Contracts Payable	0	122,580	122,580
Interfund Payable	0	60,000	60,000
OWDA Loans Payable	0	61,649	61,649
<i>Total Current Liabilities</i>	<u>0</u>	<u>247,875</u>	<u>247,875</u>
Long-Term Liabilities:			
Loan Payable	4,397,685	0	4,397,685
OWDA Loans Payable	0	3,221,728	3,221,728
<i>Total Long-Term Liabilities</i>	<u>4,397,685</u>	<u>3,221,728</u>	<u>7,619,413</u>
<i>Total Liabilities</i>	<u>4,397,685</u>	<u>3,469,603</u>	<u>7,867,288</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(445,802)	367,119	(78,683)
Unrestricted (Deficit)	128,998	(110,930)	18,068
<i>Total Net Assets (Deficit)</i>	<u>(\$316,804)</u>	<u>\$256,189</u>	<u>(\$60,615)</u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
*Statement of Revenues, Expenses and
Changes in Fund Net Assets
Enterprise Funds
For the Year Ended December 31, 2006*

	Water Department	Sewer Operating	Total
Operating Revenues:			
Charges for Services	\$32,741	\$0	\$32,741
Tap-In Fees	9,990	0	9,990
Impact Fees	24,081	21,505	45,586
<i>Total Operating Revenues</i>	<u>66,812</u>	<u>21,505</u>	<u>88,317</u>
Operating Expenses:			
Materials and Supplies	65,289	0	65,289
Depreciation	223,219	0	223,219
<i>Total Operating Expenses</i>	<u>288,508</u>	<u>0</u>	<u>288,508</u>
<i>Operating Income (Loss)</i>	(221,696)	21,505	(200,191)
Non-Operating Expenses:			
Interest and Fiscal Charges	0	(140,098)	(140,098)
Net Loss Before Capital Contributions and Transfers	(221,696)	(118,593)	(340,289)
Capital Contributions	45,657	223,795	269,452
Transfers-In	0	202,352	202,352
<i>Change in Net Assets</i>	(176,039)	307,554	131,515
<i>Net Assets (Deficit) at Beginning of Year - Restated (Note 3)</i>	<u>(140,765)</u>	<u>(51,365)</u>	<u>(192,130)</u>
<i>Net Assets (Deficit) at End of Year</i>	<u>(\$316,804)</u>	<u>\$256,189</u>	<u>(\$60,615)</u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2006

	Water Department	Sewer Operating	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received From Customers	\$82,608	\$21,505	\$104,113
Cash Payments to Suppliers	(70,905)	(4,680)	(75,585)
<i>Net Cash Provided by Operating Activities</i>	<u>11,703</u>	<u>16,825</u>	<u>28,528</u>
Cash Flows from Noncapital Financing Activities:			
Advances - In	0	60,000	60,000
Advances - Out	0	(60,000)	(60,000)
Transfers - In	0	202,352	202,352
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>202,352</u>	<u>202,352</u>
Cash Flows from Capital and Related Financing Activities:			
Loan Principal Payments	(47,189)	(62,254)	(109,443)
Loan Interest Payments	0	(140,098)	(140,098)
<i>Net Cash Provided by Capital and Related Financing Activities</i>	<u>(47,189)</u>	<u>(202,352)</u>	<u>(249,541)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(35,486)	16,825	(18,661)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>116,437</u>	<u>58,471</u>	<u>174,908</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$80,951</u></u>	<u><u>\$75,296</u></u>	<u><u>\$156,247</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$221,696)	\$21,505	(\$200,191)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	223,219	0	223,219
Increase in Accounts Receivable	(2,952)	0	(2,952)
Decrease in Special Assessments Receivable	18,748	0	18,748
Decrease in Accounts Payable	0	(4,680)	(4,680)
Decrease in Due to Other Governments	(5,616)	0	(5,616)
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$11,703</u></u>	<u><u>\$16,825</u></u>	<u><u>\$28,528</u></u>

Noncash Capital Financing Activities

During 2006, the City recorded OWDA proceeds in the amount of \$2,102,736 for the construction of capital assets. The City did not receive the proceeds from the loan, rather, OWDA made payments directly to the contractors. The Water Department Fund and Sewer Operating Fund had capital contributions for capital assets from governmental funds of \$45,657 and \$223,795 respectively.

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2006

Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$80,187</u></u>
Liabilities:	
Due to Other Governments	<u><u>\$80,187</u></u>

See accompanying notes to the basic financial statements

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 1 – DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Clayton (The “City”) was formed January 1, 1998, as a result of a merger approved by the voters of Randolph Township and the Village of Clayton in an election held November 1997. Randolph Township was founded in 1802 from the original Elizabeth Township. The Village of Clayton was incorporated in 1942. The newly merged City continued as a statutory village until the 1998 General Election when Clayton became a city. The voters of the City approved a charter in May 1999 under which the City continues to operate.

The City charter calls for a Council-Manager form of government. The Council consists of seven members: a Mayor, three at-large Council members and three ward representatives. The City elects the three ward representatives in one election cycle, with the Mayor and the at-large members elected two years later. They serve as the legislative body and are governed by the provisions of the charter. All council members, including the Mayor, are elected to four year terms.

The City Council, by majority vote, appoints the City Manager who serves as chief executive officer. The City Manager is responsible for appointing and removing all other full and part-time City employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, and activities that are not legally separate from the City. They comprise the City’s legal entity which provides various services including police, fire, emergency medical, planning and zoning, street construction, maintenance and repair, administrative services, water services and the introduction of sewer services. Council and the City Manager have direct responsibility for these activities.

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

The City participates in two jointly governed organizations, the Miami Valley Regional Planning Commission and the Economic Development/Government Equity Program. A jointly governed organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. These organizations are presented in Note 18 to the Basic Financial Statements.

The City participates in one risk sharing pool, the Ohio Government Risk Management Plan. This organization is presented in Note 19 to the Basic Financial Statements.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Clayton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply FASB Statements issued after November 30, 1989 to its business-type activities or enterprise funds. The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's Basic Financial Statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

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 the Agency Fund. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

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

Governmental Funds

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

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

Police Fund – The Police Fund is used to account for revenue received from a City-wide property tax levy, fines and forfeitures, and interest that are expended for the cost of operating the police department.

Fire Fund – The Fire Fund is used to account for revenue received from a City-wide property tax levy that is expended for the cost of operating the fire department.

Capital Improvement Fund – The Capital Improvement Fund is used to account for that portion of municipal income tax designated by Council for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

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

Proprietary Funds

Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are two enterprise funds.

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

Water Department Fund – This fund is used to account for revenue received from user charges for water services provided to certain residents and businesses within the City.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sewer Operating Fund – This fund is used to account for revenues received from grants and loans to provide for the start-up of sewer services to residents of the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the City when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund which is used to account for fees collected from individuals who develop land within the Clayton Improvement District for the purpose of expanding and upgrading water, sanitary sewer, road, and municipal park systems and related infrastructure improvements due to the land development.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: municipal income taxes, intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance) fines and forfeitures, and grants.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but were levied to finance 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met have also been recorded as deferred revenue.

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Cash received from a lease purchase agreement that is held in a separate bank account for the purchase of radio equipment is recorded as "Cash and Cash Equivalents with Escrow Agents" on the financial statements.

During 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and a repurchase agreement. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2006. Non-participating investment contracts, such as repurchase agreements, are reported at cost.

The City Council has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2006 amounted to \$173,067, which includes \$109,258 assigned from other funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivable" and "Interfund Payable". Interfund balances are eliminated on the government-wide Statement of Net Assets except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances".

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

General capital assets are capital assets that are associated with and generally rise from governmental activities. They usually result from expenditures in governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide Statement of Net Assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values on the date received. The City maintains a capitalization threshold of three thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	30-40 years
Improvements Other Than Buildings	10 years
Vehicles	5-25 years
Furniture, Fixtures and Equipment	2-20 years
Infrastructure	10-60 years

The City's infrastructure system consists of streets, curbs, gutters, sidewalks, street lights, and water and sewer lines. General infrastructure assets acquired prior to January 1, 2004 are not reported in the Basic Financial Statements. General infrastructure assets include all streets and other infrastructure assets acquired subsequent to January 1, 2004.

Accrued Liabilities and Long-Term Obligations

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

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation and compensatory time when earned for all employees with more than one year of service.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after ten years of service with the City.

Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted over the term of the bonds. Bond premiums and compounded interest on capital appreciation bonds are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the period in which the debt is issued.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include funds for the operation of recreational activities, improving the living environment of the City, the operation of police, fire and EMS programs, and the City's street repair/improvement programs.

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

The government-wide Statement of Net Assets reports \$2,418,788 of restricted net assets, none of which is restricted by enabling legislation.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Reserves

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

Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of these funds. Revenues and expenses that do not meet these definitions are reported as non-operating.

Estimates

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

Budgetary Process

All funds, other than the Agency Fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of budgetary control has been established by Council at the fund level. The Finance Director has been authorized to allocate appropriations to the object and department level within each fund.

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR NET ASSETS

Change in Accounting Principles

For 2006, the City has implemented *GASB Statement No. 47, "Accounting for Termination Benefits."*

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the City's financial statements for 2006.

Restatement of Prior Year Net Assets

During 2006, errors were discovered in capital assets from the prior year. Also, errors were discovered in the recording of the Water Line Loan in the Water Department Fund in prior years. These changes had the following effect on net assets:

	Governmental Activities	Business-Type Activities	Water Department Fund
Net Assets (Deficit) December 31, 2005	\$5,128,659	(\$80,146)	(\$28,781)
Capital Assets Adjustments	786,571	348,534	348,534
Loan Payable	0	(460,518)	(460,518)
Restated Net Assets (Deficit) December 31, 2005	<u>\$5,915,230</u>	<u>(\$192,130)</u>	<u>(\$140,765)</u>

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While reporting financial position and results of operations on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Basis) for the General, Police, and Fire Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Cash is held by an agency fund on behalf of the City on a budget basis and allocated and reported on the balance sheet (GAAP basis) in the appropriate City funds.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance

	General	Police	Fire
GAAP Basis	(\$127,078)	(\$159,713)	\$62,755
Revenue Accruals	(738)	(4,543)	0
Expenditure Accruals	16,425	45,303	(18,516)
Encumbrances	(167,162)	(53,366)	(32,364)
Agency Fund Allocation	7,557	0	0
Budget Basis	(\$270,996)	(\$172,319)	\$11,875

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City's Treasury. Active monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interim monies held by the City may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that the investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$1,044,546 of the City's bank balance of \$1,151,757 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution, but not in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

	<u>Fair Value</u>	<u>Maturity less than one year</u>
STAROhio	\$443,813	\$443,813
Repurchase Agreement	2,786,236	2,786,236
Totals	\$3,230,049	\$3,230,049

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that the investment portfolio remain sufficiently liquid to enable the City to meet all operating requirements by investing in an adequate amount of short-term investments in the portfolio to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

Credit Risk

The underlying securities of the repurchase agreement are Federal Home Loan Mortgage Corporation Notes, which carry a credit rating of Aaa by Moody's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law required that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy limits investments to those authorized by State Statute. State statute only addresses credit risk by limiting the investments that may be purchased to those offered by specifically identified issuers.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes related to the repurchase agreement are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. Of the City's total investments, 86 percent is invested in a repurchase agreement.

NOTE 6 - PROPERTY TAXES

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

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

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

2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments were 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due by September 20.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 6 - PROPERTY TAXES (continued)

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Clayton. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies which are measurable as of December 31, 2006, and for which there is an enforceable legal claim. In the funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations, and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

The full tax rate for all City operations for the year ended December 31, 2006, was \$12.58 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Estate	\$260,101,620	97.10%
Public Utility Personal	5,940,090	2.22%
General Business Personal	1,812,688	0.68%
Totals	<u>\$267,854,398</u>	<u>100.00%</u>

NOTE 7 – MUNICIPAL INCOME TAX

The City levies a municipal income tax of 1.5 percent on all salaries, wages, commissions, other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. However, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

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

Income tax proceeds are distributed to the General Fund and the Capital Improvement Fund as required by the City resolution.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2006, consisted of property and other local taxes, municipal income taxes, increment tax, interfund, accounts, special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible. In the business-type activities, the water line tap-in fees are assessed. Special assessments, resulting from governmental and business-type activities, expected to be collected in more than one year for the City amount to \$18,747. The City has \$2,308 of delinquent special assessments at December 31, 2006.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 8 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Local Government Assistance	\$27,859
Local Government	147,758
Estate Tax	43,918
Homestead and Rollback Exemption	134,163
Gas Tax	206,273
Motor Vehicle Tax	53,739
Court Fines	1,764
Refund of Unspent Funds	18,779
Total Intergovernmental Receivable	<u><u>\$634,253</u></u>

Increment Tax Receivable

The City granted real property tax exemptions to landowners for improvements made to their properties. The City requires the owners to make an annual payment to the City in lieu of taxes in the amount that would be payable on the increase in the value of the property if not for the exemption. The City then uses these monies to pay for public infrastructure improvements benefiting the owners. Additional payments are made to the School District since it is impacted by the tax exemption for a period of up to thirty years, commencing with the 1999 tax year and ending no later than December 16, 2029. The City accrues a receivable for the amount owed to the City. The receivable represents amounts measurable at December 31, 2006. The City is not able to measure the receivable for all future payments because the payments are based upon projected tax collections.

NOTE 9 - DEVELOPMENT STAGE ENTERPRISE FUND

The City of Clayton's Sewer Fund is in the developmental stage. The City is building a housing and office complex in which they are tapping into Montgomery County's existing sewer lines. The City of Clayton received money from OWDA to build the lines. Once the housing and office complex is complete, residents and tenants will be billed.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 10 – CAPITAL ASSETS

Changes in general capital assets during the year ended December 31, 2006, were as follows:

	Restated Balance at 12/31/05	Additions	Deletions	Balance at 12/31/06
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$3,710,950	\$262,500	\$0	\$3,973,450
Depreciable Capital Assets:				
Buildings	1,475,170	0	0	1,475,170
Improvements Other Than Buildings	33,608	44,204	0	77,812
Vehicles	2,089,033	647,276	(457,628)	2,278,681
Furniture, Fixtures and Equipment	896,856	121,794	(50,687)	967,963
Infrastructure	321,436	840,101	0	1,161,537
Total Depreciable Capital Assets	4,816,103	1,653,375	(508,315)	5,961,163
Less Accumulated Depreciation:				
Buildings	(878,372)	(25,930)	0	(904,302)
Improvements Other Than Buildings	(19,527)	(1,408)	0	(20,935)
Vehicles	(1,141,899)	(90,853)	424,658	(808,094)
Furniture, Fixtures and Equipment	(342,065)	(74,488)	30,344	(386,209)
Infrastructure	(13,024)	(32,144)	0	(45,168)
Total Accumulated Depreciation	(2,394,887)	(224,823)	455,002	(2,164,708)
Depreciable Capital Assets, Net	2,421,216	1,428,552	(53,313)	3,796,455
Governmental Activities Capital Assets, Net	\$6,132,166	\$1,691,052	(\$53,313)	\$7,769,905

	Restated Balance at 12/31/05	Additions	Deletions	Balance at 12/31/06
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$1,511,895	\$1,914,806	\$0	\$3,426,701
Depreciable Capital Assets:				
Infrastructure	4,464,274	269,452	0	4,733,726
Less Accumulated Depreciation:				
Infrastructure	(334,829)	(223,219)	0	(558,048)
Depreciable Capital Assets, Net	4,129,445	46,233	0	4,175,678
Business-Type Activities Capital Assets, Net	\$5,641,340	\$1,961,039	\$0	\$7,602,379

For the year ended December 31, 2006, the City's enterprise funds received water and sewer lines paid for from governmental funds. The water and sewer lines were recorded as capital assets in the respective funds. The value of the water and sewer lines were \$45,657 and \$223,795, respectively as paid from governmental funds.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 10 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental programs as follows:

General Government	\$47,104
Security of Persons and Property	93,460
Transportation	<u>84,259</u>
Total Depreciation Expense	<u><u>\$224,823</u></u>

NOTE 11 – DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.43 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$178,607, \$158,471, and \$151,901, respectively; 68 percent has been contributed for 2006 and 100 percent for 2005 and 2004. There were no contributions to the member-directed plan for 2006 made either by the City or by the plan members.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 11 – DEFINED BENEFIT PENSION PLAN (continued)

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for the years ended December 31, 2006, 2005, and 2004 were \$79,355, \$59,018, and \$59,923, respectively, equal to the required contributions for each year. The full amount has been contributed for 2004 and 2005. 68.20 percent has been contributed for 2006 with the remainder being reported as a liability.

NOTE 12 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$97,032. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

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

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment health care benefits for police and firefighters were \$44,261. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 13 - OTHER EMPLOYEE BENEFITS

Deferred Compensation

City employees may participate in the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Compensated Absences

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or their estate) will be paid for unused vacation leave.

City employees earn sick leave at the rate of one and one-fourth days per month. In the case of retirement, employees with ten years of service with the City will be paid one hour of pay for each four hours of their accumulated sick leave up to a payment of 240 hours, based on the union agreements and the City's personnel policy.

City employees can also earn compensatory time. Compensatory time is paid at one and one-half times an employee's regular rate. Employees with time remaining upon termination of their employment will be paid for any unused compensatory time.

Insurance

Medical/surgical and vision benefits are provided to full-time City employees. The provider of these benefits is United Health Care. The City pays 100 percent of the single plan monthly premiums and 90 percent of the additional cost of the family plan premium. Police employees pay seven percent of the cost of all plans offered by the City. The premium varies with each employee depending on the plan and coverage selected. Life insurance is provided through Anthem Life. All employees of the City receive \$50,000 in life insurance. Group dental insurance is provided through Superior Dental.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2006 and in prior years, the City entered into lease agreements for the purchase of equipment and vehicles. As part of the agreement for the radio equipment, Fifth Third Bank, as lessor, deposited \$260,000 into a separate bank account in the City's name. As of December 31, 2006, the City had only purchased \$248,829 of radios from this agreement and \$11,171 still remains in the bank account and is recorded as "Cash and Cash Equivalents with Escrow Agents" on the financial statements.

Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases"*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Basic Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Capital assets acquired by leases have been capitalized in the Statement of Net Assets for governmental activities in the amount of \$1,125,117. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2006 totaled \$176,481.

The assets acquired through capital leases are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value December 31, 2006</u>
Asset:			
Truck and accessories	\$135,013	(\$6,751)	\$128,262
Radio Equipment	248,829	(35,547)	213,282
Fire Truck	509,275	0	509,275
Vac-Rodder Sweeper	232,000	(11,600)	220,400
Total	<u>\$1,125,117</u>	<u>(\$53,898)</u>	<u>\$1,071,219</u>

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

<u>December 31, 2006</u>	<u>Total Payments</u>
2007	\$198,108
2008	198,108
2009	183,315
2010	117,245
2011	117,245
2012-2016	194,523
Total	1,008,544
Less: Amount Representing Interest	(133,055)
Present Value of Minimum Lease Payments	<u>\$875,489</u>

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during 2006 were as follows:

	Restated Amount Outstanding 12/31/05	Additions	Deductions	Amount Outstanding 12/31/06	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
2005 Various Purpose					
Serial Bonds - 3.25 to 3.75%	\$1,040,000	\$0	\$115,000	\$925,000	\$120,000
Term Bonds - 4.25 to 5.00%	3,270,000	0	0	3,270,000	0
Capital Appreciation Bonds 4.977%	190,000	0	0	190,000	0
Accretion on Capital Appreciation					
Bonds	6,169	15,286	0	21,455	0
Premium on Debt Issue	95,735	0	3,921	91,814	0
2005 Communication Equipment Loan	198,390	0	66,130	132,260	66,130
Capital Leases Payable	542,695	509,275	176,481	875,489	161,304
Compensated Absences	116,335	73,308	46,690	142,953	96,649
Total Governmental Activities					
Long-Term Obligations	<u>\$5,459,324</u>	<u>\$597,869</u>	<u>\$408,222</u>	<u>\$5,648,971</u>	<u>\$444,083</u>
Business-Type Activities:					
2004 Water Line Loan	\$4,444,874	\$0	\$47,189	\$4,397,685	\$0
2005 OWDA Loan	1,242,895	2,102,736	62,254	3,283,377	61,649
Total Business-Type Activities					
Long-Term Obligations	<u>\$5,687,769</u>	<u>\$2,102,736</u>	<u>\$109,443</u>	<u>\$7,681,062</u>	<u>\$61,649</u>

The 2005 Various Purpose Bonds were issued June 1, 2005, in the amount of \$4,500,000 in unvoted general obligation bonds for the purpose of retiring notes that were issued for improving State Route 48 and acquiring land. Current interest bonds were issued in an aggregate principal amount of \$4,310,000. Of these bonds, \$1,040,000 are serial bonds, \$3,270,000 are term bonds, and \$190,000 are capital appreciation bonds. The bonds were issued for a twenty-five year period with final maturity in December of 2030. The bonds will be retired from the Bond Retirement Fund.

The serial bonds, issued at \$1,040,000 with maturity dates of December 1, 2006 to December 1, 2013, are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2015, at a redemption price equal to the par amount of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The term bonds issued at \$3,270,000 and maturing on December 1, 2030, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2016	\$155,000
2017	155,000
2018	170,000
2019	180,000
2020	185,000
2021-2025	1,075,000
2026-2030	<u>1,350,000</u>
Total	<u><u>\$3,270,000</u></u>

The capital appreciation bonds, issued at \$190,000, are not subject to prior redemption. The capital appreciation bonds will mature in years 2014 and 2015, with a maturity amount of \$95,000 each year. For fiscal year 2006, the capital appreciation bonds were accreted \$15,286.

The 2005 Communication Equipment Loan was entered into with the Montgomery County Board of County Commissioners on November 15, 2005 in the amount of \$198,390 at zero percent interest for the purpose of purchasing two-way radios and car computer equipment. The loan will be retired from the Capital Improvement Fund.

Compensated absences will be paid from the General, Police, Fire, and Street Department Funds. Capital lease obligations will be paid from the Capital Improvement Fund.

The 2004 Water Line Loan was a project through the City of Dayton that was completed in May, 2004. The loan was issued with a zero percent interest rate and payable from user charges from the Water Department Fund. The City of Dayton calculates a per acre fee based on water availability and bills the City of Clayton on an annual basis, therefore a final payment schedule is not available. The initial term of the agreement is 20 years. At the end of 20 years, any amount outstanding is payable immediately, or the agreement may be renewed for an additional 20 years.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

The City has an OWDA Loan outstanding at December 31, 2006, which was issued during 2005. The total amount of the loan is \$3,500,000, of which \$3,345,631 has been received as of December 31, 2006, therefore, the loan amount has not been issued in full and a final payment schedule is not available. The loan was issued for the construction of sewer system expansion phase I and sewer lines.

The City's overall legal debt margin was \$23,613,069 at December 31, 2006, and the unvoted debt margin was \$10,220,349.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2006, are as follows:

December 31,	Governmental Activities						
	Serial Bonds Principal	Serial Bonds Interest	Term Bonds Principal	Term Bonds Interest	Capital Appreciation Principal	Capital Appreciation Interest	Communication Equipment Loan
2007	\$120,000	\$32,563	\$0	\$153,375	\$0	\$0	\$66,130
2008	125,000	28,363	0	153,375	0	0	66,130
2009	125,000	23,988	0	153,375	0	0	0
2010	130,000	19,613	0	153,375	0	0	0
2011	140,000	15,063	0	153,375	0	0	0
2012-2016	285,000	15,950	155,000	766,875	190,000	426,752	0
2017-2021	0	0	885,000	644,375	0	0	0
2022-2026	0	0	1,130,000	399,375	0	0	0
2027-2030	0	0	1,100,000	119,638	0	0	0
Total	\$925,000	\$135,540	\$3,270,000	\$2,697,138	\$190,000	\$426,752	\$132,260

December 31,	Business-Type Activities	
	OWDA Loan Principal	OWDA Loan Interest
2007	\$61,649	\$130,845
2008	64,140	128,354
2009	66,731	125,763
2010	69,427	123,067
2011	72,232	120,262
2012-2016	407,363	555,107
2017-2021	496,573	465,897
2022-2026	605,320	357,150
2027-2031	737,882	224,588
2032-2036	702,060	64,919
Total	\$3,283,377	\$2,295,952

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 16 – INTERFUND ASSETS/LIABILITIES

Interfund balances at December 31, 2006, consisted of the following amounts and result from moving unrestricted balances to support the sewer project, and is expected to be paid within one year.

	<u>Interfund Receivable</u>
<u>Interfund Payable</u>	<u>General Fund</u>
Sewer Operating Fund	<u>\$60,000</u>

Transfers made during the year ended December 31, 2006, were as follows:

	<u>Transfers From</u>			
		Capital Improvement Fund	Nonmajor Governmental Funds	
<u>Transfers To</u>	<u>General Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Total</u>
Police Fund	\$104,500	\$0	\$0	\$104,500
Capital Improvement Fund	982,875	0	0	982,875
Sewer Operating Fund	202,352	0	0	202,352
Nonmajor Governmental Funds	256,148	197,300	107,700	561,148
Total	<u>\$1,545,875</u>	<u>\$197,300</u>	<u>\$107,700</u>	<u>\$1,850,875</u>

Transfers are used to move General Fund revenues that are used to subsidize various programs into other funds. The transfer from the Nonmajor Governmental Funds was to move the debt activity to the fund that originally received the proceeds. The transfer from the Capital Improvement Fund was to move the debt activity for the payment of interest on notes and bonds.

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

For 2006, the City participated in the Ohio Government Risk Management Plan (the “Plan”), a risk sharing pool. (See Note 19) The City pays its annual premium to its agent, Swartzel/Affiliated Insurance Services. Coverage is as follows:

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 17 - RISK MANAGEMENT (continued)

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Municipal General Liability (per Occurrence/aggregate)	\$5,000,000/\$7,000,000	\$0
Public Official (per Occurrence/aggregate)	5,000,000/7,000,000	2,500
Police Professional (per Occurrence/aggregate)	5,000,000/7,000,000	5,000
Municipal Automobile Liability (per Occurrence)	5,000,000	0
Building and Contents	3,214,100	1,000
Inland Marine	1,348,468	500
Electronic Data Processing	108,571	500

Settled claims have not exceeded this coverage in any of the past three years and there have been no significant reductions in coverage from last year.

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the "Commission") is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami and Montgomery Counties, the City of Clayton, the City of Huber Heights, the City of Riverside, the City of New Carlisle, and the City of Dayton. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region.

The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The City contributed \$6,140 for the operation of the Commission during 2006. Financial information may be obtained by writing to Donald Spang, Executive Director, One South Main Street, Suite 260, Dayton, Ohio 45402.

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Economic Development/Government Equity Program

The Economic Development/Government Equity Program ("ED/GE") was established pursuant to Ohio Revised Code Chapter 307 for the purpose of developing and promoting plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that county economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, townships, and cities within Montgomery County, and Montgomery County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial or research facilities and by creating and preserving job and employment opportunities for the people of the County.

The ED/GE Advisory Committee, made up of alternating member entities' representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. The City has agreed to be a member for ten years, ending December 31, 2010. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. Payments to ED/GE are made from the General Fund. The City paid \$910 to ED/GE during 2006. Financial information may be obtained by writing to Pamela Frannin, Administrative Assistant, 451 West Third Street, Dayton, Ohio, 45422.

NOTE 19 – RISK SHARING POOL

Ohio Government Risk Management Plan

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (latest information available):

City of Clayton, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

NOTE 19 – RISK SHARING POOL (continued)

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$5,470,791	\$4,457,714

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 20 - CONTINGENT LIABILITIES

Federal and State Grants

For the period January 1, 2006, to December 31, 2006, the City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 21 – CONTRACTUAL COMMITMENTS

The City has entered into various contracts for the construction and acquisition of capital assets. At December 31, 2006, the significant outstanding contractual commitment is:

Contractor	Contract Amount	Amount Expended	Balance at December 31, 2006
Chuck Samples General Contractor	\$654,387	\$605,300	\$49,087

NOTE 22 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Water Department Fund had a net asset deficit of \$316,804 at December 31, 2006. The City anticipates increased revenues and a corresponding decrease in the net assets deficit in future years.

B. Compliance

The Capital Improvement Fund had final appropriations of \$2,984,424 in excess of final estimated revenues and available fund balance of \$2,621,379 for an excess of \$363,045.

The City violated Section 5705.14 of the Ohio Revised Code by transferring \$197,300 from the Capital Improvement Fund to the Bond Retirement Fund.

COMBINING FINANCIAL STATEMENTS
AND
INDIVIDUAL FUND SCHEDULES

City of Clayton, Ohio
Nonmajor Fund Descriptions

Special Revenue Funds

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

Nonmajor Special Revenue Funds

Cops Fund

To account for federal grant money used to add additional police officers. The grant program no longer generates revenue for the City.

Drug Law Enforcement Fund

To account for fines and costs collected for felonious drug trafficking convictions. This money may be used in any drug law enforcement activity.

Law Enforcement Trust Fund

To account for fine and forfeiture revenue from law enforcement.

EMS Fund

To account for money received from a property tax levy and fees that are expended to pay for the cost of operating EMS services.

Street Department Fund

To account for that portion of the State gasoline tax and motor vehicle license registration fees designated for maintenance and repair of streets within the City.

State Highway Fund

To account for gasoline tax and motor vehicle license fees used for routine maintenance of State highways within the City.

Permissive Motor Vehicle License Tax Fund

To account for additional motor vehicle license tax levied by the City for routine street maintenance and repairs.

Street Lights Fund

To account for special assessments to provide street lighting within the City.

Cemetery Fund

To account for revenues received from the sale of lots, charges for burial service and foundations, and transfers to operate and maintain the City cemetery.

Tax Increment Fund

To account for real estate taxes received from various business owners to be used for City-owned infrastructure improvements that will benefit the business owners' property.

(continued)

City of Clayton, Ohio
Nonmajor Fund Descriptions
(continued)

TIF Towne Center Fund

To account for monies collected from real estate taxes to be used to reimburse the developers at the Towne Center for City capital assets constructed by the developer.

Developmental Fee Fund

To account for fees collected from individuals who develop land within the Clayton Improvement District for the purpose of expanding and upgrading water, sanitary sewer, road, and municipal park systems and related infrastructure improvements due to the land development.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Nonmajor Debt Service Fund

Bond Retirement Fund

To account for the accumulation of resources for, and the payment of, the 2005 Various Purpose Bonds debt principal and interest.

Capital Projects Funds

Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Nonmajor Capital Projects Funds

Irvington Storm Water Fund

To account for a capital project for storm water management on Irvington Street.

State Route 48 Improvement Fund

To account for debt proceeds used to finance major repairs to State Route 48 and the expenditures for the Main Street Tax Increment Financing.

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

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,100,520	\$5,617	\$25,168	\$1,131,305
Receivables:				
Property and Other Local Taxes	193,329	0	0	193,329
Increment Tax	98,099	0	0	98,099
Accounts	17,839	0	0	17,839
Special Assessments - Current	22,581	0	0	22,581
Special Assessments - Delinquent	2,308	0	0	2,308
Due from Other Governments	272,190	0	0	272,190
Prepaid Items	27,339	0	0	27,339
<i>Total Assets</i>	<u>\$1,734,205</u>	<u>\$5,617</u>	<u>\$25,168</u>	<u>\$1,764,990</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$5,779	\$0	\$0	\$5,779
Contracts Payable	2,043	0	0	2,043
Accrued Wages Payable	31,948	0	0	31,948
Due to Other Governments	119,234	0	0	119,234
Deferred Revenue	535,563	0	0	535,563
<i>Total Liabilities</i>	<u>694,567</u>	<u>0</u>	<u>0</u>	<u>694,567</u>
Fund Balances:				
Reserved for Encumbrances	113,409	0	0	113,409
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	926,229	0	0	926,229
Debt Service Fund	0	5,617	0	5,617
Capital Projects Funds	0	0	25,168	25,168
<i>Total Fund Balances</i>	<u>1,039,638</u>	<u>5,617</u>	<u>25,168</u>	<u>1,070,423</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,734,205</u>	<u>\$5,617</u>	<u>\$25,168</u>	<u>\$1,764,990</u>

City of Clayton, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Property and Other Local Taxes	\$499,871	\$0	\$0	\$499,871
Intergovernmental	597,778	0	0	597,778
Charges for Services	265,718	0	0	265,718
Fines and Forfeitures	1,598	0	0	1,598
Investment Income	61,128	0	0	61,128
Special Assesments	22,228	0	0	22,228
Other	15,773	0	0	15,773
<i>Total Revenues</i>	<u>1,464,094</u>	<u>0</u>	<u>0</u>	<u>1,464,094</u>
Expenditures:				
Current:				
General Government	83,522	0	0	83,522
Security of Persons and Property	719,893	0	0	719,893
Public Health	4,136	0	0	4,136
Transportation	879,686	0	0	879,686
Debt Service:				
Principal Retirement	0	115,000	0	115,000
Interest and Fiscal Charges	0	189,962	0	189,962
<i>Total Expenditures</i>	<u>1,687,237</u>	<u>304,962</u>	<u>0</u>	<u>1,992,199</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(223,143)</u>	<u>(304,962)</u>	<u>0</u>	<u>(528,105)</u>
Other Financing Sources (Uses):				
Transfers-In	255,000	306,148	0	561,148
Transfers-Out	(107,700)	0	0	(107,700)
<i>Total Other Financing Sources (Uses)</i>	<u>147,300</u>	<u>306,148</u>	<u>0</u>	<u>453,448</u>
<i>Net Change in Fund Balances</i>	(75,843)	1,186	0	(74,657)
<i>Fund Balances at Beginning of Year</i>	<u>1,115,481</u>	<u>4,431</u>	<u>25,168</u>	<u>1,145,080</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,039,638</u></u>	<u><u>\$5,617</u></u>	<u><u>\$25,168</u></u>	<u><u>\$1,070,423</u></u>

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

	Cops	Drug Law Enforcement	Law Enforcement Trust	EMS
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$31,390	\$9,895	\$29,069	\$199,424
Receivables:				
Property and Other Local Taxes	0	0	0	185,417
Increment Tax	0	0	0	0
Accounts	0	0	0	17,839
Special Assessments - Current	0	0	0	0
Special Assessments - Delinquent	0	0	0	0
Due from Other Governments	0	0	0	12,178
Prepaid Items	0	0	0	6,537
<i>Total Assets</i>	<u>\$31,390</u>	<u>\$9,895</u>	<u>\$29,069</u>	<u>\$421,395</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$0	\$0	\$0	\$3,431
Contracts Payable	0	0	0	0
Accrued Wages Payable	0	0	0	15,747
Due to Other Governments	0	0	0	73,823
Deferred Revenue	0	0	0	197,595
<i>Total Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>290,596</u>
Fund Balances:				
Reserved for Encumbrances	0	1,000	0	24,836
Unreserved, Undesignated	31,390	8,895	29,069	105,963
<i>Total Fund Balances</i>	<u>31,390</u>	<u>9,895</u>	<u>29,069</u>	<u>130,799</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$31,390</u>	<u>\$9,895</u>	<u>\$29,069</u>	<u>\$421,395</u>

Street Department	State Highway	Permissive Motor Vehicle License Tax	Street Lights	Cemetery	Tax Increment	Total Nonmajor Special Revenue Funds
\$113,426	\$129,988	\$155,433	\$6,757	\$10,386	\$414,752	\$1,100,520
0	0	7,912	0	0	0	193,329
0	0	0	0	0	98,099	98,099
0	0	0	0	0	0	17,839
0	0	0	22,581	0	0	22,581
0	0	0	2,308	0	0	2,308
236,452	23,560	0	0	0	0	272,190
17,830	0	0	0	2,972	0	27,339
<u>\$367,708</u>	<u>\$153,548</u>	<u>\$163,345</u>	<u>\$31,646</u>	<u>\$13,358</u>	<u>\$512,851</u>	<u>\$1,734,205</u>
\$1,981	\$367	\$0	\$0	\$0	\$0	\$5,779
0	0	0	0	0	2,043	2,043
16,201	0	0	0	0	0	31,948
45,411	0	0	0	0	0	119,234
194,798	20,182	0	24,889	0	98,099	535,563
<u>258,391</u>	<u>20,549</u>	<u>0</u>	<u>24,889</u>	<u>0</u>	<u>100,142</u>	<u>694,567</u>
28,602	3,936	4,206	0	0	50,829	113,409
80,715	129,063	159,139	6,757	13,358	361,880	926,229
109,317	132,999	163,345	6,757	13,358	412,709	1,039,638
<u>\$367,708</u>	<u>\$153,548</u>	<u>\$163,345</u>	<u>\$31,646</u>	<u>\$13,358</u>	<u>\$512,851</u>	<u>\$1,734,205</u>

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

	Irvington Storm Water	State Route 48 Improvement	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$18,352	\$6,816	\$25,168
Fund Balances:			
Unreserved, Undesignated	\$18,352	\$6,816	25,168

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clayton, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006

	Cops	Drug Law Enforcement	Law Enforcement Trust	EMS
Revenues:				
Property and Other Local Taxes	\$0	\$0	\$0	\$194,078
Intergovernmental	0	0	0	48,061
Charges for Services	0	0	0	261,593
Fines and Forfeitures	0	160	1,438	0
Investment Income	0	0	0	0
Special Assessments	0	0	0	0
Other	0	0	0	6,053
<i>Total Revenues</i>	<u>0</u>	<u>160</u>	<u>1,438</u>	<u>509,785</u>
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	0	251	39,861	658,508
Public Health	0	0	0	0
Transportation	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>251</u>	<u>39,861</u>	<u>658,508</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>0</u>	<u>(91)</u>	<u>(38,423)</u>	<u>(148,723)</u>
Other Financing Sources (Uses):				
Transfers-In	0	0	0	0
Transfers-Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	0	(91)	(38,423)	(148,723)
<i>Fund Balances at Beginning of Year</i>	<u>31,390</u>	<u>9,986</u>	<u>67,492</u>	<u>279,522</u>
<i>Fund Balances at End of Year</i>	<u><u>\$31,390</u></u>	<u><u>\$9,895</u></u>	<u><u>\$29,069</u></u>	<u><u>\$130,799</u></u>

<u>Street Department</u>	<u>State Highway</u>	<u>Permissive Motor Vehicle License Tax</u>	<u>Street Lights</u>	<u>Cemetery</u>	<u>Tax Increment</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$0	\$0	\$102,955	\$0	\$0	\$202,838	\$499,871
508,488	41,229	0	0	0	0	597,778
0	0	0	0	4,125	0	265,718
0	0	0	0	0	0	1,598
9,285	5,399	5,830	0	0	40,614	61,128
0	0	0	22,228	0	0	22,228
9,720	0	0	0	0	0	15,773
<u>527,493</u>	<u>46,628</u>	<u>108,785</u>	<u>22,228</u>	<u>4,125</u>	<u>243,452</u>	<u>1,464,094</u>
0	0	0	0	0	83,522	83,522
0	0	0	21,273	0	0	719,893
0	0	0	0	4,136	0	4,136
809,084	12,174	58,428	0	0	0	879,686
<u>809,084</u>	<u>12,174</u>	<u>58,428</u>	<u>21,273</u>	<u>4,136</u>	<u>83,522</u>	<u>1,687,237</u>
<u>(281,591)</u>	<u>34,454</u>	<u>50,357</u>	<u>955</u>	<u>(11)</u>	<u>159,930</u>	<u>(223,143)</u>
255,000	0	0	0	0	0	255,000
0	0	0	0	0	(107,700)	(107,700)
<u>255,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(107,700)</u>	<u>147,300</u>
(26,591)	34,454	50,357	955	(11)	52,230	(75,843)
135,908	98,545	112,988	5,802	13,369	360,479	1,115,481
<u>\$109,317</u>	<u>\$132,999</u>	<u>\$163,345</u>	<u>\$6,757</u>	<u>\$13,358</u>	<u>\$412,709</u>	<u>\$1,039,638</u>

City of Clayton, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006

	Irvington Storm Water	State Route 48 Improvement	Total Nonmajor Capital Projects Funds
Revenues:	\$0	\$0	\$0
Expenditures:	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balances at Beginning of Year</i>	18,352	6,816	25,168
<i>Fund Balances at End of Year</i>	<u>\$18,352</u>	<u>\$6,816</u>	<u>\$25,168</u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$472,185	\$485,574	\$13,389
Municipal Income Taxes	1,226,790	1,366,221	139,431
Intergovernmental	584,514	540,541	(43,973)
Charges for Services	20,000	94,574	74,574
Licenses and Permits	0	10,626	10,626
Investment Income	79,674	173,067	93,393
Other	10,000	15,865	5,865
<i>Total Revenues</i>	<u>2,393,163</u>	<u>2,686,468</u>	<u>293,305</u>
Expenditures:			
Current:			
General Government			
Personal Services	712,314	649,055	63,259
Contractual Services	869,600	677,879	191,721
Materials and Supplies	23,986	17,853	6,133
Capital Outlay	28,000	17,310	10,690
Other	55,382	49,492	5,890
<i>Total Expenditures</i>	<u>1,689,282</u>	<u>1,411,589</u>	<u>277,693</u>
<i>Excess of Revenues Over Expenditures</i>	<u>703,881</u>	<u>1,274,879</u>	<u>570,998</u>
Other Financing Sources (Uses):			
Advances-In	0	60,000	60,000
Advances-Out	(160,000)	(60,000)	100,000
Transfers-Out	(1,943,654)	(1,545,875)	397,779
<i>Total Other Financing Sources (Uses)</i>	<u>(2,103,654)</u>	<u>(1,545,875)</u>	<u>557,779</u>
<i>Net Change in Fund Balance</i>	(1,399,773)	(270,996)	1,128,777
<i>Fund Balance at Beginning of Year</i>	1,816,226	1,816,226	0
<i>Prior Year Encumbrances Appropriated</i>	<u>165,793</u>	<u>165,793</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$582,246</u></u>	<u><u>\$1,711,023</u></u>	<u><u>\$1,128,777</u></u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Police Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$1,059,070	\$1,108,813	\$49,743
Intergovernmental	182,078	169,763	(12,315)
Fines and Forfeitures	25,000	10,629	(14,371)
Other	37,000	9,440	(27,560)
<i>Total Revenues</i>	<u>1,303,148</u>	<u>1,298,645</u>	<u>(4,503)</u>
Expenditures:			
Current:			
Security of Persons and Property			
Personal Services	1,461,571	1,363,389	98,182
Contractual Services	158,905	123,918	34,987
Materials and Supplies	62,886	56,625	6,261
Capital Outlay	10,525	10,464	61
Other	36,511	21,068	15,443
<i>Total Expenditures</i>	<u>1,730,398</u>	<u>1,575,464</u>	<u>154,934</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(427,250)	(276,819)	150,431
Other Financing Sources:			
Transfers-In	209,000	104,500	(104,500)
<i>Net Change in Fund Balance</i>	(218,250)	(172,319)	45,931
<i>Fund Balance at Beginning of Year</i>	236,954	236,954	0
<i>Prior Year Encumbrances Appropriated</i>	46,730	46,730	0
<i>Fund Balance at End of Year</i>	<u>\$65,434</u>	<u>\$111,365</u>	<u>\$45,931</u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Fire Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$424,281	\$444,589	\$20,308
Intergovernmental	117,630	108,923	(8,707)
Other	33,309	28,635	(4,674)
<i>Total Revenues</i>	<u>575,220</u>	<u>582,147</u>	<u>6,927</u>
Expenditures:			
Current:			
Security of Persons and Property			
Personal Services	343,361	324,528	18,833
Contractual Services	125,783	73,392	52,391
Materials and Supplies	42,217	29,471	12,746
Capital Outlay	77,708	66,497	11,211
Other	112,342	76,384	35,958
<i>Total Expenditures</i>	<u>701,411</u>	<u>570,272</u>	<u>131,139</u>
<i>Net Change in Fund Balance</i>	(126,191)	11,875	138,066
<i>Fund Balance at Beginning of Year</i>	148,855	148,855	0
<i>Prior Year Encumbrances Appropriated</i>	39,152	39,152	0
<i>Fund Balance at End of Year</i>	<u>\$61,816</u>	<u>\$199,882</u>	<u>\$138,066</u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Capital Improvement Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Municipal Income Taxes	\$831,827	\$702,049	(\$129,778)
Intergovernmental	332,000	500,000	168,000
Investment Income	0	1,643	1,643
Other	33,827	34,161	334
<i>Total Revenues</i>	<u>1,197,654</u>	<u>1,237,853</u>	<u>40,199</u>
Expenditures:			
Current:			
General Government			
Contractual Services	1,368,013	1,284,249	83,764
Capital Outlay	1,349,880	1,111,600	238,280
Other	15,000	8,250	6,750
Debt Service:			
Principal Retirement	66,130	66,130	0
<i>Total Expenditures</i>	<u>2,799,023</u>	<u>2,470,229</u>	<u>328,794</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,601,369)</u>	<u>(1,232,376)</u>	<u>368,993</u>
Other Financing Sources (Uses):			
Proceeds from Capital Lease	0	509,275	509,275
Transfers-In	1,110,500	982,875	(127,625)
Transfers-Out	(197,300)	(197,300)	0
<i>Total Other Financing Sources (Uses)</i>	<u>913,200</u>	<u>1,294,850</u>	<u>381,650</u>
<i>Net Change in Fund Balance</i>	(688,169)	62,474	750,643
<i>Fund Balance at Beginning of Year</i>	313,225	313,225	0
<i>Prior Year Encumbrances Appropriated</i>	11,899	11,899	0
<i>Fund Balance at End of Year</i>	<u><u>(\$363,045)</u></u>	<u><u>\$387,598</u></u>	<u><u>\$750,643</u></u>

City of Clayton, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget and Actual (Non-GAAP Basis)
Water Department Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$106,500	\$32,741	(\$73,759)
Tap-In Fees	0	25,786	25,786
Proceeds of Loans	400,000	0	(400,000)
<i>Total Revenues</i>	<u>506,500</u>	<u>58,527</u>	<u>(447,973)</u>
Expenses:			
Contractual Services	200	50	150
Materials and Supplies	152,296	70,855	81,441
Capital Outlay	400,000	0	400,000
Other	100	0	100
Debt Service:			
Principal Retirement	0	47,189	(47,189)
<i>Total Expenses</i>	<u>552,596</u>	<u>118,094</u>	<u>434,502</u>
<i>Net Change</i>	(46,096)	(59,567)	(13,471)
<i>Fund Equity at Beginning of Year</i>	108,841	108,841	0
<i>Prior Year Encumbrances Appropriated</i>	<u>7,596</u>	<u>7,596</u>	<u>0</u>
<i>Fund Equity at End of Year</i>	<u><u>\$70,341</u></u>	<u><u>\$56,870</u></u>	<u><u>(\$13,471)</u></u>

City of Clayton, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget and Actual (Non-GAAP Basis)
Sewer Operating Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Proceeds from OWDA Loan	\$3,500,000	\$2,102,736	(\$1,397,264)
Expenses:			
Capital Outlay	3,500,041	2,107,732	1,392,309
<i>Excess of Revenues Under Expenses</i>	(41)	(4,996)	(4,955)
Advances-In	60,000	60,000	0
Advances-Out	(60,000)	(60,000)	0
<i>Net Change in Fund Equity</i>	(41)	(4,996)	(4,955)
<i>Fund Equity at Beginning of Year</i>	58,430	58,430	0
<i>Prior Year Encumbrances Appropriated</i>	41	41	0
<i>Fund Equity at End of Year</i>	\$58,430	\$53,475	(\$4,955)

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Cops Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$0	\$0	\$0
Expenditures:			
Current:			
Security of Persons and Property			
Materials and Supplies	31,000	0	31,000
<i>Net Change in Fund Balance</i>	(31,000)	0	31,000
<i>Fund Balance at Beginning of Year</i>	31,390	31,390	0
<i>Fund Balance at End of Year</i>	\$390	\$31,390	\$31,000

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Drug Law Enforcement Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$0	\$170	\$170
Expenditures:			
Current:			
Security of Persons and Property			
Contractual Services	1,251	1,251	0
Materials and Supplies	8,700	0	8,700
<i>Total Expenditures</i>	9,951	1,251	8,700
<i>Net Change in Fund Balance</i>	(9,951)	(1,081)	8,870
<i>Fund Balance at Beginning of Year</i>	9,976	9,976	0
<i>Fund Balance at End of Year</i>	\$25	\$8,895	\$8,870

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Law Enforcement Trust Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$0	\$1,438	\$1,438
Expenditures:			
Current:			
Security of Persons and Property			
Materials and Supplies	31,200	9,268	21,932
Capital Outlay	35,800	30,593	5,207
<i>Total Expenditures</i>	67,000	39,861	27,139
<i>Net Change in Fund Balance</i>	(67,000)	(38,423)	28,577
<i>Fund Balance at Beginning of Year</i>	67,492	67,492	0
<i>Fund Balance at End of Year</i>	\$492	\$29,069	\$28,577

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
EMS Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$184,296	\$194,078	\$9,782
Intergovernmental	24,000	48,061	24,061
Charges for Services	294,620	272,773	(21,847)
Other	13,328	6,053	(7,275)
<i>Total Revenues</i>	<u>516,244</u>	<u>520,965</u>	<u>4,721</u>
Expenditures:			
Current:			
Security of Persons and Property			
Personal Services	608,365	531,886	76,479
Contractual Services	106,158	86,406	19,752
Materials and Supplies	24,888	16,220	8,668
Capital Outlay	16,788	16,788	0
Other	16,222	8,827	7,395
<i>Total Expenditures</i>	<u>772,421</u>	<u>660,127</u>	<u>112,294</u>
<i>Net Change in Fund Balance</i>	(256,177)	(139,162)	117,015
<i>Fund Balance at Beginning of Year</i>	288,399	288,399	0
<i>Prior Year Encumbrances Appropriated</i>	<u>21,984</u>	<u>21,984</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$54,206</u></u>	<u><u>\$171,221</u></u>	<u><u>\$117,015</u></u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Street Department Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$527,289	\$518,603	(\$8,686)
Investment Income	0	9,285	9,285
Other	5,000	9,720	4,720
<i>Total Revenues</i>	<u>532,289</u>	<u>537,608</u>	<u>5,319</u>
Expenditures:			
Current:			
Transportation			
Personal Services	660,957	630,325	30,632
Contractual Services	100,100	83,924	16,176
Materials and Supplies	84,565	63,560	21,005
Capital Outlay	16,362	15,794	568
Other	38,313	29,819	8,494
<i>Total Expenditures</i>	<u>900,297</u>	<u>823,422</u>	<u>76,875</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(368,008)	(285,814)	82,194
Other Financing Sources:			
Transfers-In	255,000	255,000	0
<i>Net Change in Fund Balance</i>	(113,008)	(30,814)	82,194
<i>Fund Balance at Beginning of Year</i>	86,695	86,695	0
<i>Prior Year Encumbrances Appropriated</i>	27,175	27,175	0
<i>Fund Balance at End of Year</i>	<u><u>\$862</u></u>	<u><u>\$83,056</u></u>	<u><u>\$82,194</u></u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
State Highway Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$27,075	\$40,715	\$13,640
Investment Income	0	5,399	5,399
<i>Total Revenues</i>	<u>27,075</u>	<u>46,114</u>	<u>19,039</u>
Expenditures:			
Current:			
Transportation			
Contractual Services	7,704	7,595	109
Materials and Supplies	23,500	655	22,845
Other	10,943	7,924	3,019
<i>Total Expenditures</i>	<u>42,147</u>	<u>16,174</u>	<u>25,973</u>
<i>Net Change in Fund Balance</i>	(15,072)	29,940	45,012
<i>Fund Balance at Beginning of Year</i>	92,398	92,398	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,347</u>	<u>3,347</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$80,673</u></u>	<u><u>\$125,685</u></u>	<u><u>\$45,012</u></u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Permissive Motor Vehicle License Tax Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$89,500	\$102,993	\$13,493
Investment Income	100	5,830	5,730
<i>Total Revenues</i>	<u>89,600</u>	<u>108,823</u>	<u>19,223</u>
Expenditures:			
Current:			
Transportation			
Materials and Supplies	30,000	25,907	4,093
Other	43,500	36,727	6,773
<i>Total Expenditures</i>	<u>73,500</u>	<u>62,634</u>	<u>10,866</u>
<i>Net Change in Fund Balance</i>	16,100	46,189	30,089
<i>Fund Balance at Beginning of Year</i>	101,538	101,538	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,500</u>	<u>3,500</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$121,138</u></u>	<u><u>\$151,227</u></u>	<u><u>\$30,089</u></u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Street Lights Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$22,624	\$22,228	(\$396)
Expenditures:			
Current:			
Security of Persons and Property			
Contractual Services	25,000	21,273	3,727
<i>Net Change in Fund Balance</i>	(2,376)	955	3,331
<i>Fund Balance at Beginning of Year</i>	5,802	5,802	0
<i>Fund Balance at End of Year</i>	\$3,426	\$6,757	\$3,331

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Cemetery Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$5,500	\$4,125	(\$1,375)
Expenditures:			
Current:			
Public Health			
Contractual Services	6,000	4,464	1,536
Materials and Supplies	5,250	1,312	3,938
Other	5,000	0	5,000
<i>Total Expenditures</i>	16,250	5,776	10,474
<i>Net Change in Fund Balance</i>	(10,750)	(1,651)	9,099
<i>Fund Balance at Beginning of Year</i>	12,037	12,037	0
<i>Fund Balance at End of Year</i>	\$1,287	\$10,386	\$9,099

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Tax Increment Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property and Other Local Taxes	\$157,000	\$202,838	\$45,838
Investment Income	0	40,614	40,614
<i>Total Revenues</i>	157,000	243,452	86,452
Expenditures:			
Current:			
General Government			
Contractual Services	403,000	134,351	268,649
<i>Excess of Revenues Over (Under) Expenditures</i>	(246,000)	109,101	355,101
Other Financing Uses:			
Transfers-Out	(107,700)	(107,700)	0
<i>Net Change in Fund Balance</i>	(353,700)	1,401	355,101
<i>Fund Balance at Beginning of Year</i>	360,479	360,479	0
<i>Fund Balance at End of Year</i>	\$6,779	\$361,880	\$355,101

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
TIF Towne Center Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$0	\$0	\$0
Expenditures:	0	0	0
<i>Excess of Revenues Over Expenditures</i>	0	0	0
Other Financing Sources (Uses):			
Transfers-In	100,000	0	100,000
Advances-Out	(100,000)	0	(100,000)
<i>Total Other Financing Sources (Uses)</i>	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance at Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$0

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Developmental Fees Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$50,000	\$0	(\$50,000)
Expenditures:	0	0	0
<i>Net Change in Fund Balance</i>	50,000	0	(50,000)
<i>Fund Balance at Beginning of Year</i>	0	0	0
<i>Fund Balance at End of Year</i>	\$50,000	\$0	(\$50,000)

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Bond Retirement Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$0	\$0	\$0
Expenditures:			
Debt Service:			
Principal Retirement	178,500	177,254	1,246
Interest and Fiscal Charges	330,000	330,060	(60)
<i>Total Expenditures</i>	508,500	507,314	1,186
<i>Excess of Revenues Over (Under) Expenditures</i>	(508,500)	(507,314)	1,186
Other Financing Sources:			
Transfers-In	508,500	508,500	0
<i>Net Change in Fund Balance</i>	0	1,186	1,186
<i>Fund Balance at Beginning of Year</i>	4,431	4,431	0
<i>Fund Balance at End of Year</i>	\$4,431	\$5,617	\$1,186

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
Irvington Storm Water Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$0	\$0	\$0
Expenditures:	0	0	0
<i>Net Change in Fund Balance</i>	0	0	0
<i>Fund Balance at Beginning of Year</i>	18,352	18,352	0
<i>Fund Balance at End of Year</i>	<u>\$18,352</u>	<u>\$18,352</u>	<u>\$0</u>

City of Clayton, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
State Route 48 Improvement Fund
For the Year Ended December 31, 2006

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:	\$0	\$0	\$0
Expenditures:			
Current:			
General Government			
Contractual Services	6,816	0	6,816
<i>Net Change in Fund Balance</i>	(6,816)	0	6,816
<i>Fund Balance at Beginning of Year</i>	6,816	6,816	0
<i>Fund Balance at End of Year</i>	\$0	\$6,816	\$6,816

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL TABLES

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

CONTENTS PAGES

Financial Trends 92-100

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

Revenue Capacity 102-109

These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.

Debt Capacity 110-116

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

Demographic and Economic Information 117-118

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

Operating information 119-121

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented *GASB Statement No. 34* during 2004.

City of Clayton, Ohio
Net Assets by Component
Last Four Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$86,351	\$3,952	\$1,096,146	\$2,480,141
Restricted	1,465,798	1,937,007	2,283,572	2,418,788
Unrestricted	<u>1,191,175</u>	<u>1,835,685</u>	<u>2,535,512</u>	<u>2,604,083</u>
<i>Total Governmental Activities Net Assets</i>	<u>2,743,324</u>	<u>3,776,644</u>	<u>5,915,230</u>	<u>7,503,012</u>
Business-Type Activities:				
Invested in Capital Assets, Net of Related Debt	0	(102,187)	(46,429)	(78,683)
Unrestricted (Deficit)	<u>149,464</u>	<u>164,623</u>	<u>(145,701)</u>	<u>18,068</u>
<i>Total Business-Type Activities:</i>	<u>149,464</u>	<u>62,436</u>	<u>(192,130)</u>	<u>(60,615)</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	86,351	(98,235)	1,049,717	2,401,458
Restricted	1,465,798	1,937,007	2,283,572	2,418,788
Unrestricted	<u>1,340,639</u>	<u>2,000,308</u>	<u>2,389,811</u>	<u>2,622,151</u>
<i>Total Primary Government Net Assets</i>	<u><u>\$2,892,788</u></u>	<u><u>\$3,839,080</u></u>	<u><u>\$5,723,100</u></u>	<u><u>\$7,442,397</u></u>

City of Clayton, Ohio
Changes in Net Assets
Last Three Years
(accrual basis of accounting)

	2004	2005	2006
Program Revenues:			
Governmental Activities:			
Charges for Services:			
General Government	\$26,772	\$38,031	\$169,787
Security of Persons and Property	314,897	345,607	296,703
Public Health	800	4,625	4,125
Operating Grants, Contributions and Interest	552,811	817,692	908,004
Capital Grants, Contributions and Interest	0	276,069	572,922
<i>Total Governmental Activities Program Revenues</i>	<u>895,280</u>	<u>1,482,024</u>	<u>1,951,541</u>
Business-Type Activities:			
Charges for Services:			
Water Department	31,303	27,111	66,812
Sewer Operating	0	0	21,505
Capital Grants, Contributions and Interest	0	107,149	269,452
<i>Total Business-Type Activities Program Revenues</i>	<u>31,303</u>	<u>134,260</u>	<u>357,769</u>
<i>Total Primary Government Program Revenues</i>	<u>926,583</u>	<u>1,616,284</u>	<u>2,309,310</u>
Expenses:			
Governmental Activities:			
Current:			
General Government	1,368,528	2,370,105	2,549,858
Security of Persons and Property	2,407,965	1,801,658	2,252,398
Leisure Time Activities	667	0	0
Public Health	5,376	4,549	4,136
Transportation	537,134	261,669	947,510
Interest and Fiscal Charges	34,215	180,251	226,533
<i>Total Governmental Activities Expenses</i>	<u>4,353,885</u>	<u>4,618,232</u>	<u>5,980,435</u>
Business-Type Activities:			
Water Department	118,331	333,428	288,508
Sewer Operating	0	56,548	140,098
<i>Total Business-Type Activities Expenses</i>	<u>118,331</u>	<u>389,976</u>	<u>428,606</u>
<i>Total Primary Government Expenses</i>	<u>\$4,472,216</u>	<u>\$5,008,208</u>	<u>\$6,409,041</u>

(continued)

City of Clayton, Ohio
Changes in Net Assets (continued)
Last Three Years
(accrual basis of accounting)

	2004	2005	2006
Net (Expense) / Revenue:			
Governmental Activities	(\$3,458,605)	(\$3,136,208)	(\$4,028,894)
Business-Type Activities	(87,028)	(255,716)	(70,837)
<i>Total Primary Government Net Assets</i>	<u>(3,545,633)</u>	<u>(3,391,924)</u>	<u>(4,099,731)</u>
General Revenues and Transfers:			
Governmental Activities:			
Property Taxes Levied for General Purposes	342,712	465,256	487,008
Property Taxes Levied for Police	1,022,788	1,098,323	1,105,558
Property Taxes Levied for Fire	405,506	421,057	443,579
Property Taxes Levied for EMS	176,307	184,599	193,639
Other Local Taxes	336,326	161,656	403,892
Municipal Income Taxes Levied for General Purposes	852,187	1,459,448	1,578,201
Municipal Income Taxes Levied for Capital Outlay	429,971	698,190	811,251
Grants and Entitlements not Restricted to Specific Programs	820,270	579,344	514,987
Contributions	12,331	0	0
Investment Income	2,622	98,999	173,067
Other	90,905	107,922	107,846
Transfers	0	0	(202,352)
<i>Total Governmental Activities General Revenues and Transfers</i>	<u>4,491,925</u>	<u>5,274,794</u>	<u>5,616,676</u>
Business-Type Activities:			
Other	0	1,150	0
Transfers	0	0	202,352
<i>Total Business-Type Activities General Revenues and Transfers</i>	<u>0</u>	<u>1,150</u>	<u>202,352</u>
Change in Net Assets:			
Governmental Activities	1,033,320	2,138,586	1,587,782
Business-Type Activities	(87,028)	(254,566)	131,515
<i>Total Primary Government</i>	<u>\$946,292</u>	<u>\$1,884,020</u>	<u>\$1,719,297</u>

City of Clayton, Ohio
Program Revenues by Function/Program
Last Three Years
(accrual basis of accounting)

Function / Program:	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities			
General Government	\$54,892	\$357,923	\$783,323
Security of Persons and Property	353,681	623,878	624,108
Public Health	800	4,625	4,125
Transportation	485,907	495,598	539,985
<i>Total Governmental Activities Program Revenues</i>	<u>895,280</u>	<u>1,482,024</u>	<u>1,951,541</u>
Business-Type Activities:			
Water Department	31,303	130,227	112,469
Sewer Operating	0	4,033	245,300
<i>Total Business-Type Activities Program Revenues</i>	<u>31,303</u>	<u>134,260</u>	<u>357,769</u>
<i>Total Primary Government Program Revenues</i>	<u><u>\$926,583</u></u>	<u><u>\$1,616,284</u></u>	<u><u>\$2,309,310</u></u>

City of Clayton, Ohio
Fund Balances - Governmental Funds
Last Seven Years (1)
(modified accrual basis of accounting)

	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund			
Reserved	\$18,222	\$23,351	\$68,376
Unreserved	<u>651,466</u>	<u>966,509</u>	<u>1,056,776</u>
<i>Total General Fund</i>	<u>669,688</u>	<u>989,860</u>	<u>1,125,152</u>
All Other Governmental Funds			
Reserved	9,269	174,066	243,079
Unreserved, Undesignated (Deficit) Reported in:			
Special Revenue Funds	796,231	856,525	650,808
Debt Service Fund	0	0	0
Capital Projects Funds	<u>1,352</u>	<u>(237,791)</u>	<u>(497,824)</u>
<i>Total All Other Governmental Funds</i>	<u>806,852</u>	<u>792,800</u>	<u>396,063</u>
<i>Total Governmental Funds</i>	<u><u>\$1,476,540</u></u>	<u><u>\$1,782,660</u></u>	<u><u>\$1,521,215</u></u>

(1) The City of Clayton did not exist prior to January 1, 2000.

2003	2004	2005	2006
\$128,863	\$77,786	\$141,169	\$142,351
687,905	1,322,683	1,917,869	1,789,609
816,768	1,400,469	2,059,038	1,931,960
408,995	243,191	136,530	210,896
733,282	1,077,057	1,328,413	1,090,855
0	0	4,431	5,617
96,248	3,093,024	454,323	506,205
1,238,525	4,413,272	1,923,697	1,813,573
<u>\$2,055,293</u>	<u>\$5,813,741</u>	<u>\$3,982,735</u>	<u>\$3,745,533</u>

City of Clayton, Ohio
Changes in Fund Balances - Governmental Funds
Last Seven Years (1)
(modified accrual basis of accounting)

	2000	2001	2002	2003
Revenues:				
Property and Other Local Taxes	\$2,032,740	\$2,146,736	\$2,239,105	\$2,222,997
Municipal Income Taxes	0	0	0	0
Intergovernmental	1,225,596	2,034,908	1,696,953	1,648,301
Charges for Services	44,975	127,143	240,292	264,812
Licenses and Permits	58,613	22,229	31,918	27,589
Fines and Forfeitures	0	0	0	0
Contributions and Donations	0	66,370	77,712	400
Investment Income	107,223	97,840	81,178	28,500
Special Assessments	27,456	26,747	31,056	22,765
Impact Fees	0	0	0	0
Other	57,338	65,766	38,011	43,869
<i>Total Revenues</i>	<u>3,553,941</u>	<u>4,587,739</u>	<u>4,436,225</u>	<u>4,259,233</u>
Expenditures:				
Current:				
General Government	818,027	861,745	788,044	762,008
Security of Persons and Property	1,892,324	2,033,113	2,127,539	2,362,097
Leisure Time Activities	51,599	0	0	0
Public Health	4,604	7,393	3,410	6,910
Community Environment	90,688	87,233	86,588	106,591
Transportation	648,650	538,912	785,432	663,815
Capital Outlay	157,611	661,085	805,690	1,370,997
Debt Service:				
Principal Retirement	48,579	77,606	83,493	33,255
Interest and Fiscal Charges	9,104	26,025	21,548	19,482
Issuance Costs	0	0	0	0
<i>Total Expenditures</i>	<u>3,721,186</u>	<u>4,293,112</u>	<u>4,701,744</u>	<u>5,325,155</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(167,245)</u>	<u>294,627</u>	<u>(265,519)</u>	<u>(1,065,922)</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	3,689	5,981	4,074	0
General Obligation Bonds Issued	0	0	0	0
Proceeds from Refunding Notes	0	0	0	0
Premium on Debt Issued	0	0	0	0
Notes Issued	0	0	0	1,600,000
Proceeds of Loan	0	0	0	0
Proceeds from Capital Lease	157,611	5,512	0	0
Transfers-In	188,000	200,000	337,500	524,052
Current Refunding	0	0	0	0
Transfers-Out	(188,000)	(200,000)	(337,500)	(524,052)
<i>Total Other Financing Sources (Uses)</i>	<u>161,300</u>	<u>11,493</u>	<u>4,074</u>	<u>1,600,000</u>
<i>Net Change in Fund Balances</i>	<u>(\$5,945)</u>	<u>\$306,120</u>	<u>(\$261,445)</u>	<u>\$534,078</u>
<i>Debt Service as a Percentage of Noncapital Expenditures (2)</i>	1.6%	2.9%	2.8%	1.4%

(1) The City of Clayton did not exist prior to January 1, 2000.

(2) Beginning in 2004, the City began tracking capital outlay in the functions for which the items were acquired. The capital expenditures within the various functions can be obtained from the Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

2004	2005	2006
\$2,341,468	\$2,434,127	\$2,538,847
1,184,355	1,882,105	2,072,428
1,294,237	1,639,988	1,917,568
301,520	341,039	360,292
7,960	8,315	10,626
22,263	13,624	13,526
12,331	0	0
32,442	142,245	235,838
22,128	22,124	22,228
0	0	63,032
95,932	107,554	108,214
<u>5,314,636</u>	<u>6,591,121</u>	<u>7,342,599</u>
1,572,028	5,647,391	3,627,015
2,388,868	2,454,231	2,806,686
667	0	0
5,376	4,549	4,136
0	0	0
586,560	753,543	879,686
0	0	0
1,616,253	69,973	357,611
21,449	182,830	211,590
0	98,022	0
<u>6,191,201</u>	<u>9,210,539</u>	<u>7,886,724</u>
<u>(876,565)</u>	<u>(2,619,418)</u>	<u>(544,125)</u>
0	0	0
0	4,500,000	0
0	1,600,000	0
0	98,022	0
4,500,000	0	0
0	198,390	0
135,013	492,000	509,275
278,442	793,605	1,648,523
0	(6,100,000)	0
<u>(278,442)</u>	<u>(793,605)</u>	<u>(1,850,875)</u>
<u>4,635,013</u>	<u>788,412</u>	<u>306,923</u>
<u>\$3,758,448</u>	<u>(\$1,831,006)</u>	<u>(\$237,202)</u>
39.5%	7.1%	9.5%

City of Clayton, Ohio
Tax Revenues by Source - Governmental Funds
Last Seven Years (1)
(modified accrual basis of accounting)

Year	Property and Other Local Taxes	Municipal Income Tax	Total
2000	\$2,032,740	\$0	\$2,032,740
2001	2,107,593	0	2,107,593
2002	2,239,105	0	2,239,105
2003	2,222,997	0	2,222,997
2004*	2,341,468	1,184,355	3,525,823
2005	2,434,127	1,882,105	4,316,232
2006	2,538,847	2,072,428	4,611,275

(1) The City of Clayton did not exist prior to January 1, 2000.

* Beginning in 2004 the City started collecting the 1.5 percent municipal income tax levy passed by the voters.

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clayton, Ohio
Assessed Value and Estimated Actual Value of Taxable Property
Last Four Years (1)

Collection Year	Real Property			Tangible Personal Property	
	Assessed Value		Estimated Actual Value	Public Utility	
	Residential/ Agricultural	Commercial Industrial/PU		Assessed Value	Estimated Actual Value
2003	\$220,594,270	\$14,047,960	\$670,406,371	\$6,969,700	\$7,920,114
2004	223,733,540	13,378,050	677,461,686	6,750,130	7,670,602
2005	227,078,110	13,559,680	687,536,543	5,979,780	6,795,205
2006	245,417,110	14,684,510	743,147,486	5,940,090	6,750,102

Source: Montgomery County Auditor

- (1) Information not available prior to 2003.

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

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009.

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

<u>Tangible Personal Property</u>					<u>Weighted Average Tax Rate (per \$1,000 of assessed value)</u>
<u>General Business</u>		<u>Total</u>			
<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio</u>	
\$2,287,021	\$9,148,084	\$243,898,951	\$664,021,629	36.73	9.29
2,422,986	9,691,944	246,284,706	694,824,232	35.45	9.28
2,368,147	9,472,588	248,985,717	703,804,335	35.38	9.27
1,812,688	9,667,669	267,854,398	759,565,257	35.26	8.79

City of Clayton, Ohio
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Seven Years (1)

	2000	2001	2003	2003
Unvoted Millage				
Operating	\$1.60000	\$1.60000	\$1.60000	\$1.60000
Voted Millage - by levy				
1976 Police				
Residential/Agricultural Real	0.6762	0.6741	0.6100	0.6100
Commercial/Industrial and Public Utility Real	1.2693	1.2690	1.0753	1.0753
General Business and Public Utility Personal	2.6800	2.6800	2.6800	2.6800
1998 Police				
Residential/Agricultural Real	1.3864	1.3821	1.2507	1.2507
Commercial/Industrial and Public Utility Real	1.5000	1.4997	1.2708	1.2708
General Business and Public Utility Personal	1.5000	1.5000	1.5000	1.5000
1998 Police				
Residential/Agricultural Real	3.2349	3.2249	2.9183	2.9183
Commercial/Industrial and Public Utility Real	3.5000	3.4993	2.9652	2.9652
General Business and Public Utility Personal	3.5000	3.5000	3.5000	3.5000
1998 Fire District - Fire and EMS				
Residential/Agricultural Real	2.1259	2.1193	1.9179	1.9179
Commercial/Industrial and Public Utility Real	2.3000	2.2996	1.9490	1.9490
General Business and Public Utility Personal	2.3000	2.3000	2.3000	2.3000
1998 Fire District - Emergency				
Residential/Agricultural Real	0.9243	0.9214	0.8339	0.8339
Commercial/Industrial and Public Utility Real	1.0000	0.9998	0.8474	0.8474
General Business and Public Utility Personal	1.0000	1.0000	1.0000	1.0000
<i>Total Voted Millage by Type of Property</i>				
Residential/Agricultural Real	8.34770	8.32180	7.53080	7.53080
Commercial/Industrial and Public Utility Real	9.56930	9.56740	8.10770	8.10770
General Business and Public Utility Personal	10.98000	10.98000	10.98000	10.98000
<i>Total Millage by Type of Property</i>				
Residential/Agricultural Real	9.94770	9.92180	9.13080	9.13080
Commercial/Industrial and Public Utility Real	11.16930	11.16740	9.70770	9.70770
General Business and Public Utility Personal	12.58000	12.58000	12.58000	12.58000

2004	2005	2006
\$1.60000	\$1.60000	\$1.60000
0.6084	0.6074	0.5715
1.0767	1.0766	0.9983
2.6800	2.6800	2.6800
1.2475	1.2454	1.1717
1.2725	1.2724	1.1798
1.5000	1.5000	1.5000
2.9107	2.9059	2.7340
2.9691	2.9688	2.7528
3.5000	3.5000	3.5000
1.9129	1.9097	1.7969
1.9515	1.9514	1.8086
2.3000	2.3000	2.3000
0.8317	0.8303	0.7813
0.8485	0.8484	0.7863
1.0000	1.0000	1.0000
7.51120	7.49870	7.05540
8.11830	8.11760	7.52580
10.98000	10.98000	10.98000
9.11120	9.09870	8.65540
9.71830	9.71760	9.12580
12.58000	12.58000	12.58000

(continued)

City of Clayton, Ohio
Property Tax Rates - Direct and Overlapping Governments (continued)
(Per \$1,000 of Assessed Valuation)
Last Seven Years (1)

Overlapping Rates by Taxing District

	2000	2001	2002	2003
Northmont School District				
Residential/Agricultural Real	\$30.9798	\$30.8410	\$30.7310	\$28.0041
Commercial/Industrial and Public Utility Real	35.8377	35.8719	35.6492	31.4708
General Business and Public Utility Personal	58.8500	58.8300	58.8000	58.3500
Trotwood-Madison School District				
Residential/Agricultural Real	38.4135	39.3770	39.6467	47.4226
Commercial/Industrial and Public Utility Real	42.4120	43.5789	45.2203	51.6159
General Business and Public Utility Personal	52.6400	52.6400	52.9100	61.0500
Brookville School District				
Residential/Agricultural Real	30.2103	30.0433	29.9119	35.8699
Commercial/Industrial and Public Utility Real	36.2159	36.4068	36.0303	40.7727
General Business and Public Utility Personal	57.0900	57.0900	57.0800	65.0600
Sinclair Community College				
Residential/Agricultural Real	0.0000	0.0000	0.0000	0.0000
Commercial/Industrial and Public Utility Real	0.0000	0.0000	0.0000	0.0000
General Business and Public Utility Personal	0.0000	0.0000	0.0000	0.0000
Montgomery County				
Residential/Agricultural Real	13.3359	14.1326	14.1053	12.7219
Commercial/Industrial and Public Utility Real	15.1759	15.8608	15.8389	14.5574
General Business and Public Utility Personal	16.6400	17.2400	17.2400	17.2400
Special Taxing Districts (2)				
Residential/Agricultural Real	2.2371	2.2365	2.2361	2.5161
Commercial/Industrial and Public Utility Real	2.5322	2.5278	2.5084	2.5632
General Business and Public Utility Personal	2.8400	2.8400	2.8400	2.8400

Source: Montgomery County Auditor

Note: The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

The City's basic property tax rate may be increased only by a majority vote of the City's residents.

Real property tax rates are reduced so that inflationary increases in value do not generate additional taxes. Real property is reappraised every six years and property values are updated in the third year of each reappraisal.

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

(1) The City of Clayton did not exist prior to January 1, 2000.

(2) Library, Joint Vocational School

2004	2005	2006
\$33.6824	\$33.5861	\$31.8522
37.2891	37.6443	36.5464
64.1500	64.1500	64.1500
47.2126	47.1064	43.9139
51.5069	51.7235	49.8603
60.8500	60.7000	60.0600
35.8140	35.6903	33.5760
40.4013	40.4597	40.2386
65.0600	65.0600	65.0400
2.0190	2.0144	1.8234
2.1749	2.1806	2.0774
2.5000	2.5000	2.5000
13.1094	13.0835	12.0043
14.1786	14.1955	13.6040
15.7400	15.7400	15.7400
2.5049	3.5228	3.2372
2.5676	3.5987	3.4506
2.8400	3.8300	3.8300

City of Clayton, Ohio
Principal Property Tax Payers
December 31, 2006 (1)

Taxpayer	2006	
	Total Assessed Valuation	Percentage of Total Assessed Valuation
Dayton Power and Light	\$3,989,200	1.49%
Tilak Nagar/Stoneridge	1,945,370	0.73%
Garden Woods Apartments	1,661,670	0.62%
LGH Properties	1,265,480	0.47%
Pleasant Real Estate LLC	944,870	0.35%
Verizon North	940,820	0.35%
Randolph Investments LLC	911,850	0.34%
Louis Fanty A. Jr.	781,110	0.29%
Greenglen Apartments of Dayton	622,350	0.23%
MB Hussain LLC	496,020	0.19%
Total Real and Personal Property	13,558,740	5.06%
All Others	254,295,658	94.94%
Total Assessed Valuation	<u>\$267,854,398</u>	<u>100.00%</u>

Source: Montgomery County Auditor

(1) Information prior to December 31, 2000 is not available.

City of Clayton, Ohio
Property Tax Levies and Collections
Last Seven Years (1)

<u>Collection Year</u>	<u>Total Tax Levied (2)</u>	<u>Current Tax Collection (2)</u>	<u>Percent of Current Levy Collected</u>	<u>Delinquent Tax Collection (3)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Collections To Total Levy</u>
2000	\$2,217,305	\$2,159,653	97.40%	\$53,136	\$2,212,789	99.80%
2001	2,234,420	2,210,156	98.91%	59,142	2,269,298	101.56%
2002	2,356,324	2,279,078	96.72%	62,215	2,341,293	99.36%
2003	2,362,074	2,333,517	98.79%	77,248	2,410,765	102.06%
2004	2,305,743	2,218,299	96.21%	54,778	2,273,077	98.58%
2005	2,191,528	2,100,921	95.87%	80,491	2,181,412	99.54%
2006	2,353,436	2,287,521	97.20%	90,414	2,377,935	101.04%

Source: Montgomery County Auditor

- (1) The City of Clayton did not exist prior to January 1, 2000.
- (2) Current taxes levied and current tax collections do not include rollback and homestead amounts.
- (3) Delinquent tax collections include amounts collected from penalties, interest, and other delinquent collections. The City does not identify delinquent collections by the year for which the tax was levied.

City of Clayton, Ohio
Ratios of Outstanding Debt by Type
Primary Government
Last Seven Years (1)

Fiscal Year	Governmental Activities			Business Type Activities			Total Outstanding Debt	Estimated Actual Value of Taxable Property
	Improvement Notes	Various Purpose Bonds	Communication Equipment Loan	Capital Leases	Water Line Loan	OWDA Loan		
2000	\$110,000	\$0	\$0	\$190,750	\$0	\$0	\$300,750	\$619,712,943
2001	650,000	0	0	118,656	0	0	768,656	627,013,082
2002	650,000	0	0	35,163	0	0	685,163	627,040,562
2003	1,600,000	0	0	1,908	0	0	1,601,908	664,021,629
2004	4,500,000	0	0	120,668	4,464,274	0	9,084,942	694,824,232
2005	0	4,601,904	198,390	542,695	4,444,874	1,242,895	11,030,758	703,804,335
2006	0	4,498,269	132,260	875,489	4,397,685	3,283,377	13,187,080	759,565,257

- (1) The City of Clayton did not exist prior to January 1, 2000.
- (2) Computation of per capita personal income multiplied by population - See Demographic and Economic Statistical Table, Page 117
- (3) Source: 2000 Census

Total Personal Income (2)	Population (3)	Ratio of Debt to Total Personal Income	Debt Per Capita
\$390,546,567	13,347	0.08%	\$22.53
390,546,567	13,347	0.20%	57.59
390,546,567	13,347	0.18%	51.33
390,546,567	13,347	0.41%	120.02
390,546,567	13,347	2.33%	680.67
390,546,567	13,347	2.82%	826.46
390,546,567	13,347	3.38%	988.02

City of Clayton, Ohio
*Ratio of General Obligation Bonded Debt to
 Estimated Actual Value and General Obligation Bonded Debt Per Capita
 Last Two Years (1)*

Fiscal Year	General Bonded Debt	Estimated Actual Value (2)	Population (3)	Ratio of Debt to Estimated Actual Value	Debt Per Capita
2005	\$4,601,904	\$703,804,335	13,347	0.65%	\$344.79
2006	4,498,269	759,565,257	13,347	0.59%	337.02

Source: (1) The City of Clayton did not have General Bonded Debt prior to January 1, 2005.
 (2) Montgomery County Auditor
 (3) 2000 Census

THIS PAGE INTENTIONALLY LEFT BLANK

City of Clayton, Ohio
Legal Debt Margin Information
Last Seven Years (1)

	2006	2005	2004	2003
Total Assessed Valuation	\$267,854,398	\$248,985,717	\$246,284,706	\$243,898,951
Overall debt limitation - 10.5% of assessed valuation	28,124,712	26,143,500	25,859,894	25,609,390
Gross indebtedness authorized by the City	12,198,322	10,386,159	8,964,274	1,600,000
Less Exempt Debt				
State Route 48 Improvement Note	0	0	1,600,000	1,600,000
Water Line Loan	4,397,685	4,444,874	4,464,274	0
Various Purpose Bond - State Route 48 Improvement Portion	0	1,600,000	0	0
OWDA Loan	3,283,377	1,242,895	0	0
General Obligation Bond Retirement Fund Balance	5,617	4,431	0	0
Total Exempt Debt	7,686,679	7,292,200	6,064,274	1,600,000
Total Net Debt Subject to Limitation	4,511,643	3,093,959	2,900,000	0
Legal debt margin within 10.5% limitation	\$23,613,069	\$23,049,541	\$22,959,894	\$25,609,390
Legal Debt Margin as a Percentage of the Debt Limit	84.0%	88.2%	88.8%	100.0%
Unvoted debt limitation 5.5% of assessed valuation	\$14,731,992	\$13,694,214	\$13,545,659	\$13,414,442
Gross indebtedness authorized by the City	12,198,322	10,386,159	8,964,274	1,600,000
Less Exempt Debt				
State Route 48 Improvement Note	0	0	1,600,000	1,600,000
Water Line Loan	4,397,685	4,444,874	4,464,274	0
Various Purpose Bond - State Route 48 Improvement Portion	0	1,600,000	0	0
OWDA Loan	3,283,377	1,242,895	0	0
General Obligation Bond Retirement Fund Balance	5,617	4,431	0	0
Total Exempt Debt	7,686,679	7,292,200	6,064,274	1,600,000
Total Net Debt Subject to Limitation	4,511,643	3,093,959	2,900,000	0
Legal debt margin within 5.5% limitation	\$10,220,349	\$10,600,255	\$10,645,659	\$13,414,442
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	69.4%	77.4%	78.6%	100.0%

Ohio Bond Law sets a limit of 10.5% for voted debt and 5.5% for unvoted debt.

(1) The City of Clayton did not exist prior to January 1, 2000.

2002	2001	2000
\$219,295,173	\$219,644,425	\$217,261,651
23,025,993	23,062,665	22,812,473
650,000	650,000	0
650,000	650,000	0
0	0	0
0	0	0
0	0	0
0	0	0
650,000	650,000	0
0	0	0
\$23,025,993	\$23,062,665	\$22,812,473
100.0%	100.0%	100.0%
\$12,061,235	\$12,080,443	\$11,949,391
650,000	650,000	0
650,000	650,000	0
0	0	0
0	0	0
0	0	0
0	0	0
650,000	650,000	0
0	0	0
\$12,061,235	\$12,080,443	\$11,949,391
100.0%	100.0%	100.0%

City of Clayton, Ohio
Direct and Overlapping Governmental Activities Debt
 December 31, 2006

Jurisdiction	Debt Outstanding	Percentage Applicable to the City of Clayton (1)	Amount Applicable to the City of Clayton
Direct Debt:			
City of Clayton			
General Obligation Bonds	\$4,385,000	100.00%	\$4,385,000
Communication Equipment Loan	132,260	100.00%	132,260
Capital Lease Obligations	875,489	100.00%	875,489
Total Direct Debt	5,392,749		5,392,749
Overlapping Debt:			
Montgomery County			
General Obligation Bonds	47,221,740	2.50%	1,180,544
Special Assessment Bonds	2,392,572	2.50%	59,814
Capital Lease Obligations	905,247	2.50%	22,631
Trotwood-Madison School District			
School Improvement Bonds	32,945,000	2.79%	919,166
Energy Conservation Note Payable	215,000	2.79%	5,999
Capital Lease Obligation	9,943,000	2.79%	277,410
Brookville School District			
General Obligation Bonds	22,541,397	0.10%	22,541
Greater Dayton Regional Transit Authority			
Capital Facility Bonds	7,230,000	2.50%	180,750
Total Overlapping Debt	123,393,956		2,668,854
Grand Total	\$128,786,705		\$8,061,603

Source: Montgomery County Auditor

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

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by residents and businesses should be taken into account.

City of Clayton, Ohio
Demographic and Economic Statistics
Last Seven Years (1)

Year	Population (2)	Total Personal Income (3)	Per Capita Personal Income (2)	Median Household Income (2)	Median Age (2)	Percent of High School or Higher Graduates (2)	Unemployment Rate (4)	Total Assessed Property Value (5)
2000	13,347	\$390,546,567	\$29,261	\$60,625	39.2	91.5%	2.9%	\$217,261,651
2001	13,347	390,546,567	29,261	60,625	39.2	91.5%	2.9%	219,644,425
2002	13,347	390,546,567	29,261	60,625	39.2	91.5%	2.9%	219,295,173
2003	13,347	390,546,567	29,261	60,625	39.2	91.5%	2.9%	243,898,951
2004	13,347	390,546,567	29,261	60,625	39.2	91.5%	2.9%	246,284,706
2005	13,347	390,546,567	29,261	60,625	39.2	91.5%	2.9%	248,985,717
2006	13,347	390,546,567	29,261	60,625	39.2	91.5%	2.9%	267,854,398

(1) The City did not exist prior to January 1, 2000

- Source: (2) 2000 Census
(3) Computation of per capita personal income multiplied by population
(4) Ohio Department of Jobs and Family Services
(5) Montgomery County Auditor

City of Clayton, Ohio
Principal Employers
 December 31, 2006 (1)

Employer	2006	
	Total Employees	Percentage of Total Employees
Northmont Board of Education	950	25.49%
Stillwater Center	182	4.88%
City of Clayton	90	2.41%
Studebaker Electric	53	1.42%
Dayton Meadowbrook	50	1.35%
Anchor Fabricating	42	1.13%
Crapsey & Gilles	31	0.83%
Caffe Anticoli	20	0.54%
United Dairy Farmers	19	0.51%
Dennis E. McClure MD Inc.	18	0.48%
Total Employees	1,455	39.04%
All Other Employers	2,272	60.96%
Total Employees	<u>3,727</u>	<u>100.00%</u>

(1) Information prior December 31, 2000 is not available.

City of Clayton, Ohio
City Government Employees by Function/Program
Last Seven Years (1)

Governmental Activities:	2000		2001		2002		2003		2004		2005		2006	
	Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All	Full-Time	All
General Government:														
Administration	7	12	8	8	9	13	7	17	7	19	9	11	10	11
Police	13	14	14	14	15	26	15	23	15	22	13	18	13	24
Fire/EMS	5	45	5	45	6	50	6	49	5	52	4	44	7	44
Street	9	26	10	6	7	8	8	13	8	14	10	11	8	11
<i>Total Number of Employees</i>	<u>34</u>	<u>97</u>	<u>37</u>	<u>73</u>	<u>37</u>	<u>97</u>	<u>36</u>	<u>102</u>	<u>35</u>	<u>107</u>	<u>36</u>	<u>84</u>	<u>38</u>	<u>90</u>

(1) The City of Clayton did not exist prior to January 1, 2000.

City of Clayton, Ohio
Operating Indicators by Function/Program
Last Five Years (1)

	2002	2003	2004	2005	2006
Police					
Police Calls	13,533	12,892	11,203	10,263	10,233
Fire/EMS					
Fire and EMS Calls	1,287	1,376	1,494	1,788	1,739
Street					
Dollars for Road Improvement	\$153,262	\$119,823	\$150,285	\$130,240	\$520,368
Miles of Roads	197	197	197	197	197
Tons of Salt Spread	353	791	700	400	350
Tons of Grit Spread	328	1,037	1,500	200	118

(1) Information prior to 2002 was not available.

City of Clayton, Ohio
Capital Assets Statistics by Function/Program
Last Three Years (1)

	2004	2005	2006
General Government			
Government Center	1	1	1
Community Center	1	1	1
Gazebo	1	1	1
Parks	3	3	3
Cemeteries	2	2	2
Vehicles	2	2	2
Police			
Stations	1	1	1
Patrol Vehicles			
Active	7	7	9
Auxilliary	8	5	6
Support Vehicles/Trailers	2	1	1
Fire			
Stations	3	3	3
Response Vehicles	12	6	6
Support	2	3	3
EMS			
Medics	5	4	4
Street			
Buildings	2	2	2
Trucks	14	10	10
Pickups	3	3	3
Mowers	7	5	5

(1) Information prior to 2004 was not available.

THIS PAGE INTENTIONALLY LEFT BLANK



Mary Taylor, CPA
Auditor of State

CITY OF CLAYTON

MONTGOMERY 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
FEBRUARY 7, 2008**